

ANNUAL REPORT  
OF THE  
FEDERAL  
TRADE COMMISSION  
FOR THE  
FISCAL YEAR ENDED JUNE 30  
1933

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## **LETTER OF SUBMITTAL**

*To the Senate and House of Representatives:*

The Federal Trade Commission herewith submits to the Congress its nineteenth annual report for the fiscal year July 13 1932, to June 30, 1933.

## **INTRODUCTION**

THE COMMISSION ASSUMES NEW FUNCTIONS

REGULAR WORK UNDER THE ORGANIC ACT

GENERAL INVESTIGATIONS OF THE COMMISSION

HOW THE COMMISSION'S WORK IS HANDLED

THE COMMISSIONERS AND THEIR DUTIES

PUBLICATIONS OF THE COMMISSION

**ANNUAL REPORT  
OF THE  
FEDERAL TRADE COMMISSION**

**INTRODUCTION**

**THE COMMISSION ASSUMES NEW FUNCTIONS**

Developments occurring toward the close of the fiscal year 1932-33 of which this volume is the annual report, have had a marked and far-reaching effect upon the duties of the Federal Trade Commission.

With the signing of the Securities Act of 1933 on May 27 by President Roosevelt began a new era in the history of the Commission. This act provided that in 40 days from the date of enactment the

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passed by the Seventy-third Congress, the Commission is also doing its part in aiding the administration with its recovery program: Its chairman is a member of the Special Industrial Advisory Board named by the President for the National Recovery Administration, while the Commission stands ready at all times to carry on investigations as required by the National Industrial Recovery Act,<sup>2</sup> which act calls upon the Commission to make investigations “to enable the President to carry out the provisions of this title”, for which purposes “the Commission shall have all the powers vested in it with respect of investigations under the Federal Trade Commission Act, as amended.”<sup>2</sup>

Much of the work of the National Recovery Administration itself is based ultimately upon the principles



*Chain stores.*--The investigation has been completed and written up in a series of published reports treating of close to 30 different phases of the national chain-store industry. A final report containing the Commission's general conclusions and recommendations will later be issued.

*Cottonseed prices.*--Investigation completed and final report transmitted to the Senate, May 19, 1933.

*Price bases.*--Further reports being prepared. (See p.56.)

*Cement industry.*--Investigation completed and final report transmitted to the Senate, June 9, 1933.

*Building materials.*--Final report now under consideration.

*Salary inquiry.*--Investigation now in progress.

### **HOW THE COMMISSION WORK IS HANDLED**

The work of the Federal Trade Commission may be divided into the following general divisions: Securities registration, legal, general investigations, and administrative.

By virtue of the Securities Act of 1933 the securities division has charge of the Nation-wide registration of proposed issues of securities. The legal division has charge of proceedings against respondents charged with unfair methods of competition as forbidden by the Federal Trade Commission Act and of other practices condemned by the Clayton Act, and with the trial of cases before the Commission and in the courts. This work is carried on through the following officials: Chief examiner, board of review, chief trial examiner, and the chief counsel, who is chief legal adviser to the Commission. There are also the division of trade practice conferences, the special board of investigation for cases of false and misleading advertising, and the foreign-trade work, which is under supervision of the chief counsel. Members of the trial examiners' division are delegated to preside at trial of formal complaints and to sit as special masters in the taking of testimony in investigations conducted pursuant to congressional resolutions as well as at hearings held in pursuance of the Securities Act of 1933. They also arrange settlements of applications for complaint, by stipulations. This method is employed particularly in cases where the practice complained of is

President, by Congress, or the Attorney General, or by the Commission itself, such as the current investigations regarding power and gas utilities, chain-store Systems, and price bases. The economic division carries on that part of the power inquiry which deals with the financial structure, organization, and management of the utilities, although the chief counsel has charge of the examination in public hearings. The chief examiner has cooperated with the economic division in studying legal aspects of the chain-store survey. The investigations of cottonseed ~~public~~, whi ublic

January a member of the Commission is designated to serve as chair-man for the succeeding year. The position rotates so that each commissioner Serves at least one year during his term of office. The chairman presides at meetings of the Commission and signs the more important official papers and reports at the direction of the Commission

Official activities of the commissioners are generally similar in character although each assumes broad supervisory charge of a different division of work. One commissioner may maintain contact with the securities division, another with the chief counsel and his staff or the chief examiner, and so on; however, all e x a m i n e r ,

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To make public from time to time such portions of the information obtained by it hereunder, except trade secrets and names of customers, as it shall deem expedient in the public interest; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use.

## **PART I. SECURITIES REGISTRATION**

SECURITIES ACT OF 1933

CORPORATION OF FOREIGN BONDHOLDERS ACT, 1933

LEGISLATIVE HISTORY

ADMINISTRATION OF THE SECURITIES ACT

REGISTRATION REQUIREMENTS

COMMISSION ISSUES FIRST STOP ORDERS

## **PART I. SECURITIES REGISTRATIONS**

### **SECURITIES ACT OF 1933**

This law constitutes title I of Public No.22, approved May 27, 1933. It was one of the most important pieces of legislation passed by the Seventy-third Congress. It is not an emergency measure but a permanent addition to our regulatory legislation. The purpose of the act is to “provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof.” The underlying aim of the act is, therefore, to offer protection to the public purchasing securities. This protection is sought to be achieved by requiring full disclosure of the facts pertinent to the formation of an intelligent appraisal of the value of a security, and by affording sanctions, civil and criminal, against the parties failing to make such fair disclosures. The applicability of the act is limited to securities entering interstate or foreign commerce or the mails as being within the province of the Federal



Commission intends to administer the act so as to give purchasers of securities full and accurate information, at the same time neither the act nor its administration will offer any serious obstacle to the legitimate financing of legitimate business. Even speculative securities may still be offered, and the public will be as free as ever to buy them, since this act is meant in no way to substitute the judgment of the Government for that of the individual investor as to the wisdom or advisability of making any particular investment.

### **CORPORATION OF FOREIGN BONDHOLDERS ACT, 1933**

This act is title II of Public No.22, approved May 27, 1933. The purpose of the act is that of "protecting, conserving, and advancing the interests of the holders of foreign securities in default." This title, however, is not in effect, since, in accordance with section 211, its becoming effective is contingent upon a proclamation by the President.

### **LEGISLATIVE HISTORY**

The Democratic platform of 1932 provided as follows:

We advocate protection of the investing public by requiring to be filed with the Government and carried in advertisements of all offerings of foreign and domestic stocks and bonds true information as to bonuses, commissions principal invested, and interests of the sellers.

On March 29,1933, the President requested legislation on the subject by the following special message to the Congress:

*To the Congress.*

What we seek is a return to a clearer understanding of the ancient truth that those who manage banks, corporations, and other agencies handling or using other people's money are trustees acting for others.

Simultaneously, there were introduced in the House and Senate identical bills, H.R. 4314 and S. 875, covering the proposed legislation. Public hearings were held in March and April 1933, before the House Committee on interstate and Foreign Commerce and before the Senate Committee on Banking and Currency, to which committees the respective bills had been referred.

The House committee thereafter prepared a new bill, which on May 3, 1933, was introduced by its chairman as H.R. 5480. The following day, May 4, the House committee favorably reported H.R. 5480 and recommended its passage With certain minor amendments. (H. Rept. 85, 73d Cong., 1st Sess.) On May 5, 1933, the bill (H. R. 5480) was considered as in Committee of the Whole, and passed by the House as reported, with the committee amendments. The bill was then massaged to the Senate on May 8, 1933.

In the meantime the Senate committee, April 27, 1933, had favorably reported its bill S. 875, with an amendment in the nature of a substitute, and recommended that the bill as amended be passed. (S. Rept. 47, 73d Cong., 1st Sess.)

On May 8 the Senate considered its bill (S. 875), agreed to the language as reported with certain amendments, including title I-I which was added on the floor of the Senate, and thereupon passed the House bill (H.R. 5480) With the Senate measure attached as an amendment in the nature of a substitute. The legislation was then committed to conference between the two Houses. After deliberation the conference agreed upon and reported to their respective Houses the language as it now appears in the statute. The conference report was agreed to by the House, May 22, 1933 (H. REPT. 152, 73d Cong., 1st Sess.), and by the Senate, May 23, 1933. The bill thus passed was approved by the President, May 27, 1933.

#### **ADMINISTRATION OF THE SECURITIES ACT**

To administer the law the Commission has organized a securities division, and has published rules, regulations and forms as required by the act. An interim rule regarding registration was issued by the Commission, June 29, 1933, followed on July 6 by the promulgation of the first set of general rules and regulations, and a form of registration statement. Additional or supplemental rules have since been issued, and it is anticipated that others will be promulgated from time to time as a result of experience in the operation of the law.

The forms described below for the making of registration statements have been approved by the Commission and promulgated.

Form A-1 is the prototype of the various forms, and the one to be used for the ordinary type of corporate security, to be used also When there is not one especially designed to meet a particular kind of security. The other forms are variants of A-1, with changes, additions, and omissions necessary to meet the circumstances of particular securities. Forms D-1 and D-2 are to be used in the case of reorganizations: D-1 for the registration of certificates of deposit; D-2 for the securities to be issued pursuant to a plan of readjustment or reorganization. Form C-1 is to be used for unincorporated investment trusts not having a board of directors of the fixed or restricted management type. Other forms, to meet other special classes of securities, are being prepared; particularly forms for foreign securities issued by private and governmental agencies.

### **REGISTRATION REQUIREMENTS**

Before any security may be lawfully sold in interstate commerce or by use of the mails there must be on file with the Commission and in effect a registration statement disclosing full facts regarding the security. This requirement as to registration, however, applies only to securities Which plan with

If

Though stop or refusal orders have been issued in only 7 cases, the policy of permitting a registrant to withdraw his registration statement and thereby be unable to offer the securities to the public inasmuch as no registration statement is in effect, has been employed in cases where the statement was so inadequately prepared that it would obviously take considerable time for the registrant to meet the requirements of the act. Stop-order proceedings have been employed usually in cases where the registrant disclosed an unwillingness to furnish the required material or to respond promptly to the Commission's suggestions for material that the act insists should be disclosed.

## **PART II. GENERAL INVESTIGATIONS**

POWER AND GAS UTILITIES

CHAIN STORES

COTTONSEED PRICES

PRICE BASES

CEMENT INDUSTRY

BUILDING MATERIALS

**PART II. GENERAL INVESTIGATIONS**

**POWER AND GAS UTILITIES**

**HOLDING COMPANIES-FINANCIAL STRUCTURE AND PRACTICES**

Pursuant to





1 The material in the following reports for this group was taken from reports by auditors to the receivers of the respective companies.

## POWER AND GAS UTILITIES

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From the beginning of the investigation to the end of the fiscal year, 1932-33, groups and companies with an aggregate gross revenue for 1929 of nearly \$1,400,000,000 have been made the subjects of examinations at public hearings under the Senate resolution. The testimony and exhibits of these companies have been or are being printed in volumes as a part of Senate Document No.92, Seventieth Congress, first session. The list is as follows:

Company	Testimony and exhibits printed in--
American Gas & Electric Co	Parts 21 and 22.
Appalachia a Electric Power Co	Do.
Indiana& Michigan Electric Co	Do.
Ohio Power Co	Do.
The Scranton Electric Co	Do.
Associated Gas & Electric Co	Parts 45 and 46.
Associated Electric Co	Part 46.
Associated Properties, Inc	Do.
Associated Utilities Merchandising Co., Inc	Do.
Binghamton Light, Heat & Power Co	Do.
Clarion River Power Co	Do.
Consumers Construction Co	Do.
Johnstown Fuel Supply Co	Do.
Management Holding Corporation	Do.
Metropolitan Edison Co Part 50.	
New England Gas & Electric Association (and subsidiary operating companies) Part 48.	
New York Electric Co	Part 46.
New York State Electric & Gas Corporation	Do.
Pennsylvania Electric Co	Part 48.
Pennsylvania Electric Corporation	Part 46.
Staten Island Edison Co	Do.
Utilities Purchasing & Supply Corporation	Do.
Utility Management Corporation	Do.
White, The J. G., Management Corporation	Do.
Central Public Service Corporation Group	
Central Public Service Co	Part 52.
Central Public Service Corporation	Do.
Southern Cities Public Service Co	Part 53.
Cities Service Co. Group:	
Arkansas Natural Gas Corporation	Part 55.
Cities Service Securities Co	Part 53.
Lakeside Construction Co	Part 55.
Public Service Co. of Colorado	Do.
Columbia Gas & Electric Corporation Group:	
American Fuel & Power corporation	Part 52.
Cincinnati Gas Transportation	Part 49.
Columbia Corporation	Part 47.
Columbia Engineering & Management Corporation	Do.
Columbia Gas & Electric Corporation	Do.
Columbia Securities Co	Do.
Huntington Gas Co	Part 49.
Manufacturers Light & Heat Co	Part 47.
Union Gas & Electric Co	Do.
United Fuel Gas Co	Part 49.
Electric Bond & Share Co	Parts 23 and 24.
American Power & Light Co	Do.
Inland Power & Light Co	Part 35.
Minnesota Power & Light Co	Part 26.
Nebraska Power Co	Part 41.
Northwestern Electric Co	Part 35.
Pacific Power & Light Co	Do.
Washington Water Power Co	Part 29.
Electric Bond & Share Securities Corporation	Parts 23 and 24.
Electric Investors, Inc	Do.
Electric Power & Light Corporation	Do.
Arkansas Power & Light Co	Part 42.
Idaho Power Co	Part 35.
Louisiana Power & Light Co	Part 43.
Mississippi Power & Light Co	Part 42.
Utah Power & Light Co	Part 45.
Western Colorado Power Co	Do.

National Power & Light Co  
Carolina Power & Light Co  
Phoenix Utility Co  
Phoenix Utility Co. (Minnesota operations)  
Two Rector Street Corporation

Part 25.  
Part 26.  
Parts 23 and 24.  
Part 35.  
Parts 23 and 24

Company

Testimony and



neering & Management Corporation, which has supervision over the companies of the Standard Gas & Electric Co. group.

It is estimated that in the production of Electric energy the combined output of these 11 groups in 1930 was more than 19 percent of the total for the United States, with an interstate or international movement of about 25 percent of this production.

#### **SCOPE OF PUBLIC HEARINGS IN 1932-33**

Headings were held and reports put into the record during the fiscal year ended June 30, 1933, on certain companies in the Middle West Utilities Co. group, North American Light & Power Co. group, Associated Gas & Electric Co. group, Central Public Service Corporation group, Niagara Hudson Power Corporation group, the United Gas Improvement Co. group, Cities Service Co. group, Columbia Gas & Electric Corporation group, and Utilities Power & Light Corporation.

These hearings covered various holding and management companies as well as operating companies within these several groups. Taking these nine groups as a whole, they generated more than 17,-208,201,086 kilowatt-hours of Electric energy in 1930, or about 18 percent of the total quantity generated in the United States for that year. In connection with the operations of these nine groups, about 4,115,427,959 kilowatt-hours or about 24 percent of the total moved in interstate commerce. Companies of the Columbia Gas & Electric Corporation group, Associated Gas & Electric Co. group, and the Cities Service Co. group dealt largely in natural gas. The companies within these three groups transmitted interstate 141,883,046,000 cubic feet of gas (almost wholly natural gas) during the year 1930, which was 37.28 percent of the total amount of the interstate movement of gas in the United States for that year.

A hearing was also held on a report on the intercorporate relations among the companies controlling and controlled by the United Corporation, which is commonly known as a Morgan-controlled company. Reports were also introduced on the cash and securities received by the United Corporation from its organizers and the cost thereof to the organizers. Testimony on the characteristics of the physical properties of the companies in which the United Corporation had investments was also heard.

#### **ASSOCIATED GAS & ELECTRIC CO.**

Headings on Associated Gas & Electric Co. were begun near the close of the fiscal year ended June 30, 1932. The Associated Gas & Electric System is controlled by Associated Gas & Electric Properties, a Massachusetts voluntary association, which in turn is controlled by H. C. Hopson and J. I. Mange. Associated Gas & Electric Co. controlled close to 180 operating companies, December 31, 1929.

Its Electric and gas companies operate in 22 States, as follows: New Hampshire, Vermont, Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Maryland, West Virginia, Delaware, South Carolina, Florida, Ohio, Indiana, Illinois, Kentucky, Tennessee, Oklahoma, Arkansas, Arizona, Texas, and Louisiana; also in the Maritime Provinces of Canada and in the Philippine Islands.

The total operating revenues of companies in the system from Electric, gas, water, transportation, and other services in 1929, according to reports of the company, aggregated \$68,903,254 in 1929. The total income reported by the holding company, Associated Gas & Electric Co., in 1929, was \$48,815,756.

The consolidated balance sheet issued by Associated Gas & Electric Co. as of December 31, 1929, showed a total of \$673,174,481 for "Plant, property, and franchises", and total assets of \$962,117,862. The Associated Gas & Electric Co. and subsidiaries had outstanding long-term debt of \$468,509,770 on that date, \$71,481,104 in preferred stock, and \$240,689,961 of different classes of common stock, trust certificates, etc.

#### **MIDDLE WEST UTILITIES CO. GROUP**

Hearings were held during the fiscal year 1932-33 on the following companies in the Middle West Utilities group: Corporation Securities Co. of Chicago; Insull, Sons & Co., Inc.; Insull Utility Investments, Inc.; Mississippi Valley Utilities Investment Co.; Public Service Trust; Second Utilities Syndicate, Inc.

These companies are largely investment companies superimposed on the Middle West Utilities Co. and its numerous subsidiary holding and operating companies and were used to keep control of that company and its affiliates in the hands of a few people, principally members of the Insull family. These companies are at this time all in the hands of receivers and the reports were prepared from material in the hands of receivers.

Other reports were prepared and hearings held on Seaboard Public Service Co., National Electric Power Co., and National Public Service Corporation, which were subsidiary holding companies of the Middle West Utilities Co. group. These three companies are now either in receivership or bankruptcy. The latter two reports were in addition to previous reports prepared on these companies which were introduced into the record early in 1932.

A report is now being prepared on the affairs of Middle West Utilities Co. itself, from September 1930 to April 16, 1932, supplementing reports on this company already part of the public record. This report will be introduced into the public record in the forth-coming fiscal year.

**CENTRAL PUBLIC SERVICE CORPORATION GROUP**

**THE UNITED GAS IMPROVEMENT CO.**

Hearings were held





sales of gas to public-utility consumers in 1930 was 21.68 percent of the estimated total for the entire country. For the other company groups, that is, those in which voting-stock interest was less than 11 percent, in each case, the total sales to public-utility consumers were 12.44 percent of that estimated for the country as a whole; a total of 34.12 percent of the estimated sales for the United States.

#### **ELECTRIC BOND & SHARE CO.**

The investigation into the affairs of Electric Bond & Share Co., particularly as to the exact costs and profits as a result of its managerial service and supervisory contracts, is nearing completion. The decision of the United States District Court for the Southern District of New York in the suit of the Federal Trade Commission against the Electric Bond & Share Co. et al. (1 Fed. Supp. 247), which decision was handed down August 19, 1932, directed the individual respondents to answer all questions relating to the cost to Electric Bond & Share Co. of such services as it renders the operating companies in return for the payment of a fee based upon their gross earnings, etc. An agreement was reached between the Commission and the Electric Bond & Share Co. whereby Commission examiners examined the expense ledgers and other records of the Electric Bond & Share Co., which had been denied them at the time of the first examination of this company. A report is now being prepared on the results of this investigation.

#### **INTERSTATE TRANSMISSION OF ELECTRIC ENERGY AND GAS**

Data gathered in connection with electric energy transmitted across State lines by electric utility operating companies were compiled for the years 1929 and 1930 according to holding-company group ownership and introduced into the record in report form when hearings on such companies were held.

These reports show in detail the quantities of electric energy generated, disposed of, and transmitted across State boundaries by each operating-company group. During the fiscal year such data were presented for the Pennsylvania Electric Corporation, Columbia Gas & Electric Corporation, New England Gas & Electric Corporation, Pennsylvania Electric Co., United Gas Improvement Co., Central Public Service Co., and the Utilities Power & Light Co. Transmission lines of the operating companies of these groups extend into more than 30 States and the Dominion of Canada.

Reports were also introduced into the record covering gas operations with respect to production, sales, and quantities moved in interstate commerce by the following company groups for the year 1930: Columbia Gas & Electric Corporation, North American Power & Light Co., United Gas Improvement Co., and the Central Public Service Corporation.



Sources of Chain-Store Merchandise.  
 Wholesale Business of Retail Chains.  
 Chain-Store Leaders and Loss Leaders.

The 26 reports completed during the fiscal year 1932-33 are:

Chain-Store Manufacturing.  
 Chain-Store Private Brands.  
 Chain-Store Advertising.  
 Chain-Store Wages.  
 The Chain-Store in the Small Towns.  
 State Distribution of Chain Stores, 1913-28.  
 Sizes of Stores of Retail Chains.  
 Chain-Store Price Policies.  
 Quality of Canned Vegetables and Fruits (Under Brands of Manufacturers, Chains, and Other Distributors).  
 Short Weighing and Over Weighing in Chain and Independent Grocery Stores.  
 Service Features in Chain Stores.  
 Prices and Margins of Chain and Independent Distributors, Washington, Grocery.  
 Prices and Margins of Chain and Independent Distributors, Memphis, Grocery.  
 Prices and Margins of Chain and Independent Distributors, Detroit, Grocery. Prices and Margins of Chain and Independent Distributors, Cincinnati, Grocery.  
 Prices and Margins of Chain and Independent Distributors, Detroit, Drug. Prices and Margins of Chain and Independent Distributors, Washington, Drug.  
 Prices and Margins of Chain and Independent Distributors, Cincinnati, Drug.  
 Prices and Margins of Chain and Independent Distributors, Memphis, Drug.  
 Special Discounts and Allowances to Chain and Independent Distributors, Tobacco.  
 Special Discounts and Allowances to Chain and Independent Distributors, Grocery.  
 Special Discounts and Allowances to Chain and Independent Distributors, Drug.  
 Gross Profit and Average Sales per Store of Retail Chains.  
 Sales, Costs, and Profits of Retail Chains.  
 Invested Capital and Rates of Return of Retail Chains.  
 Miscellaneous Financial Results of Retail Chains.

#### **REPORTS TO CONGRESS ARE BRIEFLY DESCRIBED**

Brief descriptions of the salient features of the reports completed during the fiscal year, grouped to some extent by subject matter, are given below.

#### **CHAIN-STORE MANUFACTURING**

The report on chain-store manufacturing shows to what extent the manufacture of commodities and the distribution of them through retail stores have been combined by chain-store organizations in various lines of business. Of 1,068 chain-store companies in 26 kinds of business which furnished information on the question of



business. Excluding A. & P. and Kroger, nearly four fifths of the total private brand sales reported by 274 chains in 1930 were made in five of the 26 kinds of chains, namely, dry goods and apparel, department store, men's and women's shoes, grocery, and grocery and meat. If A. & P. and Kroger are included, the private brand sales of these five kinds of business represent nearly six sevenths of the total. Approximately one third of the private brand sales of all private brand chains reporting in 1930 was made by A. & P. and Kroger, and these two chains together with The J. C. Penny Co., accounted for more than one half of the total private brand sales reported in that year.

Based on the proportion of private brand sales to total sales of private brand owning chains, the private brand business is apparently most important in confectionery and men's shoe chains and least important in hardware, unlimited price variety, variety (\$5 limit), and millinery chains.

The trend of private brand business appears to be definitely upward from 1925 to 1930 in grocery and meat (excluding A. & P. and Kroger), drug, women's shoes, men's and women's shoes, and men's furnishing chains. It was also clearly upward from 1928 to 1930 in grocery and department store chains. The trend appears to be clearly downward in hardware, unlimited price variety, variety (\$5 limit), and millinery chains.

drug chains. The gross profit was 65 percent or more on 42.5 percent of the items bearing private brands, While the highest gross profit reported for any standard brand was 60.9 percent.

Although the mark-up on private brands was equal to or higher than that on competing standard brands, according to a majority of the reporting chains, nevertheless private brands generally were priced lower than competing standard brands chiefly because of lower cost. About one third of the chains reporting on their pricing policies priced their private brands lower than competing standard brands but this group operated nearly three fourths of the total stores. Half of the chains sold both private brands and standard brands at the same price. About one sixth of the chains, operating less than 2 percent of the stores, priced their private brands higher than competing standard brands.

In addition to the general statements on pricing policies, reports were received on the actual selling prices, March 30, 1929, of private brands and competing standard brands which had the highest mark-up. If a hypothetical customer on this date had purchased all 424 commodities (212 under private brands and 212 under standard brands) from the grocery and grocery and meat chains reporting, his private brands would have cost him \$12.99, or 12.3 percent, less than the standard brands.

A comparison between the selling prices of private brands and competing standard brands which had the lowest mark-up indicated that if a customer on March 30, 1929, had purchased 59 items under private brands and 59 bearing standard brands from the chains furnishing price information, the private brands would have been lower by 8.5 percent than the competing standard brands.

Similar comparisons for the drug chains indicated private brands of drug and miscellaneous products were lower than competing standard brands by 15.7 percent and for toilet preparations were lower by 26.5 percent. In a comparison between private brands and competing standard brands having the lowest mark-up, the private brands of drug and miscellaneous articles were lower by 6.3 percent and those of toilet articles were lower by 26.8 percent.

#### **CHAIN-STORE ADVERTISING**

Fifteen hundred and six chains reported their total advertising expenditures for 1928. These chains operated 59,959 stores and spent more than \$65,600,000 for advertising, an average of \$45,552 per chain and \$1,094 per store. The sales of these 1,506 chains exceeded \$4,-322,000,000 and the ratio of advertising expense to sales was 1.52 percent. This ratio was greater than that of any of the 3 earlier years reported on, there being a steady increase in this respect, with ratios of 1.15 percent in 1919, 1.30 percent in 1922, 1.42 percent in 1925, and 1.52 percent in 1928, as stated above.

The ratio of ad





of business, grocery and meat, tobacco, men's and women's ready-to-wear, men's shoes, women's shoes, and furniture chains. The same tendency also appears in store managers' wages in tobacco, women's ready-to-wear, men's furnishings, department store, furniture, and hardware chains. There is, on the other hand, apparently some tendency for the larger chains to pay higher average weekly wages to several types of employees than do the smaller chains; for employees in the dollar-limit variety, for managers in the dollar-limit variety and millinery, and in supervisors' wages in drug, dollar-limit variety, and millinery businesses.

chain stores opened earlier than other kinds of chains, So far as these reports show.

It is estimated that the total sales for the 218 chain stores doing business in these towns in 1931 were \$12,156,100, or approximately \$400,000 per town. Almost half of the total stores and sales were in the food group.

Comparison of the average chain and independent rent together with the sales data shows that the chains can pay distinctly higher rents than independents without incurring a disproportionate expense burden on account of their higher average sales per store. This means that they have generally superior locations, and several instances were reported of the chain stores displacing independent tenants because of the rent paid.

Ninety-three of one hundred and sixty-two reporting chain stores were represented in local civic organizations, either through company membership, manager membership, or both. Of 153 chain stores replying as to contributions to local civic and charitable activities, 126 stated that contributions had been made by the company and 27 said none were made. For a period of 12 months, they contributed a total of \$9,737.37. This amounts to approximately \$77 per store contributing and to something less than \$65 per store reporting.

For all kinds of chain stores reporting, the average number of hours of business per week is just under 70. Average overtime per manager working overtime is 6.3 hours per week, but including those not working overtime the average is 4.8 hours per week. At the time of the report in 1931, a total of 204 selling employees in independent stores received an average weekly wage of \$18.60, while 198 chain-store selling employees received an average wage of \$16.89 per week.

#### **STATE DISTRIBUTION OF CHAIN STORES, 1913-1928**

The report on the State distribution of chain stores shows not only the distribution of chain stores but also the general trend of chain-store growth in the various States at 3-year intervals during the period 1913-1928.

A marked increase occurred in the number of stores reported for each year of the series over the preceding year in every geographic division of the country. Two thirds of all chain stores reported in each year are concentrated in the three contiguous and populous divisions in the Northeast-New England, Middle Atlantic, and East North Central, though since 1919 the aggregate proportion of stores reported in that section is gradually diminishing.

New York leads all other States in the number of both chains and stores reported for each year, notwithstanding a striking decline in the proportion of stores operated in that State since 1919, due to relatively greater growth in other States.

There are only five States in which as many as 10 percent of the total chain-store companies were operating in some year or more of the series covered: New York, Illinois, Ohio, Pennsylvania, and Massachusetts. Approximately 50 percent of the total stores reported for each year of the series are concentrated in those five States,<sup>1</sup> with an additional 25 percent approximately in the five States next in order: New Jersey, California, Michigan, Indiana, and Missouri.

### **SIZES OF STORES OF RETAIL CHAINS**

The importance of this study lies primarily in the consideration of the retail advantages of large and small chains in the distribution of commodities. If it be true, as has been suggested, that the larger store units of retail chains, as measured by volume of sales, are able to sell and distribute goods at a lower cost than the smaller units of the same or other chains, the proportions of such units operated have an important bearing on proposals for regulation and attempts to check the growth of chains by taxation or otherwise.

Based on the figures for the latest year for which the information is available, the smaller chains show larger proportions of large stores than do the larger chains in grocery, grocery and meat, men's and women's ready-to-wear, men's and women's shoes, and men's shoes

On the other hand, in dollar-limit variety, drug., and musical instruments, the larger chains appear to operate greater proportions of stores with large sales than do the smaller chains.

### **CHAIN-STORE PRICE POLICIES**

Because chain stores are presumed to represent the application of large-scale methods of operation to the business of retailing, inquiry is directed in the report on chain-store price policies to the question of how far the chains have reduced the important functions of marking up and pricing their merchandise to a systematic basis. Inquiry also is made into the degree of centralized control over prices exercised by the headquarters of chain organizations, the extent of and reasons for variation in prices between the stores of a chain, and into the competitive phases of chain-store price policy.

When asked to state whether it is the policy to price their merchandise according to some rule or standards, or whether the pricing of goods is left to the discretion of certain officials, 511 of 991 chains replying state either that no rule is followed or that it is left to the discretion of the pricing officials.

Pricing at a set average mark-up over cost is the rule most frequently reported by the chains. Next in order is the rule that prices are set by competition, which in turn is followed by the policy of selling at fixed retail prices determined in advance of the purchase of

<sup>1</sup> In different order, however: New York, Pennsylvania, Ohio, Illinois, and Massachusetts.



**QUALITY OF CANNED VEGETABLES AND FRUITS**

(Under brands of manufacturers, chains, and other distributors)

In connection with its study in 5 cities of the comparative buying and selling prices of chain and independent grocery stores, the Corn-mission, in 3 of the 5 cities, Des Moines, Memphis, and Detroit, purchased samples of certain brands of canned fruits and canned vegetables for grading.

In all, 396 cans of vegetables were graded. Of these, 85 were canned spinach and pumpkin which do not have the same standards as other vegetables. The results of the grading showed that excluding these two kinds of vegetables, the brands of the chains were only slightly below those of nationally advertising manufacturers in the proportion of their cans grading "fancy", "extra standard", and "standard", respectively. They make a slightly better showing than nonrationally advertising manufacturers in the "fancy" grade and show a materially higher proportion for "extra standard." Compared with wholesalers, the chains show a distinctly higher proportion in "fancy" and a somewhat lower proportion in "extra standard." Chains lead the cooperatives slightly in proportions of their brands of canned vegetables grading "fancy", but for the "extra standard" grade the brands of the cooperatives had a much higher ratio.

A total of 621 cans of fruit was graded. The proportion of the chain brands of fruits which graded "fancy" was slightly higher than the average; although the proportions for brands of both wholesalers and nationally advertising manufacturers. In the proportion of brands grading "choice" the chains substantially exceeded the figures shown by any other group. None of the chain brands of canned fruits graded "seconds."

As with canned vegetables there were marked differences in the grades of manufacturers who advertise nationally and those who do not, the former being the higher in quality. There was also the same general close correspondence in the grades, of the chains and the nationally advertising manufacturers. Furthermore, the comparisons of the grade scores indicate that the chains compare favorably with these and other distributors in the quality of their private brands of canned vegetables and fruits.

**SHORT WEIGHING AND OVER WEIGHING CHAIN AND INDEPENDENT GROCERY STORES**

The report on short weighing and over weighing in chain and independent grocery stores was undertaken to determine the extent to which chain stores short-weighD 0.h 0 Tc ( )

In carrying out this study five bulk articles were purchased for weighing from both kinds of stores without disclosing by whom and for what purpose such purchases were being made. The commodities purchased were navy beans, dried prunes, lima beans, light-weight sweetened crackers, and sugar. The quantities of the commodities bought varied from one half pound to 4 pounds.

The purchases were made in four selected cities each having a population of more than 100,000, situated in different sections of the country. In each of these cities were one or more of the five largest chain-store systems, also one or more local chains as well as one or more cooperative chains with their membership of independent grocers. Shopping was done in practically all stores in the four cities, hence all types of stores in all types of neighborhoods are represented.

In the four cities, shopping for the five bulk commodities was done in a total of 1,691 stores.

Of the total number of stores visited, 702, or 41.5 percent, belonged to 11 different grocery or grocery-and-meat chains; 320, or 18.9 per-cent, were independent stores affiliated with 11 cooperative chains; and 669, or 39.6 percent, were independent stores without cooperative affiliations.

On all purchases from chains in the four cities, 50.3 percent of the items were short in weight. On all purchases from independent and cooperative retailers 47.8 percent were short weight. Overweights were obtained on only 34.1 percent of the total purchases from chains as compared with 43.8 percent of the purchases from independents and cooperative chains combined. Exact weights, however, were given on 15.6 percent of the items purchased from chains but on only 8.4 percent of those bought from cooperatives and independents combined.

The short weights (not including overweights) on total purchases from chains (0.987 of 1 percent) were substantially below those of independents and cooperative chains combined (1.265 percent).

However, the total net shortage (the difference between total quantities short weight and over weight) on all items purchased from chains is 1.56 percent and 43.9 percent on items purchased from independent and cooperative chains.

**SERVICE FEATURES IN CHAIN STORES**

Nearly one half of the 1,700 reporting chains, operating more than 8,000 stores and selling more than one and one quarter billions of dollars of merchandise in 1928, employed credit to some extent. For all kinds combined, it was estimated that cash sales were 90 per-cent of the total sales, credit sales, 10 percent of total sales.

While almost half of the chains rendered some delivery service, such chains operated less than one fifth of the stores and accounted for less than one third of the total sales of all chains reporting. On 88.8 percent of the total net sales of all reporting chains, it is estimated that no free delivery service was given to customers, while the remainder, or 11.2 percent, was delivered free.

A little more than one half (51.2 percent) of the reporting chains stated that none of their stores accepted telephone orders in 1928. These chains account for slightly less than one half of the stores (49.4 percent) and sales (47.3 percent) reported by the 1,499 chains.



zations which had adequate warehouse records, and from manufactures or distributors who deliver merchandise directly to the stores of the chains and independents. The figures for special discounts, rebates, and allowances made by some manufacturers to some dealers, both in the

For the grocery business in Washington, the results of the study for 1929 showed that for the period covered the selling prices of independent distributors were on the average 6.4 percent higher than the average selling prices of the two principal chains, while their costs were 1.72 percent higher. The average gross margin of the independent distributors was 20.88 percent, as compared with 18.99 percent for the chains.

The average selling prices of independent grocery distributors in Cincinnati in 1929 were 8.84 percent higher than the average for the two leading chains and 9.85 percent higher than those for two smaller chains. The average costs for the independents were only about one quarter of 1 percent higher than those of the large chains and about one half of 1 percent higher than those of the smaller chains. The average gross margins of the independent distributors were 25.26 percent (using independent-distributor weights) as compared with 16.97 percent for the large chains (using large-chain weights) and 17.37 percent for the smaller chains (using small-chain weights).

The comparison of the average figures for independent grocery distributors in Memphis in 1930, with the average figures for the two leading grocery chains, showed the selling prices of the former as 8.28 percent higher than those of the latter, and their costs 2.86 percent higher. The average gross margin of the independent distributors was 25.23 percent of sales and that of the chains 22.91 percent.

A comparison of the average figures for independent grocery distributors in Detroit, in 1931, with the average figures of the four leading chains, showed the selling price of the former on the average 10.47 percent higher than the average for the latter, and their costs 2.31 percent higher. The average gross margin of the independent distributors was 25.02 percent, as compared with 18.96 percent for the chains.

In each of the four reports on prices and margins of grocery distributors it was pointed out that in the comparisons of the figures for the independents with those of the chains, it should be borne in mind that the independent grocery establishments render services, such as credit and delivery to retail customers, to a greater extent than do the chain grocery establishments.

For the drug business in Washington, the study of the figures for 1929, the prices, costs, and gross margins of independent distributors were compared with those for the three principal chains combined. The comparison showed the selling prices of the independents on the average 22.72 percent higher than those of the chains, and their average costs 3.27 percent higher. The average gross margin of independent drug distributors was shown to be 37.66 percent and the corresponding figure for the chains 22.60 percent.

The study of the Cincinnati drug figures for 1929 showed the average selling prices of independent drug distributors as 20.35 percent higher than the average for the two principal chains, and their costs 1.81 percent higher. The average gross margin of the former was 36.76 percent and that of the latter 23.99 percent.

The study of the figures for the drug business of Memphis in 1930 indicated an average selling price for the independents 20.69 percent higher than the average for the two principal chains, and an average cost 1.38 percent higher. The average gross margin was 41.18 percent for the independent distributors, as compared with 28.77

cent of sales, and (3) those giving service on 50 to 100 percent of sales. The chain stores, which were understood to be cash-and-carry stores, were not taken into consideration.

In the Washington study there appeared to be some correlation between the prices of the various groups and the extent of services rendered, but the correlation was not complete. In the Cincinnati study it was found that for the independent stores and for each of two cooperative groups (with one exception, where the totals were practically the same) the prices for the no-service group were somewhat lower than those for the group of stores reporting service on 1 to 49 percent of sales, while without exception, the prices of the group of stores reporting service on 50 to 100 percent of sales were higher than those for the group reporting service on 1 to 49 percent of sales. These figures indicate some correlation between the prices of the independent and cooperative stores and the extent of the services rendered to their customers. It was noted, however, that other factors, not sufficiently well recognized to permit their elimination, might influence the results.

#### **SPECIAL DISCOUNTS AND ALLOWANCES IN THE TOBACCO, GROCERY AND DRUG TRADES**

Three reports on special discounts and allowances of chain and independent distributors summarize the data collected by the commission on this subject in the tobacco, grocery, and drug trades. These studies were undertaken to determine the truth or falsity of the assertions frequently made that chain-store organizations hold an important advantage over independent dealers because of the large discounts and allowances obtained by them on many items, which independent competitors were not able to obtain.

These studies consist of analyses of the discounts and allowances reported by several hundred manufacturers of tobacco, grocery, and drug items, covering their total sales and total discounts and allowances to a large selected list of chain, wholesale, cooperative and other independent distributors in various parts of the country in an effort to measure the importance of special discounts and allowances in chain and independent distribution on a broad quantitative basis. The data on discounts and allowances cover a wide range of tobacco, grocery, and drug products as well as miscellaneous sundries generally sold in conjunction with these articles. Reports covering these classes of articles in the tobacco trade were obtained from 134 manufacturers of tobacco products and miscellaneous related articles for the years 1929 and 1930. In the grocery trade similar reports were obtained from 457 manufacturers for the year 1929 and 404 manufacturers for the year 1930. A total of 682 manufacturers in the drug trade submitted discount and allowance data in 1929 and 688 manufacturers for the year 1930.



The sales of the manufacturers to the chains amounted to about 82 percent of the manufacturers' total sales to the three types of distributors for both years, and the chains obtained over 90 percent of all discounts and allowances granted by these manufacturers during the same period. The average rates of allowances on total sales of all manufacturers to chains (1.89 percent in 1929 and 2.02 percent in 1930) were over twice the rates granted to wholesalers. (0.87 percent in 1929 and 0.91 percent in 1930) and nearly twice those given to cooperative chains (1 percent in 1929 and 1.04 percent in 1930).

Of the 457 manufacturers reporting in 1929 and 464 reporting in 1930, only 253 and 273, respectively, reported allowances to any of the three kinds of distributors. The total sales made to all distributors included in this study by the manufacturers making allowances were \$188,724,483 in 1929 and the total allowances of \$6,306,213 in that year amounted to 3.34 percent of sales. In 1930 the total sales of this group of manufacturers were \$187,847,391 and the allowances of \$6,439,514 were at the rate of 3.43 percent on sales.

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the three kinds of distributors. The total sales made to all distributors included in this study by the manufacturers making allowances were \$46,339,325 in 1929 and the total allowances of \$3,450,283 in that year amounted to 7.45 percTj 1.8 0 TD 0.0149 Tc (allowances) Tj

former over the latter in respect to the proportion of the retail selling price which is absorbed to care for the operating expenses and the net profits.

**SALES, COSTS, AND PROFITS OF RETAIL CHAINS**

This report is the first of 3 covering





The rates of return on business investment are found to vary widely among different kinds of chains, the lowest being the negative rate or loss on investment of 0.62 percent for hats and caps and the highest a positive rate of return of 27.89 percent for millinery chains. The average for all 26 kinds of chains was 14.88 percent. Seventeen kinds of chains were found to be below and 9 kinds above the all-year average for all 26 kinds of business.

In nearly all lines of business the chains have shown a downward trend in rates of return on business investments from the year 1919 to 1930. No kind of chain showed a general upward trend for the period though rates for individual years at times (1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930) showed an upward trend.

**MISCELLANEOUS FINANCIAL RESULTS OF RETAIL CHAINS**

This report presents certain phases of chain-store studies under five principal subjects, each of which is the outgrowth of some portion of the reports on sales, costs, and profits of retail chains, and invested capital and rates of return of retail chains.

The first subject has to do with the uses of capital, and application of funds of tobacco chains and illustrates forcibly to how great an extent the financial results of chain stores may be, and often are, affected by other than chain-store operations. A large proportion of the total capital was invested in outside operation and a number of tobacco chains reported operating losses on chain-store operations, but also earned substantial amounts upon outside investments. The operations of these chains were, therefore, analyzed to show the application or disposition of their funds and the sources from which they were derived. This portion of the report covers 11 companies for 5 years, 1925, 1927, 1928, 1929, and 1930.

It is found that of the total average funds 41 percent were paid out in dividends and this exceeded the net income by 1.43 points percent. Twenty-ni7cu 0 Tc ( ) Tj 2.4 0 T2 Tc (points)



Little Rock, Ark.; Memphis, Tenn., and Washington, D.C. Under authority of Senate Resolution 292, Seventy-first Congress, second

A country-wide survey of price basing methods was made covering more than

The most

The various departments of the Government authorized to



### **PART III. GENERAL LEGAL WORK**

DESCRIPTION OF PROCEDURE

LEGAL INVESTIGATION AND REVIEW

CONSOLIDATIONS AND MERGERS

STIPULATION PROCEEDINGS

REPRESENTATIVE COMPLAINTS

ORDERS TO CEASE AND DESIST

TYPES OF UNFAIR COMPETITION

CASES IN THE FEDERAL COURTS

TABULAR SUMMARY OF LEGAL WORK

## **PART III. GENERAL LEGAL WORK**

### **DESCRIPTION OF PROCEDURE**

A case before the Federal Trade Commission may originate in several ways. The most common origin is through application for complaint by a competitor or from other public sources. Another way in which a case may begin is by direction of the Commission.

No formality is required for anyone to make an application for a complaint. A letter setting forth the facts in detail is sufficient, but it should be accompanied by all evidence in possession of the complaining party in support of the charges being made.

### **INFORMAL PROCEDURE**

When such an application is received, the Commission, through its legal investigating division, considers the essential jurisdictional elements. Is the practice complained of being carried on in interstate commerce? Does it come under jurisdiction of the Federal Trade Commission? Would the prosecution of a complaint in this instance be in the public interest?

It is essential that these three questions be capable of answer in the affirmative.

Frequently it is necessary to obtain additional data by further correspondence or by a preliminary investigation before deciding whether to docket an "application for issuance of complaint."

Once an application is docketed it is assigned by the chief examiner to an examining attorney or a branch office of the Commission for investigation. It is the duty of either to obtain all facts regarding the matter from both the applicant and the proposed respondent.

Without disclosing the name of the applicant, the examiner interviews the party complained against, advising of the charges and requesting submission of such evidence as is desired in defense or explanation.

After developing the facts from all available sources, the examining attorney summarizes the evidence in a final report, reviews the law applicable thereto, and makes a recommendation as to action.

The entire record is then reviewable by the chief examiner. If it appears to be complete, it is submitted with recommendation to the board of review or to the Commission for consideration. Recommendations for dismissal outright or upon the signing by the proposed

respondent of a stipulation of facts and an agreement to cease and desist from the unlawful

In a contested case the matter is set down for taking of testimony before a trial examiner. This may occupy varying lengths of the according to the nature of the charge or the availability and number



were forwarded during the year, leaving one pending at the close.

Four complaints involving section 7 of the Clayton Act were pending at the beginning of the year, 1 was issued during the year, 3 were dismissed or rescinded during the year, and 2 were pending at the close of the year.

There were no section 7 matters pending in the courts at the beginning or at the close of the year. However, during the year an order was entered on a complaint directing Arrow-Hart & Hegeman Electric Co. to divest itself of ownership of stock and a further direction to divest itself of plant and properties acquired through a merger of companies engaged in the manufacture of electrical devices in competition in interstate commerce.

A petition to review the order of the Commission was made to the United States Circuit Court of Appeals for the Second Circuit, which

facts as stipulated may be used in evidence against him in the trial of a complaint which the Commission may issue.

Commodities mentioned in stipulations are of an infinite variety. Taken at random there would be such a list as follows: Hats shoes, suit goods, fly-catching devices, tombstones, toy airplanes, perfumes, blankets, electrotherapeutic instruments, synthetic beverages, horseshoes, radio cabinets, sea food, and tooth paste.

Applications for complaint are frequently disposed of by the stipulation method, particularly in cases where the practice complained of is not so fraudulent or vicious that protection of the public demands the regular procedure of complaint. The question of whether a respondent shall be permitted to sign a stipulation is entirely within the discretion of the Commission as the disposition of a case by stipulation is not a right but a privilege extended by the Commission.

Stipulations in which various individuals and companies agreed to cease and desist from unlawful practices charged were approved and accepted by the Commission during the fiscal year in 98 cases.

These cases are in addition to stipulations concerning cases of false and misleading advertising. (See p.123.)

During the 7 ½ years in which the stipulation system had been in effect, as of June 30, 1933, a total of 1,065 stipulations had been approved and accepted by the Commission, although 13 had been rescinded. In the special false and misleading advertising class, 529 stipulations had been approved and accepted during the period from May 1929 to June 30,1933.

## **REPRESENTATIVE COMPLAINTS**

### **MAJORITY INVOLVE UNFAIR METHODS OF COMPETITION**

All but 1 of the 53 formal complaints issued during the year charged the use of unfair methods of competition violative of section 5 of the Federal Trade Commission Act. The one remaining complaint issued charged violation of section 7 of the Clayton Act by



**MISREPRESENTING LEATHER GOODS**

answer denying generally the allegations of the complaint and alleging therein specifically that the wording on its labels reads “White Shea-Lac-Substitute Shellac.”

**MISUSE OF EXPRESSION “DIRECT FROM MILLS” AND MISLEADING OFFER OF FREE GOODS**

In a complaint issued by the Commission in July 1932 the respondents were charged with advertising dress goods as “direct from mills” and as “fresh goods direct from mills” thereby implying that respondents own or operate a mill and leading customers to believe that they thereby saved middleman’s profit when in fact respondents did not own or operate a mill and customers effected no such savings in buying from them. It is alleged that respondents have

403 Alleged at Taxp (Tj) 52 1716 1704 192 0 TD (0) Tj 30.06 D 0 D 0.54 Tj 122 (0) n Tj-18 0.48 Tj 2

and filled orders for same with an inferior quality of goods differing in make and kind from that advertised. It is also charged that respondents advertised spectacles free to prospective users when in fact such spectacles were not furnished free. It is further alleged that respondents represented that an eye-tester sent to customers by them was endorsed by the world's most famous specialist and by eye hospitals and that by its use better glasses could be furnished by mail than the average optometrist could furnish in his own office, as well as other misrepresentations in regard to said device.

Respondents filed an answer denying the allegations of the complaint.

#### **MISREPRESENTATION OF PATENT MEDICINES**

A number of complaints were issued involving alleged misrepresentations and exaggerations of the therapeutic effects and uses of so-called "patent" medicines. One such complaint involves a preparation which is alleged to be misrepresented in advertising in that it is represented to be a remedy for or to relieve various diseases and

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and that the use of the same would cure or benefit persons suffering from numerous ailments, when in fact said device did not contain radium or any radioactive substance in sufficient quantity to impregnate water placed therein with sufficient radioactive substance to cause it to have any therapeutic effect when used as directed. It is further alleged that radio active substances are dangerous and apt to result in harm when taken internally unless taken under the direction and the2.88 0 TD 0.0218 Tc (or) Tj 9.24 0 TD 0 Tc (

were combinations and agreements to fix prices, suppress competition and restrain trade, lottery schemes, commercial bribery, and various forms of misbranding and deceptive representations.

## ORDERS TO CEASE AND DESIST

### SIXTY-SIX ORDERS ARE ISSUED IN FISCAL YEAR

The Commission issued orders to cease and desist in 66 cases during the year.

As in past years, respondents upon whom the commission served its orders have, in a great many cases, accepted the terms and filed reports with the Commission signifying compliance therewith. In some of the cases the respondents opposed the proceeding and probably will file petitions for review of the Commission's findings and orders with the United States Circuit Courts of Appeal.

### ORDERS TO CEASE AND DESIST ISSUED DURING YEAR

<i>Respondent</i>	<i>Location</i>
Altoona Malt Co. et al	Altoona, Pa.
American Academic Research Society	Holyoke, Mass.
American Radium Products Co	Los Angeles.
Armand Co., Inc., et al	Des Moines
Arrow-Hart & Hegeman, Inc., et al	Hartford.
Blatz Brewing Co., Inc	Milwaukee.
Brier & Co., Samuel	Philadelphia.
Bulova Watch Co., Inc	New York City.
Cassoff, L. F	Brooklyn.
Central Quilt & Mattress Manufactory	Newark.
Congo Pictures, Ltd., et al	Los Angeles.
Diamond Fur Industries	Inglewood, Calif.
Drollinger, Howard B	Washington, D.C.
Export Petroleum Co. of California, Ltd	Los Angeles.
Farber Bros	New York City.
Fatato, L., Inc	Brooklyn.
Feldman & Sons	Baltimore.
Fleck Cigar Co	Reading, Pa.
Gennett, Jacob	Newark.
Gibbin, Anna M	Pemberton, N.J.
Gilman Hat Co	New York City.
Globe Hat Works	Do.
Grand Hat Co	Do.
Guerlin, Arthur, Inc	Do.
H. & H. Hat Manufacturing Co	Do.
H. & S. Publishing Co., Inc	Chicago.
harris, M	Philadelphia.
Havatampa Cigar Co., Inc	Tampa.
Heller Manufacturing Co. Inc	Cleveland.
Herinan Hat Co	New York City.
Hughes, E Griffith, Inc	Rochester.
Jeffrey Jewelry Co., Inc	Chicago.
Lee Co., George H., Inc	Omaha.

*Orders to cease and desist issued during year--Continued*

<i>Respondent</i>	<i>Location</i>
Lee Institute, Nancy, Inc	New York City.
Limoges China Co., Inc	Sebring, Ohio.
Machine Tool Distributors, Chicago District, et al	Chicago.
Madison Mills, Inc	New York City.
Maf Hat Works, Inc	Do.
Mahaffey Commission Co., Inc., et al	Chicago.
Manhattan Hat Co., Inc	New York City.
Menke Grocery Co., Inc	Kansas City, Mo.
Michelsen Co., H., Inc	New York City.
Migdall, Ben, et al	Chicago.
National Importing Co	New York City.
National Railway Instruction Bureau East	St. Louis.
Natural Eyesight Institute, Inc	Santa Monica.
Northern Fruit & Produce Co., Inc., et al	Chicago.
O'Brien & Co	Seattle.
Pacific Extension University	

dealers handling cosmetics were unable to obtain

Armand products from the Armand Co. until they had given that company assurance that its suggested resale prices would be maintained.

The Commission also found that beginning on or about July 1, 1922 and continuing to h e



and other sellers an instrument of fraud by means of which the ultimate consumer may be misled and competitors injured thereby.

A stipulation as to the facts was agreed upon and filed with the Commission. Findings were made in conformity with the stipulation.

Respondent was ordered to cease and desist selling cans or cases of gasoline in export trade, marked as aforesaid or unmarked, unless they are filled to standard capacity or, if they contain less than such standard capacity, such cans and cases are to be plainly and conspicuously marked as to the exact liquid contents thereof. Respondent has filed a report with the Commission stating that it is complying with the order.

#### **MISREPRESENTATION IN ADVERTISING MOTION PICTURES**

*Congo Pictures, k4 0194 Tl.16 0 TD 0 Tc ( ) Tj 2.88 0 TD 0.0127 Tc (k4 0194 Tl36 0 TD etc (*



The testimony showed that



ORDERS TO CEASE AND DESIST



**MISREPRESENTING SEED POTATOES**

*Mahaffey Commission Co., and C. E Malmin, alias "Northern Agricultural Institute", Chicago, engaged as a commission merchant in the sale*

The Commission charged the company with representing its business as wholesale when it was in fact retail, with representing that it was doing business under the license and approval of the United States Government when such was not the fact, and with various and sundry other misrepresentations as to the articles sold by doing



Respondent entered a general denial to the allegations of the complaint, and after the taking of testimony on both sides the Commission issued its findings of fact in which it found that the respondent made the representations alleged and that during the period when said representations were made it was a small concern with but \$1,000 capital, owning no nursery, growing no stock, and wholly without equipment mentioned or implied in the advertisements circulated as inducements to customers and

with the rules of the Commission, and it directs the respondent, in connection with or in the course of the sale or distribution of watches in interstate commerce, to cease and desist from representing that its watches contain a designated number of jewels, such as "Seventeen 17 Jewels" or "Nineteen 19 Jewels" or "Twenty-one 21 Jewels" or any other designated number of jewels, unless said watches actually contain the stated number of jewels, each and designated designated 8.2 0 TD 0 Tc ( ) Tj 2.4 0 TD 0. ("Seventeen

Misbranding of fabrics and other commodities respecting the materials or ingredients of which they are composed, their quality, purity, origin, or source, and selling them under such names and circumstances that the purchaser would be misled in said respects.

Bribing buyers or other employees of customers and prospective customers without the latter's knowledge or consent, to secure or hold patronage.

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

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

Making false and disparaging statements respecting competitors' products, their business, financial credit, etc.

Widespread threats to the trade of suits for patent infringement arising from the sale of alleged infringing products of competitors, such threats not being made in good faith but for the purpose of intimidating the trade and hindering or stifling competition. Trade boycotts or combinations of traders to prevent certain wholesale or retail dealers or certain classes of such dealers from procuring goods at the same terms accorded to the boycotters or conspirators, or to coerce the trade policy of their competitors or of manufacturers from whom they buy.

Passing off goods or articles for well and favorably known products of competitors through appropriation or simulation of such competitors' trade names, labels, dress of goods, etc., with the capacity and tendency unfairly to divert trade from said competitors, and/or with the effect of so doing to their prejudice and injury and that of the public.

Selling rebuilt, secondhand, renovated, or old products, or articles made from used or secondhand material as and for new.

Paying excessive prices for supplies for the

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Various schemes to create the impression in the mind of the prospective customer that he is being offered an opportunity to make a purchase under unusually favorable conditions when such is not the case, with capacity and tendency to mislead and deceive many of the purchasing public into buying products involved in such erroneous belief, and/or with the effect so to do, to the injury and prejudice of the public and of competitors; such schemes including--

- (1) Sales plans in which the seller's usual price is falsely represented as a special reduced price made available on some pretext for a limited time or to a limited class only.
- (2) The use of the "free" goods or service device to create the false impression that something is actually being thrown in without charge, when, as a matter of fact, fully covered

supposed advantages and to induce their purchases thereby, and/or with the effect of so doing, to the injury and prejudice of the public and of competitors; such as--

- (1) Seller's alleged advantages of location or size.
- (2) False claims of being the authorized distributor of some concern.
- (3) Alleged indorsement of the concern or product by the Government or by nationally known businesses.
- (4) False claim by supposed

sponding quality, or are connected with it in some way, or in some way have been passed upon, inspected, underwritten, or indorsed by it; or

(2) That they are composed in whole or in part of ingredients or materials, respectively, contained only to a limited extent or not at all; or

(3) That they were made in or came from some locality famous for the quality of such products; or

(4) That they were made by some well and favorably known process, when, as a matter of fact, only made in imitation of and by a substitute for such process; or

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

(6) That they were made under conditions or circumstances considered of importance by a substantial part of the general purchasing public, etc.

Selling below cost, with the intent and effect of hindering, stifling, and suppressing competition.

Dealing unfairly and dishonestly with foreign purchasers and thereby discrediting American exporters generally, with effect of bringing discredit and loss of business to all manufacturers and business concerns engaged in and/or seeking to engage in export trade, and with the capacity and tendency so to do, to the injury and prejudice of the public and of said offending concerns' export-trade competitors

Coercing and enforcing uneconomic and monopolistic reciprocal dealing.

Falsely representing that a moving picture is a pictorial record of an expedition in a foreign country and a depiction of travel therein showing true happenings, peoples, customs, and animal life.

## COURT CASES

### MATTERS IN WHICH ACTION WAS TAKEN ARE PRESENTED

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5 United states circuit courts or appeals are designated first circuit, second circuit. etc.





stock facilitates a merger or consolidation of assets. When ordered to divest itself of stock, the utmost good faith should be used by a corporation in order to remove as far as possible the corporate concentration of ownership caused by the wrongful acquisition of stock.

\* \* \* \* \*

Divestiture of stock must be actual and complete and may not be effected by using the control resulting therefrom to secure title to the possessions of the competing companies' property. The purpose to be attained is to avoid the possibility of permitting consolidation or merger which substantially lessens competition in trade by the use of the stock held in merged ownership. \* \* \* The control which Arrow-Hart & Hegeman, Inc., was able to and did exercise by ownership of the common stock even though there was outstanding in preferred stock 72 percent of the par value of the manufacturing companies' total stock issued, is a clear example of unlawful stock control providing the effect has been to substantially lessen competition.

\* \* \* \* \*

Competition connotes more than mere rivalry between salesmen selling different brands of products of the same quality, at the same price, and manufactured by the same company.

As has been often announced, the purpose of the provisions of the Clayton Act is to reach unlawful agreements in their incipiency. *Standard Fashion Co. v. Magrane Houston Co.*, 258 U.S. 346. In *International Shoe Co. v. Federal Trade Commission*, (280 U.S. 291), the Supreme Court required evidence of substantial competition in fact, in order that there may be established an effect upon the public interest and said:

Obviously, such acquisition will not produce the forbidden result if there be no preexisting substantial competition to be affected; for the public interest is not concerned in the lessening of competition, which to begin with, is itself without real substance."

The converse is true and if there is real substance in the competition the public interest is affected. In that case, only 5 percent of the commodities produced by each company were competitive, while in the instant case 59 percent by volume of sales of Hart & Hegeman Mfg. Co.'s products competed with Arrow Electric Co. products.

Judge Swan dissented on the ground that the Commission's order exceeded its jurisdiction.

The company has indicated its intention of applying to the Supreme Court for a writ of certiorari.

*Artloom Rug Mills, Philadelphia.* --The Commission, December 23, 1932, filed with the Third Circuit (Philadelphia), an application for the enforcement of its order in this case.

The respondent, a Pennsylvania co8.8 0 Tc (the) Tj rt TD 0 Tc 1.

the said design or pattern, are not continued in the subsurface structure of the fabric.

The company, March 31, 1933, filed its answer to the application for enforcement ; and on April 11, the Commission moved to strike portions of this answer. Argument on the motion was postponed until final argument on the merits, which was had May 4. Respondent's brief was filed April 29. At the close of the fiscal year the case was awaiting decision.

*Brown Fence & Wire Co., Cleveland.*--This corporation, August 18, 1932, filed with the Sixth Circuit (Commission) its petition for a writ of habeas corpus. The case was argued on June 11, 1933, and the court rendered its decision on June 13, 1933.

records and answer certain questions incident to the investigation being conducted by the Commission pursuant to Senate Resolution 83, directing the Commission to investigate and report upon the financial and business structure of the electric power and gas industry, the policies and practices of holding companies and their affiliated companies, their alleged efforts to control public opinion on account of public or municipal ownership, and whether any of the conditions disclosed constituted a violation of the antitrust laws

The objections raised by counsel for the company to administering the oath and interrogation of the witnesses put in issue the fundamental question of the Commission's power to issue subpoenas in the investigation directed by the Senate, whether the Electric Bond & Share Co. was engaged in interstate commerce, and whether the attempt to subpoena the records was a violation of the constitutional prohibition of unreasonable search and seizure.

The court, July 18, 1929, handed down its opinion (34 F. (2d) 323). Briefly, the objections of the company to the Commission's subpoenas duces tecum were sustained, and those that were interposed to the pertinent and competent questions propounded to the individual witnesses by counsel for the Commission were overruled. The court assumed that the company, in part, at least, was engaged in interstate commerce, saying, in this connection:

If respondents wish to contest the propriety of this assumption, the matter will have to go to a master; or, if petitioner (Federal Trade Commission) wishes an adjudication to the effect that the intrastate business of the Electric Bond & Share Co. is so intimately associated and connected with interstate commerce that all the company's activities are subject to the jurisdiction of the Commission a reference will be required to establish the fact.

Both parties, desiring to take advantage of the opportunity thus afforded by the court, agreed to the appointment of a master.

However, the parties came to an agreement upon the facts; a stipulation to this effect was signed October 28, 1931. The case was argued on its merits January 21, 1932, and decided August 19, 1932, (1 Fed. Supp. 247).

After discussing the previous decision, the court refers to the matter of subpoenas duces tecum in the following language:

At the outset, notice should be taken that petitioner once more urges me to uphold the duces tecum subpoenas heretofore considered. That issue has gone against petitioner, and whatever inferences are here to be drawn from facts not previously before the court, they cannot, retroactively, give vigor to process already found to have been without vitality.

The court then proceeds to an against and 47g on duces

It then demonstrates, by citations to decisions of the Supreme Court of the United States, the error of the company’s contentions, summarizing the situation in these words:

At this point, note should be taken of the fact that, in the cases just discussed, the Congress had not specifically undertaken to exercise supervision or control over the matters which were there under review. Nevertheless, the Supreme Court believed them to be within the protection of the commerce clause of the Constitution. In the case at bar, the Congress has taken a step of affirmative character, even though it has not yet chosen definitely to regulate holding companies which, through intercorporate networks, control the destinies of subsidiary operating companies doing interstate business. In other words, it has enacted section 6a of the Federal Trade Commission statute. Unequivocally, the Federal Trade Commission was vested with power “to gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the act to regulate commerce, and its relation to other corporations and to individuals, associations, and partnerships.”

This enactment, at the very least, requires a conclusion that a corporation whose activities are such as to give it the protection of the commerce clause under the decisions set forth above, should not be held to be beyond the reach of the Commission’s authority.

Continuing, the court says:

But, say respondents, since the jurisdiction of the Commission is limited to interstate commerce, the intrastate business and affairs of Electric Bond & Share Co. are outside of the Commission’s authority, even though concession should be made that the company, as to some matters, engaged in interstate trade. If intrastate trade could definitely be separated from that which is interstate, I should agree. For example, if the company charged its subsidiaries a specified fee for services rendered in connection with the purchase of apparatus and materials, it might well be that the investigation of the Commission should be limited to inquiries relevant to the reasonableness of such charges as were made upon this account. Such, however, is not the method of operation. The parent company makes a blanket charge for substantially all of its services, and this is based upon certain percentages of the gross earnings of the subsidiaries. The reasonableness of this charge cannot be ascertained merely by inquiring into the cost of rendering the purchasing services. The cost of rendering other services for which a fee is charged must also be determined, because they are inextricably involved with the cost of work having to do with interstate activity.

\* \* \* \* \*

It follows that the commerce power, in the exercise of which Congress enacted the Federalha03 Tw ( ) T3 0

services as it renders the operating companies in return for the payment of a fee based upon their gross earnings; to the cost of rendering purchasing services which result in interstate movements of materials, apparatus, and supplies to or from any of its subsidiaries, for which a separate fee is charged; and to the cost of rendering any service to subsidiary companies engaged in the interstate transmission of electricity or gas, for which a separate fee is charged.

Since the decision, pursuant to an agreement with the company, accountants of the Commission have been conducting an examination .023 ( ) Tj 2.52 TD 0.023 Tc (the) Tj -358.32 -1

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in the nature of lotteries or gaming devices. For instance, one assortment of its candies is composed of a number of pieces of uniform size, shape, and quality, retailing for 1 cent each, a small number of which have concealed within them pieces of money. The prices of individual pieces in another assortment are indicated by printed slips concealed within the wrappers ; and a third assortment provides for certain prizes, dependent upon the colors of the centers of the pieces of candy in the box.

A decision, adverse to the Commission was handed down January 23,1933 (63 F. (2d) 81), one judge dissenting.

The majority opinion held that--

The petitioner did nothing against public policy, within the restricted sense of the term, because its acts did not, of themselves, tend to hinder competition nor create monopoly. Whatever they did, their competitors could do. Other candy manufacturers were free to use the same sales methods as those of the petitioner and to obtain their share of the



resume it in order not only to regain business in “chance candies” but to retain its business in “straight goods” as customers who still deal in candies of both kinds want to buy from one manufacturer or jobber. When it stopped selling “chance candies” its business fell off from 40 to 50 percent. When it started again, its business increased at once. Officers and salesmen of other companies testified to similar experiences, which apparently extend through the trade.

And, finally, there is evidence that candies in break-and-take packages are smaller in size, lighter in weight, and inferior in quality, proving rather conclusively that children are imposed upon and that in competition with “straight goods” at the same prices the “chance” is the thing that makes the sales.

A petition for certiorari was filed June 21 last. Among reasons advanced for granting the writ, the petition sets forth that the case presents a question of public importance which has not been but should be decided by the court, viz, that the holding of the Third Circuit means that competition in trade need no longer be based on the quantity, quality, or price of the article sold, but upon the manufacturing and packing of the merchandise in such manner that it is not only merchandise but also a gambling device, which, when used in retail sales, is illegal under the laws of all the States ; that this device not only results in the merchandising of something other than articles of commerce--in this case a chance--but injures the business of those manufacturers who for ethical as well as legal reasons refuse to be a party to similar plans, thereby hindering competition.

*James S. Kirk & Co., Chicago*, filed with the Seventh Circuit (Chicago), January 12, 1929, its petition to review and set aside the commission’s order in this case, which, among other things, directed it to cease and desist from use of the word “Castile”, and the words “olive oil soap”, either alone or in conjunction or in association with any other word or words which are the name of, or are descriptive or suggestive of, an oil or a fat, in labeling, branding, or otherwise describing soap offered for sale or sold in commerce, the oil or fatty composition of which is not wholly derived from olives.

The court, October 8, 1930, granted the petition for intervention presented by the Proctor & Gamble Co., on the showing that this company had acquired all of the soap business of James S. Kirk & Co., including the brand and trade names used by the latter to designate the soaps manufactured and sold by it as “Castile.”

The case was argued on the merits January 19, 1932, and the commission’s order was reversed on April 15, 1932 (59 F. (2d) 179). Pertinent excerpts from the opinion follow:

The commission finds as a fact that castile soap derives its

was

1932, the Solicitor General thereafter filing a statement to the effect that he had declined to join in the petition or in the brief in support.

The Commission, in its petition and accompanying brief, pointed out that the Federal Government, through the Bureau of Standards, had not committed itself to the proposition that castile soap might be made of oily and fatty elements other than olive oil, and did not purport to do so; that the Bureau of Standards was without authority under its organic act to commit the Federal Government to any such proposition; that the statements of the Bureau of Standards were not based on evidence in the legal sense; and that the Commission's power to prevent the use of unfair methods of competition in interstate commerce could not be nullified by any action taken by the Bureau of Standards.

Brief in opposition was filed November 19, 1932; and the petition was denied December 5, 1932 (287 U.S. 663).

*H. F. McGee, Cincinnati.*--This individual, who is now president of the Standard Historical Society, and who, as vice president of the Perpetual Encyclopedia Corporation was one of the respondents in the Commission's case against that corporation, on October 21, 1932, filed with the Sixth Circuit (Cincinnati), his petition to review and set aside the Commission's order insofar as it applied to the sale of his reference book *The Standard History of the World*. McGee claimed, in his report of compliance to the Commission's order of July 11, 1932, that he had long before severed his connections with the Perpetual Encyclopedia Corporation, and that he had no intention of becoming connected in any way with it or the other concerns named in the Commission's order, or any organization selling or dealing in the encyclopedia sold by the Perpetual Encyclopedia Corporation under the three different titles: *Home and School Reference Book*, *Source Book*, and *American Reference Library*. His position was that the Commission's order, which was directed against various misleading representations and statements, in the sale of popular-priced encyclopedias, did not extend to his activities in the sale of *The Standard History of the World*.

The contention of the Commission, on

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entitled “In the Matter of Standard Historical Society et al.,” and that, after the entry of the order in the latter proceeding, the Commission would not enforce against McGee such of the terms of the final order in the Perpetual case as either

To sustain the orders of the Commission, three requisites must exist: (1) That the methods used are unfair; (2) that they are methods of competition in interstate commerce; and (3) that a proceeding by the Commission to prevent the use of the methods appears to be in the interest of the public. Upon the first two of these we need take no the, for clearly the methods used were unfair and were methods of competition.

\*            \*            \*            \*            \*            \*            \*

We also are of opinion that it sufficiently appears that the proceeding was in the interest of the public. It is true, as this court held in *Federal Trade Comm v. Klesner*, 280 U.S. 19, that mere misrepresentation and confusion on the part of purchasers or even that they have been deceived is not enough. The public interest must be specific and substantial. In that case (p.28) various ways in which the public interest may be thus involved were pointed out; but the list is not exclusive. If consumers or dealers prefer to purchase a given article because it was made by a particular manufacturer or class of manufacturers, they have a right to do so, and this right cannot be satisfied by imposing upon them an exactly similar article, or one equally as good, but having a different origin. Here the findings of the Commission, supported by evidence, amply disclose that a large number of buyers, comprising consumers and dealers, believe that the price or quality or both are affected to their advantage by the fact that the article is prepared by the original grinder of the grain. The result of respondents' acts is that such purchasers are deceived into purchasing an article which they do not wish or intend to buy, and which they might or might not buy if correctly informed as to its origin. We are of opinion that the purchasing public is entitled to be protected against that species of deception, and that its interest in such protection is specific and substantial.

The court did take the position, however, that the Commission went too far in ordering what amounted to a suppression of the trade names of the companies, saying, in this connection, that:

It will be enough if each respondent be required by modified order to accompany each use of the name or names with an explicit representation that respondent is not a grinder of the grain from which the flour prepared and put out is made, such representation to be fixed as to form and manner by the Commission, upon consideration of the present record and any further evidence which it may conclude to take.

Under date of April 4, the Sixth Circuit, upon the filing of the mandate of the Supreme Court, entered an order setting aside its decree of May 4, 1932, and remanding the cause to the Commission for modification of its order in conformity with the opinion of the Supreme Court. Hearing on this matter has been set for September 18.

*White Pine Cases--Pacific Coast States.*--Petitions for review of the Commission's orders in a number of these cases were filed with the Ninth Circuit (San Francisco) during January 1932. The concerns involved are situated in California, Oregon, Nevada, Arizona, and New Mexico. They are part of a group of 50 cases in which the Commission issued complaints charging unfair methods of competition by using the phrase "white pine" as part of such trade designations as "California white pine", "Arizona white pine", "New Mexico white pine", and "Western white pine" for a

species of

yellow pine known as *Pinus ponderosa*. Of the 50 complaints, 11 were dismissed before trial or subsequently. Against the remaining 39, orders to cease and desist were entered. Twenty-five companies have elected to abide by the orders.

The Commission's orders are based on findi





Investigations instituted	384
Total disposition	380
Pending June 30, 1933	4

SUMMARY OF LEGAL WORK

TABLE 3.--Applications for complaints

	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924
Pending beginning of year	0	104	130	188	280	389	554	467	458	572
Applications docketed	112	134	153	332	535	724	426	382	416	377
Rescinded dismissals:										
Stipulated:										
Chief trial examiner	0	0	0	0	0	0	0	0	0	1
Special board	0	0	0	0	0	0	0	0	0	0
Trade-practice acceptance	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	5	6	4
Rescinded "To complaints"	0	0	0	0	0	0	0	0	0	0
Total for disposition	112	238	283	520	815	1,113	980	854	880	954
To complaints	0	3	16	80	125	220	150	104	121	143
Dismissals:										
Stipulated:										
Chief trial examiner	0	0	0	0	0	0	0	0	0	3
Special board	0	0	0	0	0	0	0	0	0	0
Trade-practice acceptance	0	0	0	0	0	0	0	0	0	0
Others	8	105	79	160	301	339	357	292	187	243
Total disposition during year	8	108	95	240	426	559	513	396	308	389
Pending end of year	104	130	188	280	389	554	467	458	572	565

  

	1925	1926	1927	1928	1929	1930	1931	1932	1933
Pending beginning of year	565	488	420	457	530	843	753	754	440
Applications docketed	340	273	292	334	679	535	511	378	404
Rescinded dismissals:									
Stipulated:									
Chief trial examiner	1	1	0	2	2	3	5	3	3
Special board	0	0	0	0	0	0	0	0	0
Trade-practice acceptance	0	0	0	0	1	3	2	0	0
Others	3	4	0	0	0	3	4	1	0
Rescinded "To complaints"	0	0	0	0	0	2	2	0	3
Total for disposition	909	786	712	793	1,212	1,389	1,277	1,136	850
To complaints	118	57	45	58	100	171	110	90	52
Dismissals:									
Stipulated:									
Chief trial examiner	5	102	80	68	118	244	160	123	96
Special board	0	0	0	0	0	31	43	209	85
Trade-practice acceptance	0	2	3	19	17	32	5	6	3
Others	298	185	127	118	134	158	205	268	138
Total disposition during year	421	346	255	263	369	636	523	696	374
Pending end of year	488	420	457	530	843	753	754	440	476

CUMULATIVE SUMMARY TO JUNE 30, 1933

Applications docketed	7,337
Rescinded dismissals:	
Stipulated:	
Chief trial examiner	21
Special board	0
Trade-practice acceptance	6
Others	30
Total rescinded dismissals	57
Rescinded "to complaints"	7
Total for disposition	7,401
To complaints	1,769
Dismissals:	
Stipulated:	

Chief trial examiner	999	
Special board	368	
Trade-practice acceptance	87	
Others	3,702	
Total dismissals	5,156	
Total disposition		6,925
Pending June 30, 1933		476

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TABLE 4.--*Complaints*

	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924
Pending beginning of year	0	0	5	10	86	133	287	312	257	232
Complaints docketed	0	5	9	154	135	308	177	111	144	154
Rescinded orders to cease and desist:										
Contest	0	0	0	0	0	0	0	0	0	4
Consent	0	0	0	0	0	0	0	0	0	1
Default	0	0	0	0	0	0	0	0	0	0
Rescinded dismissals:										
Stipulated	0	0	0	0	0	0	0	0	0	0
Trade-practice acceptance	0	0	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	1	0	1	1
Total for disposition	0	5	14	164	221	441	465	423	402	392
Complaints rescinded	0	0	0	0	0	0	0	0	0	0
Orders to cease and desist:										
Contest	0	0	3	71	75	110	116	74	28	45
Consent	0	0	0	0	0	0	0	17	54	47
Default	0	0	0	0	0	0	0	0	0	0
Dismissals:										
Stipulated	0	0	0	0	0	0	0	0	0	0
Trade-practice acceptance	0	0	0	0	0	0	0	0	0	0
Others	0	0	1	7	13	44	37	75	88	38
Total disposition during year	0	0	4	78	88	154	153	166	170	128
Pending end of year	0	5	10	86	133	287	312	257	232	264

	1925	1928	1927	1928	1929	1930	1931	1932	1933
Pending beginning of year	264	220	152	147	136	198	275	225	208
Complaints docketed	132	62	76	64	149	172	110	92	53
Rescinded orders to cease and desist:									
Contest	0	0	0	1	0	0	0	0	0
Consent	0	0	0	0	0	0	0	1	0
Default	0	0	0	0	0	0	0	0	0
Rescinded dismissals:									
Stipulated	0	0	0	0	0	0	0	0	0
Trade-practice acceptance	0	0	0	0	0	0	0	0	0
Others	0	0	1	0	0	0	0	0	0
Total for disposition	396	282	229	212	285	370	385	318	261
Complaints rescinded	0	0	0	0	0	3	2	1	3
Orders to cease and desist:									
Contest	30	28	34	38	56	36	87	39	37
Consent	43	16	18	8	7	11	14	18	25
Default	0	0	0	2	4	1	7	6	4
Dismissals:									
Stipulated	6	3	1	3	3	3	4	2	1
Trade-practice acceptance	0	0	5	5	1	0	1	0	6
Others	97	83	24	20	16	41	45	44	41
Total disposition during year	176	130	82	76	87	95	160	110	117
Pending end of year	220	152	147	136	198	275	225	208	144

CUMULATIVE SUMMARY TO JUNE 30, 1933

Complaints	2,107
Rescinded orders to cease and desist:	
Contest	5
Consent	2
Default	0
Total rescinded orders to cease and desist	7
Rescinded dismissals:	
Stipulated	0
Trade-practice acceptance	0
Others	4
Total rescinded	4
Total dismissals	2,118
Complaints rescinded	9
Orders to cease and desist:	
Contest	907
Consent	278
Default	24





TABLE 7.--*Petitions for enforcement--Lower courts*

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Pending beginning of year	0	0	0	0	0	0	1	0	2	3	2	5	3	2	1
Appealed	0	0	0	0	1	1	1	3	2	3	9	4	3	0	2
Total for disposition	0	0	0	0	1	1	2	3	4	6	11	9	6	2	3
Decisions for Commission	0	0	0	0	1	0	2	0	0	1	5	4	4	0	0
Decisions for others	0	0	0	0	0	0	0	1	0	1	0	1	0	1	0
Petitions withdrawn	0	0	0	0	0	0	0	0	1	2	1	1	0	0	1
Total disposition during year	0	0	0	0	1	0	2	1	1	4	6	6	4	1	1
Pending end of year	0	0	0	0	0	1	0	2	3	2	5	3	2	1	2

## CUMULATIVE SUMMARY TO JUNE 30, 1933

Appealed	29
Decisions for Commission	17
Decisions for others	4
Petitions withdrawn	6
Total disposition	27
Pending June 30, 1933	2

TABLE 8.--*Petitions for enforcement--Supreme Court of the United States*

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Pending beginning of year	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0
Appealed by Commission	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
Appealed by others	0	0	0	0	0	0	0	1	0	1	0	1	0	0	0
Total for disposition	0	0	0	0	0	0	0	1	1	1	1	2	0	0	0
Decisions for Commission	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Decisions for others	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0
Certiorari denied others	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0
Total disposition during year	0	0	0	0	0	0	0	0	1	1	0	2	0	0	0
Pending end of year	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0

## CUMULATIVE SUMMARY TO JUNE 30, 1933

Appealed by Commission	1
Appealed by others	3
Total appealed	4
Decisions for Commission	0
Decisions for others	2

## COURT PROCEEDINGS--MISCELLANEOUS

TABLE 9.--*Interlocutory, mandamus, etc.--Lower courts*

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Pending beginning of year	0	1	4	5	6	4	4	4	4	5	3	2	1	1	2
Appealed by Commission	1	2	0	3	5	0	1	0	1	0	1	0	1	0	1
Appealed by others	1	2	2	3	0	0	0	1	1	2	1	2	0	2	0
Total for disposition	2	5	6	11	11	4	5	5	6	7	5	4	2	3	3
Decisions for Commission	1	0	1	3	0	0	0	0	1	1	3	1	1	1	2
Decisions for others	0	1	0	1	7	0	0	0	0	1	0	1	0	0	0
Petitions withdrawn by Commission	0	0	0	0	0	0	1	1	0	2	0	0	0	0	0
Petitions withdrawn by others	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0
Total disposition during year	1	1	1	5	7	0	1	1	1	4	3	3	1	1	2
Pending end of year	1	4	5	6	4	4	4	4	5	3	2	1	1	2	1

## CUMULATIVE SUMMARY, TO JUNE 30, 1933

Appealed by Commission	16
Appealed by others	17
Total appealed	33
Decisions for Commission	15
Decisions for others	11
Petitions withdrawn by Commission	4
Petitions withdrawn by others	2
Total disposition	32
Pending June 30, 1933	1

TABLE 10.--*Interlocutory, mandamus, etc.--Supreme Court of the United States*

	1919	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
Pending beginning of year	0	0	0	0	0	6	4	1	1	0	0	0	0	0	0
Appealed by Commission	0	0	0	0	6	0	0	0	1	0	0	0	0	0	0
Appealed by others	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0
Total for disposition	0	0	0	0	6	6	4	1	2	0	0	1	0	0	0
Decisions for Commission	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0
Decisions for others	0	0	0	0	0	2	3	0	0	0	0	0	0	0	0
Certiorari denied Commission	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0
Certiorari denied others	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0
Total disposition during	0	0	0	0	0	2	3	0	2	0	0	1	0	0	0
Pending end of year	0	0	0	0	6	4	1	1	0	0	0	0	0	0	0

## CUMULATIVE SUMMARY, TO JUNE 30, 1933

Appealed by Commission	7
Appealed by others	1
Total appealed	8
Decisions for Commission	1
Decisions for others	5
Certiorari denied Commission	1
Certiorari denied others	1
Total disposition	8
Pending June 30, 1933	0



## **PART IV. TRADE-PRACTICE CONFERENCES**

COMMISSION ACTION ON TRADE-CONFERENCE RULES

HISTORY AND PURPOSE OF TRADE-CONFERENCE PROCEDURE

RESULTS ATTAINED FROM TRADE-PRACTICE CONFERENCES

TRADE-PRACTICE CONFERENCE PROCEDURE

## **PART IV. TRADE-PRACTICE CONFERENCES**

### **COMMISSION ACTION ON TRADE-PRACTICE CONFERENCE RULES SHOWN**

Trade-practice conference rules for 21 industries were made public by the Commission during the fiscal year.

The Commission approved and accepted trade-practice conference rules for 17 industries during this period, as follows: Furnace pipe and fittings; ornamental iron, bronze, and wire; electrical wholesalers; sanitary napkins; saw and blade service; ice-cream industry, District of Columbia and its vicinity; mopsticks; cleaning and dyeing industry, District of Columbia and its vicinity; cedar chests; live poultry, New York City and adjacent territory; milk producers and distributors, Michigan and adjoining States; all-cotton wash goods; ribbed hosiery; upholstery textiles; warm-air furnaces; woodworking machinery; and marking devices.

Reports of conferences embodying the rules of the following are before the Commission awaiting final action: Musical merchandise industry, cleaning and dyeing industry of Pennsylvania and adjoining States, Barre-granite industry, and baby-chick industry.

Action by the Commission on trade-practice conference rules is not made public until such rules have been approved by the Commission and accepted by the committee authorized by the industry to act for it in matters affecting trade-practice conference rules. <sup>1</sup>

### **HISTORY AND PURPOSE OF TRADE-PRACTICE CONFERENCE PROCEDURE**

The trade-practice conference was the logical development of the efforts of the Commission cooperating with industry to protect the public against unfair methods of competition and to raise the standards of business practices. As early as the year 1919 the Commission established the procedure of holding conferences with industry for the purpose of eliminating unfair methods of competition as well as trade abuses existing therein.

The

abandonment. It is a procedure whereby an industry takes the initiative in establishing self-government of business, making its own rules of business conduct, subject to approval by the Commission.

The procedure deals with an industry as a unit. It is concerned solely with practices and methods. It wipes out on a given date unfair methods of competition, unethical conduct, and trade abuses condemned at the conference and thus places all competitors on an equally fair competitive basis. It performs the same function as a formal complaint without bringing charges, prosecuting trials, or employing compulsory process, but multiplies results by as many times as there are members in the industry. Attendance at a conference or actual participation in the deliberations does not indicate that any firm or individual has indulged in the practices condemned.

The procedure is predicated on the theory that the primary concern of the Federal Trade Commission is the interest of the public. The public is entitled to the benefits which flow from competition, and each competitor is entitled to fair competition. The legitimate conduct of business is in perfect harmony with the best interest of the public. That which injures one undoubtedly harms the other, and the Commission in the trade-practice conference provides a procedure which protects the interests of both. In these conferences is found a common ground upon which competitors can meet, lay aside personal charges, jealousies, and misunderstandings, freely discuss practices of an unfair or harmful nature, reach a basis of mutual understanding and confidence, and provide for the correction or abandonment of such practices to the advantage of industry and the public.

For many years attempts have been made to eliminate by means of self-regulation those unfair methods of competition, unethical practices, and trade abuses prevailing within various industries. The degree of success attained is readily measured by existing competitive conditions. If these conditions are all that can be reasonably desired, the success attained is complete. If, however, harmful practices still exist, their efforts at self-regulation have failed. The trade-practice conference affords an effective machinery for self-regulation.

Table 0 TD (6 -25.08 TD /F1 9.96 Tf - 123.28 0 T9e1 D 0 Tc ( )9a-12.96 TD 0.0110 TD 0.0036T-12.96 TD 0.0034 2 (tion) Tj -354.6 -12.96 TD 0.0189 Tc (those) Tj 232 (tion) Tj -0.76 0 inTc cdfAbl ( ) Tj3 Tc (



association should be submitted, together with a statement of the percentage of the association's membership that has been submitted, to the Commission.

FEDERAL TRADE COMMISSION, *Washington, D.C.*

GENTLEMEN: A copy of the rules of practice for the \_\_\_\_\_ industry, as approved or accepted by the Federal Trade Commission, has been received and read, and said rules will be observed and followed in the business conduct and practice of this concern.

\_\_\_\_\_  
(Name of concern.)

\_\_\_\_\_  
(Name and title of person signing.)

\_\_\_\_\_  
(Address of concern.)

Date: \_\_\_\_\_

Such acceptance, properly signed and dated, is then returned to the Federal Trade Commission, where, after recording, it is filed with the records of the industry concerned.

The Commission charges its division of trade practice conferences with the duty of coordinating and facilitating the work incident to the holding of trade practice conferences, of extending the scope of such work within its proper sphere, of observing and studying the work of such, and of encouraging closer cooperation between business as a whole and the Commission in serving the public.

After a trade practice conference is held, the commission retains its interest in the observance of the group I rules of the conference by members of the industry. Observance of group II rules is a matter for the industry. It is the duty of a committee of the industry to notify the commission of any violations of trade practice conference rules.<sup>2</sup>

<sup>3</sup> Rules approved by the Commission relate to practices violative of the law and are designated group I. Other rules, received by the Commission as expressions of the trade, are classed as group II.

**PART V. SPECIAL PROCEDURE IN CERTAIN TYPES OF  
ADVERTISING CASES**

ADVERTISERS PAY BILLION DOLLARS YEARLY

ALLEGED REMEDIES FOR DISEASES INVESTIGATED

ADVERTISEMENT OF ALLEGED FLESH REDUCERS

FALSE ADVERTISING IS DESTRUCTIVE AND EXPENSIVE

INVESTIGATES AND REPORTS ON 547 CASES

## **PART V. SPECIAL PROCEDURE IN CERTAIN TYPES OF ADVERTISING CASES**

### **ADVERTISERS PAY BILLION DOLLARS YEARLY FOR SPACE**

The latest reliable reports (1933) show there are 20,143 periodicals published in the United States and Territories.

Altogether, there are 1,389,000,000 Copies of newspapers and magazines published in the United States every month--more than 16 billion copies each year.

Advertisers are paying these publications approximately \$1,000,-000,000 each year for advertising space.

With buyerC o p i e s



Many published advertisements, while not obviously false on their face, contact the vendor with a prospective purchaser to whom false and misleading follow-up literature is sent, in the form of booklets, circulars, and form letters. By means of a questionnaire system developed through experience, the Commission has uncovered and curbed a large amount of this subtle form of deceptive advertising.

It has been estimated that \$350,000,000 is paid each year for drugs, medicines, and cosmetics alone. It is well known that the people are swindled to the extent of many millions annually through false and misleading advertising.

### **ALLEGED REMEDIES FOR DISEASES INVESTIGATED**

For illustration, investigations made by the Commission disclose the following data concerning preparations advertised as remedies or cures for diseases:

*Gallstones.*--Gallstones and bile troubles afford a fertile field for the mail-order medicine man. The public is told in all the words, forms, and phrases afforded by the best dictionaries that cholagogues and laxatives will stimulate the liver to produce more and thinner bile and that such bile will dissolve and eliminate gallstones. Reliable medical authorities uniformly advise that no known drugs will dissolve gallstones once formed; and the theory that bile in any quantity will dissolve such stones is but sales talk without foundation in fact. If the stones have become too large to pass, only an operation can remove them. To represent these compounds as proper or effective treatments for gallstones is dangerously misleading. Their use may cause delay of a necessary operation until the gall bladder bursts, or a diseased gall bladder discharges poison into the system with fatal results.

*Diabetes.*--Several medical preparations are advertised as remedies for diabetes. The medical profession uniformly reports that nothing has yet been found, taken orally, that will either stimulate the pancreas or do its work. Insulin by injection, diet, and rest are the only effective treatments known to the profession.

*Skin troubles.*--Many things are advertised and offered, from creams and lotions to acids and skin peels, to overcome pimples, freckles, scars, tan, wrinkles, and all undesired skin blemishes. Some of these combinations are intended to cleanse, some to soften, and some to tint the skin, some are astringents, and some just lubricants to aid massage. Few of these preparations will do what is claimed for them, but notwithstanding this there are tons of worthless skin applications sold for millions of dollars every year.

*Fits, epilepsy, and convulsions.*--Several vendors of remedies for fits, epilepsy, and convulsions advertise extensively and apparently do a large business. One vendor was found using 103 form letters to induce the unfortunate to buy; and when he had exhausted his re-

sources in efforts to sell, he sold the names to others for a mailing list. Most of the medical compounds offered for this purpose are mere sedatives to quiet the nerves for the time being. All claims that such remedies will permanently overcome a tendency to fits and epileptic attacks are, according to dependable medical authority, without foundation.

#### **ADVERTISEMENT OF ALLEGED FLESH REDUCERS**

There has been a great demand for fat reducers. Probably more advertising is done to sell teas, salts, "cremes", pills, tablets, powders, liquids, belts, girdles, paddles, rollers, and what-not for the purpose of reducing fat, than to sell

being engraved. Watches with but one jewel are falsely advertised as jeweled watches.

*Famous physicians and scientists.*--Numerous medical compounds are advertised as "great scientific discoveries" at the end of long years of research, when in fact they are common formulas used by manufacturing pharmacists or compounded

**INVESTIGATES AND REPORTS ON 547 CASES**

During the fiscal year ended June 30, 1933, the special

## **PART VI. FOREIGN TRADE WORK**

PROVISIONS OF THE EXPORT TRADE ACT

FIFTY WEBB LAW GROUPS IN OPERATION

WEBB LAW EXPORTS IN 1932

EFFECT OF N.I.R.A. ON WEBB LAW GROUPS

INFORMAL FOREIGN TRADE COMPLAINTS

TRUST LAWS AND UNFAIR COMPETITION ABROAD

## **PART VI. FOREIGN TRADE WORK**

Foreign trade work of the Commission includes (1) administration of the export trade act commonly known as the Webb-Pomerene law, which permits the formation and operation of combinations in export trade; and (2) inquiries as to “trade conditions in and with foreign countries where associations, combinations, or practices of manufacturers, merchants, or traders, or other conditions, may affect the foreign trade of the United States”, under section 6 (h) of the Federal Trade Commission Act. This work is conducted by the Commission’s export trade section under direction of the chief counsel.

**PROVISIONign Tj 297THE EXPORT2.0014 Tc 0.0286 Tw (PROVRADE ACT Tc**



Signal Export Association, 74 Trinity  
Place, New York City.

Standard Oil Export Corporation, 26  
Broadway, New York City.

Steel Export Association of America,

The, 75 West Street, New York City.

Sugar Export Corporation, 120 Wall  
Street, New York City.

Sulphur Export Corporation, 420 Lex-  
ington Avenue, New York City.

Textile Export Association of the  
United States, 40 Worth Street,  
New York City.

United States Alkali Export Associa-  
tion, Inc., 11 Broadway, New York  
City.

United States Handle Export Co., The,  
Piqua, Ohio.

Walnut Export Sales Co., Inc., Twelfth

Street and Kaw River, Kansas City,  
Kans.

Walworth International Co., 19 Rector  
Street, New York City.

Western Plywood Export Co., Tacoma  
Building, Tacoma, Wash.

Zinc Export Association, 500 Fifth  
Avenue, New York City.

The Shook Exporters Association was formed during the current year for exporting wine shooks to Argentina, Uruguay, and Brazil. Offices are maintained in New York City, Nashville, Tenn., and Pekin, Ill. The member companies include the Chicasaw Wood Products Co., Memphis; Export Cooperage Co., Memphis; Rocky River Coal and Lumber Co., Nashville; Paducah Cooperage Co., Paducah, Ky.; Pekin Cooperage Co., Pekin, Ill., and J. H. Hamlen & Son of Portland, Me.

### WEBB LAW EXPORTS IN 1932

Exports by Webb law associations in 1932 showed a substantial decrease under former years, due to the extreme depression in foreign markets. Decrease in money value was greater than that of volume because prices were much lower. One association reporting an export volume in 1932 closely approximating that in 1931 estimated the value as at least 33 1/3 percent less in 1932.

Associations that reported last year a suspension of price agreements in order to permit members to sell at independent prices (the independent sales not included in Webb law totals) have continued that policy during the current year, resulting in a material decrease in Webb law totals under figures for 1929 and 1930.

Some companies found it impossible to meet the prices prevailing abroad, and others were forced to curtail their exports on account of import restrictions in foreign countries, including exchange control, import quota and license systems, increased duties, and in some cases total exclusion of products heretofore imported from this country. One of the older Webb law associations, in operation since 1919, reports that the problem of foreign exchange is "the most serious obstacle with which we have ever had to contend."

Associations shipping foodstuffs report heavy duties laid down in several of the larger consuming countries, amounting in some instances to more than the invoice value of the shipments. A "buyers'



market" still obtained in 1932 and payment was slow; but, as reported by one of the food exporters operating as an association:

The members are in a better position to trade with the large foreign buying combinations; in some articles there is practically but one buyer; a considerable saving in operating expense is also possible.

Several of bument

ating as an Tc 0 53 Tw ( ) Tj 2 6

have for many years sold exclusively in United States currency and have enjoyed all the ordinary banking facilities current in such lines for years, it was found impossible by any one of our eight shippers to find any bank in the United States to discount drafts against these 1932 shipments, notwithstanding the fact that sales were in United States currency and the shipping documents covered by sight drafts against same, drawn on high s.6166ighon

office during the fiscal year ending June 30, 1933. These cases involve practices of American exporters (not Webb law associations) in their trade with foreign countries, reported in the first instance to the American consulates or trade attaches abroad and

production and trade have included:

*Argentine* decree effective in April 1932 for control of grain-marketing operations.

*Australian* measures granting export bounties and subsidies.

*Austrian* decree of May 12, 1933, for control of export trade.

*Brazilian* decrees, November 1932, forbidding planting of coffee and limiting production of sugar.

*Czechoslovakian* act in 1932 for regulation of foreign trade.

*Danish laws*, March 1932 and March 1933, for control of sugar industry; and law of December 23, 1932, for control of exportation of cattle, swine, dairy products, and eggs.

*Ecuador*, decree of December 29, 1932, for export-control service.

*Estonia*, law of November 25, 1932, for Government regulation of private enterprise, control of prices and quality of goods, subsidies to be granted to exporters of agricultural products.

*Finnish* bounties on exports of butter and cheese under law of December 21, 1932.

*French* budget law of March 1933, providing Government price fixing on imports; Government monopoly of petroleum imports proposed.

*British Guiana*, ordinance in 1932 creating rice-marketing board.

*Hungarian* Government of 1932 price

HungTw (off) 1932 28 0 TD 0 T

**FISCAL AFFAIRS**

## FISCAL AFFAIRS

### APPROPRIATIONS AND EXPENDITURES

Appropriations available to the Commission for the fiscal year 1933, under the Independent Offices Act approved June 30, 1932, were \$1,426,714.70; under the Fourth Deficiency Act approved June 16, 1933, \$25,000; in all, \$1,461,714.70. This sum was made up of three separate items: (1) \$50,000 for salaries of the Commissioners, (2) \$1,371,714.70 for the general work of the Commission, and (3) \$30,000 for printing and binding.

*Appropriations, expenditures, liabilities, and balances*

	Amount available	Amount expended	Liabilities	Expendi- tures and liabilities	Balances
Federal Trade Commission, 1933:					
Salaries, Commissioners	\$50,000.00	\$38,971.60	\$138.88	\$39,110.48	\$10,889.52
Printing and binding	30,000.00	7,307.40	12,692.60	20,000.00	10,000.00
All other authorized expenses	1,371,714.70	1,310,626.30	29, 236.36	1,339,862.66	31,852.04
Total, fiscal year 1933	1,451,714.70	1,356,905.30	42,067.84	1,398,973.14	1 52,741.56
Unexpended balances:					
1932	72,141.07	47,734.84			24,406.23
1931-32	14,867.63	304.78			14,562.85
1931	1,120.17	6.63			1,126.80
Total	1,539,843.57	1,404,938.29			92,837.44

1 Expenditures and liabilities for the year amounted to \$1,398,973.14, which leaves a balance of \$52,741.56, of which the sum of \$25,000 is available for expenditures during the fiscal year 1934; \$16,891.70 represents net vacancy impoundments; and \$10,000 printing and binding funds which were not released for expenditure by the Bureau of the Budget, leaving an actual balance of \$849.86.

*Detailed statement of costs for the fiscal year ending June 30, 1933*

	Salary	Travel expense	Other	Total
Commissioners	\$38,971.60			\$38,971.60
Clerks to Commissioners	11,301.59			11,301.59
Messengers to Commissioners	5,282.00			5,282.06
Total	55,555.19			55,555.19
Administration:				
Office of Secretary	27,140.86			27,140.86
Accounts and personnel section	19,051.85			19,051.85
Disbursing office section	6,776.21			6,776.21
Docket section	27,459.73			27,459.73
Editorial service	5,180.00			5,180.00
Hospital	1,746.17			1,746.17
Labor	5,430.72			5,430.72
Library section	8,268.10			8,268.10
Mails and files section	17,936.90			17,936.90
Messenger service	12,093.10			12,093.10
Publications section	21,199.09			21,199.09
Purchases and supplies section	9,170.35			9,170.35
Stenographic section	40,982.35			40,982.35
Communications			\$4,853.96	4,853.96
Equipment			11,163.60	11,163.60
o7D 05,555.19				





*Detailed statement of costs for the fiscal year ending June 30, 1933--Continued*

	Salary	Travel expense	Other	Total
Administration--Continued.				
Rents			\$12,548.37	\$12,548.37
Repairs			5,070.44	5,070.44
Reporting service			14,283.37	14,283.37
Supplies			6,331.42	6,331.42
Transportation things			413.79	413.79
Witness fees			605.20	605.20
Total	\$202,435.43		55,501.25	257,936.68
Legal:				
Application for complaints	144,703.03	\$8,668.32	347.20	153,718.55
Complaints	168,222.60	15,579.54	316.15	184,118.29
Export trade	7,864.57			7,864.57
Preliminary inquiries	70,457.27	7,141.68		77,598.95
Trade-practice conferences	27,952.35	1,115.90		29,068.25
Total	419,199.82	32,505.44	663.35	452,368.61
General investigations:				
Building materials	13,633.63	3,301.68		16,935.31
Cement	23,726.55	453.02		24,179.57
Chain stores	171,451.03	3,199.90		174,650.93
Cottonseed	21,119.06			21,119.06
Du Pont investments	8.29			8.29
Panhandle petroleum	607.20			607.20
Peanuts	312.71	1.00		313.71
Power and gas	283,604.84	64,607.13	277.43	348,489.40
Price bases	28,122.97	1,802.77		29,925.74
Securities	737.93			737.93
Total	543,324.21	73,365.50	277.43	616,967.14
Printing and binding			22,110.67	22,110.67
Summary:				
Commissioners	55,555.19			55,555.19
Administration	202,435.43		55,501.25	257,936.68
Legal	419,199.82	32,505.44	663.35	452,368.61
General investigations				

1 See footnote, p.141.

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