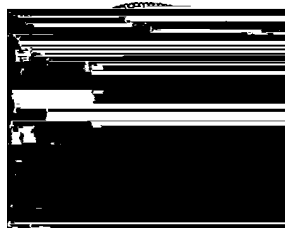


ANNUAL REPORT  
OF THE  
FEDERAL  
TRADE COMMISSION  
FOR THE  
FISCAL YEAR ENDED JUNE 30  
1950



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FEDERAL TRADE COMMISSION

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## LETTER OF SUBMITTAL

To the Congress of the United States:

I have the honor to submit herewith the Thirty-sixth Annual Report of the Federal Trade Commission, for the fiscal year ended June 30, 1950. The Federal Trade Commission is having printed a limited number of copies of the report.

By direction of the Commission.

JAMES M. MEAD, Chairman.

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ANNUAL REPORT  
OF THE  
FEDERAL TRADE COMMISSION  
FOR THE  
FISCAL YEAR ENDED JUNE 30, 1950

INTRODUCTION

PURPOSE AND HISTORICAL BACKGROUND

The Federal Trade Commission was organized as an independent administrative agency March 16, 1915, under the provisions of the Federal Trade Commission Act, which was approved September 26, 1914. It consists of five members, appointed by the President with the advice and consent of the Senate.

The primary purpose of the Commission is to foster the successful operation, in the public interest, of the American economic system of free competitive enterprise. Under its organic act, as well as under four other statutes, the duties of the Commission are of a dual nature: (1) To keep competition free and fair, and (2) to prevent deception of the consuming public.

In its antimonopoly program, the Commission institutes legal proceedings and publishes economic reports designed to free the channels of interstate trade from oppressive restraints so that buyers may have the widest possible freedom of choice, with prices determined by the interplay of competitive forces, and offered without monopolistic control or discrimination. Its antideceptive program seeks to prevent the dissemination of false and misleading advertisements, the misbranding of a variety of products, and other forms of misrepresentation.

The basic principle

mission was authorized and directed to stop monopolistic and other unfair practices in their early stages. As a Federal administrative agency, acting quasi-judicially and quasi-legislatively, it was established to deal with trade practices on a continuing and corrective basis. Vested with no authority to punish, it was authorized, however, to order discontinuance of practices which it found to be "unfair," promotive of monopoly, or tending substantially to lessen competition.

To allow flexibility in dealing with a fluid and expanding economy, the legislative standard laid down in the Federal Trade Commission Act was purposely broad. The statute made unlawful "unfair methods of competition." The courts ruled at an early date that the exact meaning and application of this term must be arrived at by "the gradual process of judicial inclusion and exclusion." Acting in the public interest, the Commission has applied the prohibition against a host of practices which the Supreme Court of the United States has described as "opposed-to good morals because characterized by deception, bad faith, fraud, or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly."

Greater protection of the consuming public against deceptive selling practices was the principal objective of the Wheeler-Lea amendment to the Federal Trade Commission Act in 1938. While retaining the ban against "unfair methods of competition," this act also prohibited "unfair or deceptive acts or practices in commerce." Its practical effect was to make injury to the public a sufficient basis for Commission action. The amendment was necessitated by court decisions holding that before the Commission could prohibit an "unfair" practice, it must prove injury to an actual or potential competitor.

In addition, the Wheeler-Lea Act expanded and strengthened the Commission's jurisdiction over false advertising of food, drugs, cosmetics, and curative devices. It also made more effective the orders issued by the Commission. Under the amendment, orders become "final" unless court review is sought within a specified period, and civil penalties are prescribed for subsequent violations.

The penalty provision was further strengthened by an amendment passed by the Eighty-first Congress and approved by the President March 16, 1950.<sup>1</sup> Although retaining \$5,000 as the maximum penalty for each separate violation of a final Commission cease-and-desist order, it provides that "in the case of a violation through continuing failure or neglect to obey a final order of the Commission each day of continuance of such failure or neglect shall be deemed a separate offense." The same statute also adds to the Federal Trade Commis-

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<sup>1</sup> Sec. 4 (c), Public Law 459, 81st Cong. (An act to regulate oleomargarine, etc.)

sion Act a specific prohibition against misrepresentation of oleomargarine as a dairy product.

Another significant function of the Commission is the conduct of general economic investigations and the submission of the resulting reports to the Congress, to the President, and to the public, with recommendations for remedial legislation where needed. In addition to providing the basis for considerable legislation, publication of Commission reports spotlighting uneconomic or otherwise objectionable trade practices has resulted in voluntary changes in the conduct of business in many industries, with attendant benefits to both industry and the public.

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

### DUTIES OF THE COMMISSION

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

(1) To promote free and fair competition in interstate commerce in the interest of the public through prevention of price-fixing agreements, boycotts, combinations in restraint of trade, other unfair methods of competition, and unfair or deceptive acts or practices (Federal Trade Commission Act)



tions as a basis for remedial legislation where needed, and for the guidance and protection of the public (Federal Trade Commission Act, sec. 6).

In discharging these manifold functions of law enforcement, the Commission utilizes two major types of proceedings to effectuate observance of the laws. One is the formal trial method, in which the proceedings are similar to those used in court cases. Cases are instituted by issuance of a formal complaint charging a person or corporation with violation of one or more of the statutes administered by the Commission. If, after hearings, the charges are found to be supported by reliable, probative, and substantial evidence, an order to cease and desist from the unlawful practices is issued. The second type of proceeding is of a voluntary or cooperative nature, in contrast to the formal trial procedure. In this classification are embraced (1) trade practice conference proceedings for industries and (2) individual stipulation-agreements.

Trade practice conferences provide a means whereby members of an industry may cooperate with the Commission in the establishment of rules for the prevention of unfair practices on an industry-wide basis. Under the stipulation procedure, certain types of cases are settled by agreement without the necessity of formal adversary proceedings. These functions are centralized in the Bureau of Industry Cooperation.

The Commission has expanded its cooperative program in an effort to bring about more widespread observance of the law with a minimum of delay and expense. Cases are not disposed of by voluntary agreement, however—either through trade practice conference proceedings or through stipulation-agreements—if they involve violations of the Clayton Act, combination or collective action in restraint of trade, or practices which are fraudulent or inherently dangerous to public health. (The Commission's policy in this field is set forth at page 127.)

In both the formal trial procedure and the cooperative program, increasing emphasis has been placed on industry-wide elimination of unlawful practices.

#### THE COMMISSIONERS AND THEIR FUNCTIONS

The five Commissioners are appointed by the President, subject to Senate confirmation. Not more than three of them may be members of the same political party.

Appointment of a Commissioner is for a term of 7 years, dating from the 26th of September<sup>2</sup> last preceding his nomination, unless

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<sup>2</sup> September 26 marks the anniversary of the approval of the Federal Trade Commission Act in 1914.

he succeeds a Commissioner relinquishing office prior to expiration of his term. In such cases, the statute provides that the new member shall be appointed only for the unexpired term. Upon the expiration of his term of office, a Commissioner continues to serve until the appointment and qualification of his successor. The chairman of the Commission is appointed by the President.

Members of the Commission as of June 30, 1950, were James M. Mead, Democrat, of New York, chairman; William A. Ayres, Democrat, of Kansas; Lowell B. Mason, Republican, of Illinois; and John Carson, Independent, of Michigan. There was one vacancy occasioned by the death October 23, 1949, of Commissioner Ewin L. Davis, Democrat, of Tennessee.<sup>3</sup>

Each case coming before the Commission for consideration is assigned to a Commissioner for examination and report before it is acted upon. The Commissioners meet each working day for the transaction of business, including the hearing of oral argument in formal cases. They usually preside individually at industry trade-practice conferences.

While the administrative management of the agency is vested in the chairman, the Commissioners are responsible for the policies of the Commission and pass on management matters of primary significance, such as the appointment of the heads of major administrative units, the revision of budget estimates, and the distribution of appropriated funds according to major programs and purposes.

## CHANGES IN ORGANIZATION AND PROCEDURES

The fiscal year 1900 was marked by several major changes in organization and procedures.

Reorganization Plan No. 8, prepared by the President in accordance with the Reorganization Act of 1949, became effective May 24, 1950. Based on recommendations submitted by the Hoover Commission, it vested in the President the power to appoint the chairman of the Federal Trade Commission, instead of his being selected by the Commissioners on a rotation basis, as formerly. At the same time, it transferred to the chairman thus appointed, subject to specified limitations, the executive and administrative functions formerly exercised by the Commission as Tj -376.08 -S

In approving the plan, the President said it was expected to result in "more businesslike and effective administration" of the Commission's regulatory program.

A reorganization of the Commission's internal structure was also made effective during the year. This reorganization organized the work of the Commission, as nearly as possible, by major purposes. It integrated related functions in each line of Commission activity and provided over-all direction of each line of activity. Reflecting to a major degree the suggestions and recommendations of the Hoover Commission and its Task Forces on the Regulatory Commissions and General Management of the Executive Branch, the reorganization was designed, the Commission said, to accomplish these purposes:

1. To relate its investigations of complaints with the trial work which may develop therefrom so as to eliminate waste of effort and reduce cost in litigated matters.

2. To associate its economic investigations with the preparation and trial of cases so that these investigations will give guidance and direction to the antimonopoly program, and conditions which encourage monopolistic developments and practices will be treated in their incipiency.

3. To eliminate delay in the handling of cases.

4. To promote the development of its cooperative work with industry.

One of the principal changes effected by the reorganization was to coordinate the investigation and trial of formal cases. Formerly, the Commission was organized by administrative process or procedure; investigation of all types of cases was the function of the Bureau of Legal Investigation, and, similarly, the trial of all types of cases was the function of the Bureau of Litigation. Finding that investigations to develop facts upon which charges were brought have been too much separated from the trial of cases, the Commission reorganized its internal structure and its investigative and trial staffs so as to integrate the two functions. Accordingly, both investigation and trial of all antimonopoly cases were brought together in the Bureau of Antimonopoly, and the investigation and trial of all cases involving deceptive practices were brought together in the Bureau of Antideceptive Practices.

The reorganization also provided for relating more intimately the work of the Bureau of Industrial Economics with the work of the Bureau of Antimonopoly. "If free enterprise is to be preserved," the Commission said, "the determination of economic facts is a prime requisite in this work."





operating divisions are the Division of Investigation, Division of Litigation, Division of Wool Act Administration, Division of Radio and Periodical Advertising, and Division of Medical Opinions.

Bureau of Industry Cooperation.—This Bureau comprises the Division of Trade Practice Conferences and the Division of Stipulations. The Bureau is under the direction of a Director and an Assistant Director.

The Division of Trade Practice Conferences is under the immediate supervision of the Assistant Director, who is also Chief of the Division, and is comprised of a rule-making unit and a rule-administration unit, each in charge of an assistant chief of the division. The rulemaking unit handles all matters regarding the holding of trade practice conferences and the drafting of rules to the point of final promulgation. The rule-administration unit handles all matters concerning interpretation of and compliance with established trade practice rules.

The Division of Stipulations consists of a chief, assistant chief, and a staff of attorney-conferees. All matters considered appropriate for settlement by the Commission's stipulation procedure are referred to this division for the negotiation of voluntary agreements to cease and desist from unlawful practices. The Division takes no part in the investigation or prosecution of any matter.

Bureau of Industrial Economics.—The Bureau of Industrial Economics acts as a general economic conference.

tion and conduct of legal cases, including the evaluation, from an economic viewpoint, of pricing policies and distribution practices in relation to the legal issues of collusive price-fixing and monopoly controls. Economic information in connection with trade practice conference proceedings is likewise furnished by this division.

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

The Division of Statistics and Financial Reports collects, summarizes, and analyzes the financial operating statements of American manufacturing corporations. On the basis of these data, it prepares quarterly reports on the financial position and operating results of the Nation's manufacturing industries.

Trial Examiners.—Trial Examiners are attorneys connected with the Federal Bureau of Investigation, Department of Justice, who are assigned to the Federal Trade Commission to assist in the trial of cases.

of the Commission in presenting the Commission's program to the Bureau of the Budget and to the appropriation committees of the Congress. The Council has the further duty of studying and evaluating the progress and accomplishments of work programs and making reports and recommendations concerning them.

SUMMARY OF LEGAL ACTIVITIES DURING FISCAL YEAR

During the fiscal year 1950, the Commission issued 124 complaints alleging violations of the laws it administers; entered 79 orders directing respondents to cease and desist from such violations; and accepted 104 voluntary stipulations to discontinue unlawful practices.

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



manufacturers, distributors, and other dealers in wool products in 48 States and the Territory of Alaska. The inspections involved approximately 22,000,000 articles.

Investigations into the operations of export associations organized under the Report Trade Act covered Carbon Black Export, Inc., and Pacific Forest Industries. The Carbon Black inquiry was completed, and recommendations were issued for the readjustment of its business. There were 43 associations registered with the Commission at the close of the fiscal year.

Two cases involving basic questions of the Commission's jurisdiction over trade-marks registered pursuant to statutes which preceded the Trade-Mark Act of 1946 were decided by the Commissioner of Patents on appeal during the year. The effect of these decisions is to limit the Commission's cancellation authority to registrations granted under the 1946 act. The Trade-Mark Act of 1946 conferral upon the Commission authority to proceed before the Commissioner of Patents to cancel the registration of trade-marks in cases where the origaeTri 17 To (the) 13.840

In addition, the Commission, in conjunction with the Securities and

authoritative record of the remedial measures taken by the

Trade Practice Rules for the following industries: Fountain Pen and Mechanical Pencil, October 11, 1949, 10 pages; Peat, January 13, 1950, 9 pages; (Sandy Manufacturing, January 24, 1950, 9 pages; Advertising and Sales Promotion of Mail Order Insurance, February 3, 1950, 9 pages; Tie Fabrics, March 16, 1950, 10 pages; Fine and Wrapping Paper Distributing, May 16, 1950, 9 pages; Umbrella (Revised and Extended), June 9, 1950, 10 pages; Shoe Finders, June 22, 1950, 7 pages; Venetian Blind, June 28, 1950, 11 pages; and Wholesale Optical, June 30, 1950, 9 pages. All rules available from the Federal Trade Commission without charge while the supply lasts.



plant, the size of the business is due to concentration of the central office activities, as distinguished from the technological processes, of the concern.

In its report, *The Divergence between Plant and Company Concentration*, the Commission has undertaken to shed some light on this fundamental question. The Commission has measured the difference, or "divergence," between plant and company concentration for each of 340 manufacturing industries, covering most of the Nation's fields of industrial activity. The basic data used in measuring both plant and company concentration were derived from the 1947 Census of Manufactures.

The Commission's findings are summarized in the report as follows:

The extent of the difference between plant and company concentration varies widely among the different manufacturing industries. This is the principal conclusion of the report. On the one hand are to be found many industries in which company concentration is almost exactly identical with plant concentration \* \* \*. On the other hand, there is an equal, if not greater, number of industries in which company concentration is well in excess of plant concentration \* \* \*. Between these two extremes, there are many additional industries in which company concentration is moderately above plant concentration. Thus, this report upholds, for certain industries, the view that a high degree of company concentration is merely the inevitable consequence of the requirements of modern technology. But it also upholds, for certain other industries, the opposing position that company concentration is not based upon large plants and could be substantially reduced without impairing whatever productive efficiency large plants achieve. On this matter of the difference between plant and company concentration, American industry presents the picture of a "mixed economy."

The important individual industries which show the greatest difference between plant and company concentration include: Condensed milk, motor vehicles and parts, steel works and rolling mills, tin cans and other tinware, cottonseed oil mills, petroleum refining, fertilizer, cement, biscuits, crackers and pretzels, and ice cream and ices.

The important individual industries which show the smallest difference between plant and company concentration include: Lighting fixtures, electrical measuring instruments, saw mills and planing mills, machine tools, screw-machine products, computing and related machines, medicinal chemicals, games and toys, printing trades machinery, and textile machinery.

In the report, the 340 individual industries are combined into 18 broad industry groups, which are then ranked in accordance with the extent of their divergence between plant and company concentration. This ranking, starting with petroleum and coal products as the group with the greatest divergence, is as follows:



## INTERLOCKING DIRECTORATES

The report on Interlocking Directorates summarizes the interlocking relationships among directors of the 1,000 manufacturing corporations which are listed as "largest" by the Office of Business Economics of the Department of Commerce, and also the interlocking directorates between these 1,000 corporations and a selected list of banks, investment trusts, insurance companies, railroads, public utilities, and distributive enterprises.

The report covers not only direct interlocks among these companies but also indirect interlocking relationships which are established through the presence of directors of two corporations on the board of a third corporation.

The interlocking directorates that have been examined fall into six different patterns, which differ in their effect upon competition. These are:

(1) Interlocking directorates between competitors, the tendency of which is to reduce or eliminate competition.

(2) Interlocking directorates between companies in closely related lines of production, which are capable of forestalling the competition that might develop from the normal expansion of these companies.

(3 ) Interlocking directorates between companies that face similar or closely related problems, the tendency of which is to consolidate communities of interest among these companies and to create a united front against enterprises that threaten the habitual relationships, ways of doing business, or established preeminence of members of the group.

(4) Interlocking directorates between companies and their suppliers or their customers, which may bring about preferential treatment in prices, in the distribution of materials that are in short supply, or in access to market outlets.

(5) Interlocking directorates between manufacturing corporations and financial institutions, which may give such manufacturers preferential access to credit or may constitute an obstacle to the access of competing enterprises to credit.

(6) Interlocking directorates which express a desire to protect an underlying ownership interest.

In the survey of interlocking directorates, the Commission has not found it possible to examine closely each of the apparently significant relationships that were found. The potentialities of the various patterns have been analyzed, and interlocks have been classified in accord with these potentialities; but the report does not seek to determine whether or not the possible effects upon competition from various interlocking relationships have actually appeared.



## The Outstanding Interlocks in Various Industries

The food industry exhibited an extensive array of interlocking directorships which appeared to be significant both for competition within the industry and for its relations with other industries. In the meat-packing branch of the industry, Armour & Co. was indirectly interlocked with the third and fourth largest packers; three of the largest meat packers had indirect ties with three of the largest bakers. Armour and Swift Co. Had direct interlocks with equipment manufacturers.

Three of the 10 largest diaries were directly or indirectly interlocked with each other; the largest diaries were also indirectly interlocked with General Foods Corp., Standard Brands, and Best Foods. The largest of the dairy products companies was indirectly interlocked with 2 large baking companies, which were potential customers, and with a large manufacturer of metal and paper containers.

Four of the 12 largest canners had direct or indirect interlocks with companies producing competitive products. The direct interlock between Libby, McNeil Libby and Minnesota Valley Canning, Co. is illustrative of the probable competition reducing ties found in the industry.

Six of the 12 grain-mill-products companies had interlocking relations with competitors. General Mills, the largest, had a direct interlock with Best Foods and indirect interlocks with Pillsbury Mills, International killing Co., and Russell-Miller Milling Co. The three large milling companies also had one or more direct or indirect interlocks with bakers or distillers. Both General Mills and Pillsbury Mills were directly interlocked with a large manufacturer of kraft paper. Pillsbury Mills was also interlocked directly with a food-container stock manufacturer.

The producers of bakery products were also tied together through interlocking directors, 6 of the 10 companies being involved. Purity Bakeries Corp. interlocked directly with American Bakeries Co. The two largest—National Biscuit Co. and Continental Baking Co.—had indirect interlocks with each other and with a number of other baking companies. National Biscuit was also directly interlocked with American Sugar Refining and had indirect ties with five other potential suppliers in the food industry; one of its most notable ties outside the food industry rested upon five directors in common with American Can. United Biscuit, Ward Baking, and Interstate Bakeries also had direct interlocks with container stock or container manufacturers.

A highly concentrated pattern of interlocks occurred among the sugar companies. Sixteen of the 23 largest of these companies had direct or indirect ties with each other. Six Hawaiian sugar com-





competing engine producers were directly or indirectly interlocked, being classified as manufacturers of engines and turbines and the remainder being otherwise classified. Ten of the large machine tool manufacturers were indirectly interlocked with one another, as were the 7 largest manufacturers of office and business machines. Of the four largest producers of textile machinery, the two largest were directly, and all indirectly, interlocked with each other. They were also directly linked with four of the country's largest textile mills and indirectly with nine others. Six of the major producers of pumping and drilling equipment had direct or indirect ties with one or more competitors. The four leading manufacturers of road-building and earth-moving machinery were indirectly associated through multiple interlocks. The machinery producers were also involved in direct vertical interlocks with prim Tc (machinery) Tj 54.24 0 TD 0 Tc ( ) Tj 5.4 0 TD 8.24 -15.36 TD 0 Tc 0 Tw (interlocks.) Tj



directors on both boards. Three of the large tire manufacturers— Goodyear Tire & Rubber Co., U. S. Rubber, and B. F. Goodrich Co.— had direct interlocking relations with chemical companies producing materials used in the manufacture of tires.

The textile industry had an extensive network of interlocks, with 39 of the 85 companies interlocked with one another. Although members of the same industry, these companies produced a diversified list of products. A large number of interlocks appeared to have been among companies that were currently producing competing products. Forward vertical interlocks appear

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have had significance in supporting a division of fields between the companies. Several of the glass companies also had vertical interlocking relations with important outlets.

Interlocking directorates in the cement industry appeared to be important principally on the Pacific coast. Significance may have attached to the interlocks between refractories manufacturers and cement and steel companies. The gypsum manufacturers had their most important interlocks with financial institutions.

None of the larger companies classified in the leather products industry were directly interlocked. However, indirect interlocks existed between some of the important companies: Endicott Johnson Corp. with Florsheim Shoe Co., and the latter with George E. Keith Co.

No significant interlocking relations were found among the companies classified in the tobacco products industry.

In the professional and scientific instrument industry the few insignificant interlocks were between companies the products of which were complementary or which might provide components for finished products.

In the miscellaneous manufacturing industry, the interlocks the interlocking found







system to obtain information regarding shipments made outside the Association; (5) maintained inspectors at ports to scrutinize shipments for export; (6) compiled and circulated blacklists of independent exporters classed as "bootleggers," and (7) had standing orders with certain parties in the trade to purchase any free tonnage which might enter unauthorized export channels. The connection of these measures with the operation of the cartel is indicated by the bulletin of the Association "to members and nonmembers" dated July 10, 1936, which said:

A different international agreement becomes effective this month. The responsibility we assume thereunder can produce a decidedly unfavorable reaction in many of our important markets, if there is any laxity in the industry in restricting possible exports through channels outside the Association.

U. S. v. U. S. Alkali Export Association, a proceeding under the Sherman Act initiated by the Department of Justice in March 1944, was the first

1940 accosted for 50 percent of the total assets in all manufacturing industries.

The report states that 17 industries had higher average rates of return in 1949 than in 1940. Industries which showed the most striking increases were motor vehicles (from 17.3 to 29.6 percent); biscuits and crackers (from 8.7 to 16.8 percent); bread (from 7.6 to 15.3 percent); flat glass and glassware (from 11.7 to 17.9 percent); and petroleum refining (from 6.7 to 12.6 percent). Six industries (cigarettes, cigars, soap, wool carpets and rugs, nonferrous metals, and engine turbines) showed lower profit rates in 1949 than 1940; and two industries (tires and inner tubes, and plug, smoking and snuff tobacco) had identical profit rates in 1940 and 1949.

Although the profit rates for 1949 tended to be higher than those of the prewar period, they were generally below the rates of 1948. Twenty-one of the 25 industries showed a decline in the rate of return between 1948 and 1949. However, four industries were exceptions to this general decline in profit rates between the 2 years. The motor vehicle industry has shown a continuous increase in its rate of return, from 17.3 percent in 1940 to 19.6 percent in 1947, to 25 percent in 1948, and to 29.6 percent in 1949. In addition, profit rates increased between 1948 and 1949 in the dairy products industry, the cigarette industry, and the flat glass and glassware industry.

An outstanding characteristic of



less than \$250,000; and last was the group with assets of more than \$100,000,000. In all five groups, profits on stockholders' equity after taxes were running at an annual rate of more than 14 percent. The highest rate of profit was approximately 22.5 percent.

During the following 3 years, the picture was drastically altered. Profits of the smallest corporations, those with assets of less than \$250,000, not only went steadily downward, but decreased more than the profits of any other group. From an average profit in 1947 of 18 percent, the rate declined to approximately 2 percent by the end of 1949.

**RATES OF PROFIT FOR MANUFACTURING CORPORATIONS  
BY ASSET SIZE GROUP**

Trend Lines Fitted to Ratio of Income after Taxes to Stockholders Equity on an Annual Rate Basis

GRAPH - SEE IMAGE

By the end of 1949 the five size classes of corporations had sorted 1949

engaged in increasing the size of the sample of corporations included in the report. It is expected the new and larger sample will be ready for use in the report for the first quarter of 1951.

The quarterly financial-reports program is the Government's first undertaking designed to avoid duplication by cooperative collection of data. Before World War II the Commission began collecting and tabulating the annual financial reports of corporations in selected manufacturing groups. During the war this work was discontinued when the Office of Price Administration established a similar financial reporting program. At the end of the war an interagency committee was established by the Bureau of the Budget to examine the needs of Government agencies for financial business statistics. It was determined by this committee that a cross-section sample of approximately 10 percent of all manufacturing corporations would supply the information requested by Government agencies. The Federal Trade Commission was assigned the task of collecting reports from unregistered corporations (a function authorized in section 6 of the Federal Trade Commission Act) and the Securities and Exchange Commission was requested to collect and complete the data on corporations whose securities were registered on a national stock exchange. In order to secure an overall picture of industry, the original plan of the committee provided for inclusion of mining corporations and wholesale and retail trade corporations as well as manufacturing industries. However, the program has not yet been extended to cover these other groups.



After developing all the facts, the examining attorney files a report summarizing the evidence, reviewing the applicable law, and recommending the action he believes the Commission should take. The record is then reviewed by his division chief, who submits the file to the Commission through the Bureau Director, accompanied by a statement setting forth the facts as well as his conclusions and recommendations.

Recommendations thus made to the Commission may be for (1) issuance of a formal complaint; (2) negotiation of a stipulation-agreement in which the respondent agrees to cease and desist from the practices challenged as unlawful; or (3) closing of the case. When issuance of a complaint is recommended, a draft of the complaint— prepared by the Division of Litigation in either the Bureau of Antimonopoly or the Bureau of Antideceptive Practices—accompanies the file.

If the Commission decides that a formal complaint should issue, the case is referred to the appropriate Division of Litigation for trial of the case. Should the Commission permit disposition by stipulation, the case is referred to the Division of Stipulations in the Bureau of Industry Cooperation.

All proceedings prior to issuance of a formal complaint or acceptance of a stipulation are confidential.

Formal complaints are issued by the Commission only after careful consideration of the facts developed by the investigation. The complaint and the answer of the respondent, together with subsequent proceedings, are matters of public record. Formal complaints are issued in the name of the Commission acting in the public interest. They name the respondents, allege a violation of law, and contain a statement of the charges. The party complaining to the Commission is not a party to the formal complaint, and the proceeding does not seek to adjust matters between parties. On the contrary, the purpose of a Commission proceeding is to prevent, for the protection of the public, those unfair methods of competition and unfair or deceptive practices forbidden by the Federal Trade Commission Act and those practices within the Commission's jurisdiction which are prohibited by the Clayton Antitrust Act, as amended by the Robinson-Patman Act, the Export Trade Act, and the Wool Products Labeling Act.

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

Upon request made within 15 days from service of the complaint, any respondent is afforded an opportunity to submit, for Commission



consideration, offers of settlement or proposals of adjustment where time, the nature of the proceeding, and the public interest permit.

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

In these hearings, respondents have the right to present evidence and to cross-examine witnesses, as well as other rights fundamental to judicial proceedings. Counsel supporting the complaint has the general burden of proof.

After the submission of evidence in support of the complaint and in behalf of the respondent, and after the parties have otherwise been duly heard and their contentions considered, the trial examiner, within 30 days after closing the record, prepares and files an "initial decision." This decision becomes a Commission decision 30 days after service unless the parties appeal to the Commission or unless the Commission, on its own initiative, docket the case for review.

Filing of initial decisions by trial examiners is a new procedure authorized by the Commission during the fiscal year, pursuant to the Administrative Procedure Act. Formerly, trial examiners made "recommended decisions," with the "initial decision" being made by the Commission. The new procedure is one of several changes made by the Commission during the year to speed up the disposition of formal cases.

Initial decisions include a statement of findings and conclusions, with the reasons or bases therefor, upon all the material issues of fact, law, or discretion presented on the record, and an appropriate order. All findings, conclusions, and orders made and issued by the trial examiner must be based upon the whole record and supported by reliable, probative, and substantial evidence.

In the event a respondent or counsel supporting the complaint desires to appeal, a "notice of intention to appeal" must be filed within 10 days after service of the initial decision. An "appeal brief" must be filed within 30 days after service of the initial decision, with the brief of the party opposing appeal due within 20 days after service of the appeal brief. Oral argument may be heard by the Commission on request of either party.

On appeal or review, the Commission may exercise all the powers it would have exercised had it made the initial decision.

Under the Commission's rules, trial examiners are "charged with the duty of conducting a fair and impartial hearing" and may "perform no duties inconsistent with their duties and responsibilities as such." The rules specifically plelifically

### PROVISIONS OF WHEELER-LEA AMENDMENT FOR PREVENTING DISSEMINATION OF FALSE ADVERTISEMENTS

Sections 12 to 15, inclusive, of the Federal Trade Commission Act which were added by the Wheeler-Lea Act, approved March 21, 1938, make specific provision for the prevention of the dissemination of false advertisements of food, drugs, cosmetics, and devices intended for use in the diagnosis, prevention, or treatment of disease. The act as amended also empowers the Commission to prevent advertisers of food, drugs, devices, or cosmetics which may cause injury when used under prescribed or customary conditions, from disseminating advertisements that fail affirmatively to reveal that such products are dangerous or that their use under certain conditions may cause bodily injury.

In addition to the regular proceeding by way of complaint and order to cease and desist, the Commission may, in a proper case, bring suit in a United States district court to enjoin the dissemination of such false advertisements, whenever it has reason to believe that such a proceeding would be to the interest of the public. These temporary injunctions remain in effect until an order to cease and desist has been issued and has become final, or until the Commission's complaint is dismissed by the Commission or set aside by the court on review.

Further, the dissemination of a false advertisement of a food, drug, device, or cosmetic, where the use of the commodity advertised may be injurious to health or where the act of disseminating is with intent to defraud or mislead, constitutes a misdemeanor; and conviction subjects the offender to a fine of not more than \$5,000, or imprisonment of not more than 6 months, or both. Succeeding convictions may result in a fine of not more than \$10,000, or imprisonment of not more than 1 year, or both. The statute provides that the Commission shall certify this type of case to the Attorney General for institution of appropriate court proceedings.

### ANTIMONOPOLY PROCEEDINGS

Investigation and trial of cases dealing with monopolistic practices are centered in the Bureau of Antimonopoly. Antimonopoly cases may be classified under one or more of the following heads:



(5) Interlocking directorates in violation of section 8 of the Clayton Antitrust Act.

It is the function of the Director of the Bureau to study and carefully consider each application for complaint for the purpose of determining whether investigation is warranted. Where it is concluded that field investigation should be undertaken, the matter is docketed for investigation and sent to the Bureau's Division of Investigation and Litigation for assignment to an attorney-examiner. Cases thus investigated progress upon the direction of the Commission to the status of either a formal complaint or closing without further action.

Most of the applications for complaint in cases involving restraints of trade or monopolistic tendencies come from businessmen who fear that the successful operation of their business may be threatened by the illegal practices of others. Some complaints are transferred from other agencies of the Government who receive complaints which appear to them to be within the jurisdiction of the Commission. Applications for complaint, particularly in the area of price-fixing, are frequently received from Government officials, national, State, and local, who have been unable to obtain competitive bids as required by the laws under which their purchases are made. The Commission also docketed for investigation a substantial number of complaints on its own motion.

Approximately 800 such applications for complaint are received annually. If, therefore,

involved were drills, drugs, bread, cement, cosmetics, building material, furniture, fabrics, insecticides, insurance, hydraulic jacks, hardware, metal moldings, motion picture films, shuttles, voting machines, and vending machines.

Section 2 of the Clayton Act, as amended by the Robinson-Patman Act, prohibits price discriminations which adversely affect competition and also certain other types of discrimination without regard to their specific competitive effect. Investigations in this category during the year covered price dissemination, unlawful payment of brokerage, and discrimination in the payment of allowances for advertising and promotional services, and in the rendering of services.

Some of the more important products involved were automotive parts and accessories, animal feeds, cleansers, drugs, dairy products, canned foods, books, foods, petroleum products, cholera serum, tobacco products, paper, refrigerating supplies, pipe fittings, powdered milk, propane gas, lining fabrics, and vulcanizing equipment.

Section 3 of the Clayton Act prohibits exclusive-dealing contracts made upon condition that the buyer or lessee will not deal in the goods, wares, or merchandise of competitors. Investigations in this category during the year covered exclusive-dealing and tie-in contracts relating to such products as airplanes, acetylene oxygen, automotive supplies, belting materials, carbon rolls, hearing devices, machine motors, and phonograph records.

There were pending also several investigations under section 7 of the Clayton Act, which prohibits the acquisition by one corporation of the stock of another corporation where the effect may be to substantially lessen competition, restrain commerce, or tend to create a monopoly.

With 316 antimonopoly cases pending at the beginning of the year and 280 entered for investigation during the year, the investigative staff completed 283 investigations, leaving pending on June 30, 1950, a total of 313 cases. A summary of the antimonopoly investigations handled during the year, classified according to their statutory basis, is set forth below:

Statutory basis of investigation	Pending July 1, 1949	Entered for investigation during year	Completed during year	Pending June 30, 1950
Federal Trade Commission Act: Restraint of trade (sec. 5) -----	<sup>1</sup> 168	107	130	<sup>2</sup> 146
Clayton Act:				
Sec. 2 -----	122	166	140	148
Sec. 3 -----	20	7	13	14
Sec. 7. -----	6	0	0	<sup>2</sup> 5
Total -----	<u>316</u>	<u>280</u>	<u>283</u>	<u>313</u>

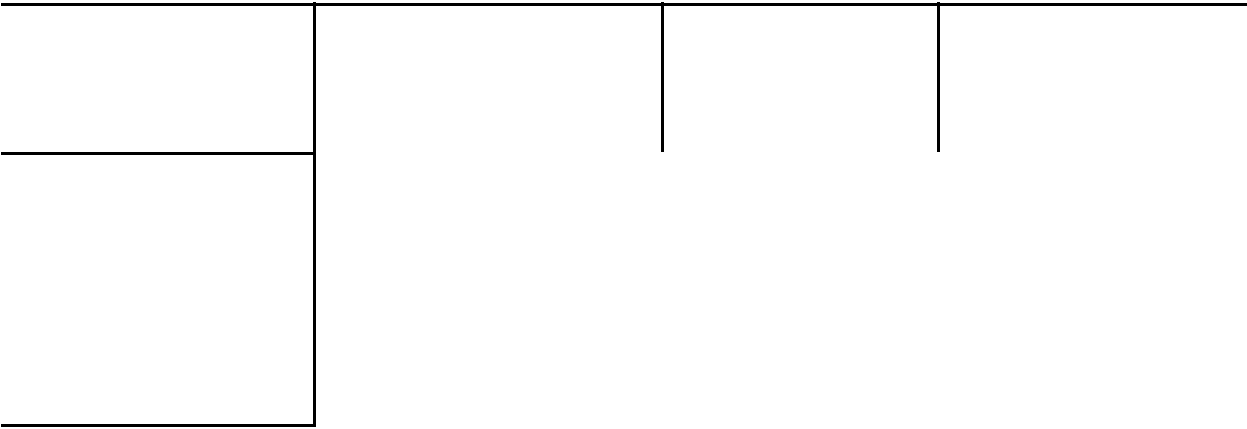
<sup>1</sup> This total includes 20 cases which were shown under a different classification in the 1949 annual report.

<sup>2</sup> Statutory basis of 1 case changed from sec. 7, Clayton Act, to sec. 5, F.T.C. Act.







As a special project, all advertisements of alcoholic beverages are assembled for study and appraisal, with a view to proceeding in all instances where the statute appears to be violated, and to assist the Alcohol Tax Unit, Bureau of Internal Revenue, in its administration of the Federal Alcohol, Administration Act. By special arrangement, all radio advertisements of alcoholic beverages are set aside for examination and use by eErghagesandd4eeverageadvertisend

respect to the practices of manufacturers of radio and television receiving sets, cigarettes, alcoholic beverages, and liquid starches.

Correspondence handled by the Division during the year totaled 3,544 incoming pieces of mail and 10,707 outgoing pieces.

Procedure in advertising cases.—If it appears that a published or broadcast advertisement may be false or misleading,

by the dealer but is to remain on the merchandise when delivered to the purchaser-consumer.

Manufacturers of wool products subject to the act are required to maintain and preserve fiber-content records. Civil penalties are provided for failure to maintain such records.

Products covered by the act include not only finished articles such as wearing apparel and blankets but; also the yarns and fabrics from which they are made. These products come from approximately 100 industries and are marketed through an estimated 250,000 distributor and dealer outlets.

Rules and regulators under Wool Act.—Rules and regulations promulgated by the Commission under the authority of the statute are available upon request in booklet form. They provide for manufacturers, distributors, and dealers, guidance on how to comply fully with the law.<sup>2</sup>

Registered identification numbers.—Rule 4 of the regulations as amended provides that registered identification numbers may be assigned upon proper application<sup>3</sup> not only to manufacturers of wool products but also to persons subject to the labeling requirements of the act who market wool products in interstate commerce. It also provides that a registered identification number may be used on the required wool products tag, label, or other mark as and for the name of the person to whom the number is assigned. At the close of the fiscal year, 8,618 registered identification numbers had been assigned, an increase of 1,315 over the preceding fiscal year.

Continuing guaranties.—For the purpose of protecting distributors, dealers, and other resellers, from the charge of misbranding when relying in good faith upon the statement of content furnished by the supplier, provision is made for a guaranty on the part of the supplier. It may be either a separate guaranty specifically designating the wool product guaranteed or a continuing guaranty filed with the Commission and applicable to all products handled by the guarantor. Continuing guaranties must be renewed annually or whenever there is any change in ownership or management of the guarantor. During the fiscal year, 1,097 continuing guaranties were filed with the Commission. These have been recorded and are open to public inspection.

Enforcement.—In cases involving misbranding which require corrective action by formal proceedings, the use of the cease-and-desist order procedure has proved adequate. The supporting procedures

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<sup>2</sup> The Commission has also 29.9220 TD 6 (49.9220 TD 0 64expl1407TD 0.002app0c -b Ty forma(49.92 0 TD 2TD -0 Tc Tw 0d0017 T 0 Ttext.,4

(condemnation and injunction specifically provided by the Wool Act are available when needed, however, and in cases of deliberate or willful violation, criminal penalties may be sought.

During, the year, upon request of the Commission, civil penalty suits were filed in the United States District (Court for the Southern District of New York against two manufacturers of wool products for failure to maintain and preserve the fiber content records required by the Wool Act.<sup>4</sup>

Administrative compliance work included field inspection and industry counseling, which, in most instances, resulted in voluntary correction of labeling practices by concerns throughout the country. Compliance inspection work was carried on with 11,968 manufacturers, distributors, and other dealers in wool products in all 48 States and the Territory of Alaska and covered approximately 22,000,000 articles. During the preceding fiscal year, compliance inspections of 9,781 concerns were made.

Cases involving labeling deficiencies of a minor nature were handled for the most part through informal corrective procedures without resort to formal action. In relatively few cases has it been necessary to invoke formal corrective proceedings.<sup>5</sup> Informal administrative compliance work has proved an effective and economical method of protecting the public interest in this field.

## DIVISION OF MEDICAL OPINIONS

The Division of Medical Opinions furnishes the Commission with scientific facts and opinions in connection with the determination of the truth or falsity of advertising claims made for food, drugs, curative devices, cosmetics, and other commodities. It arranges for analyses of samples of products under investigation and gathers information with respect to their composition, nature, effectiveness, and safety.

The Division provides medical opinions and scientific information needed in the preparation of formal complaints, the negotiation of stipulation agreements, and the drafting of affidavits of scientific experts. During the fiscal year it prepared 393 written opinions and rendered many oral opinions. A substantial amount of time was devoted to assisting the Commission's staff in its preparation for hearings in cases in which questions of science arose and to attending hearings, particularly where scientific witnesses were under cross-examination. The services of expert scientific witnesses were obtained in cases where it was necessary to determine scientific questions.

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<sup>4</sup> See p. 58.

<sup>5</sup> For complaints alleging violations of the Wool Products Labeling Act, see p. 51; for Commission orders directed against such violations, see p. 54.



FORMAL COMPLAINTS

Automatic Voting Machine Corp., Jamestown, N. Y., and others.— This corporation, whose voting machines are used in 90 percent of all United States communities utilizing the devices, and 11 individuals, as corporate officers, directors, or employees, were charged with unlawfully applying the

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corporated in 1935, (1990) (1961) (1944) (1962) (1936) ( ) wear 0 TD -0.0014 T



prohibit claims, however, that the products relieve or check, and in many cases stop, the symptoms or manifestations of the common cold, and that they are safe when taken in accordance with directions on the labels.

The companies were: Bristol-Myers Co., New York (Resistab); Anahist Co., Inc., Yonkers, X. Y. (Anahist); Whitehall Pharmacal Co., New York (Kriptin); Union Pharmaceutical Co., Inc., Montclair, N. J. (Inhiston); and the Grove Laboratories, Inc., St. Louis (Antamine) .

### C. MISCELLANEOUS COMPLAINTS

Ten complaints charged unlawful sale of lottery devices, either separately or in combination with other merchandise; 3, use of deceptive methods to obtain the addresses of delinquent debtors; and 1, unauthorized shipments of merchandise and unfair methods of collections.

## II. Complaints Under Clayton Antitrust Act, as Amended by Robinson-Patman Act

### A. VIOLATION OF SECTION 2 (a)

Seventeen complaints alleged price discriminations which may injure, destroy, or prevent competition or tend to create a monopoly. Representative cases include the following:

Ideal Cement Co., Denver, Colo., and others.—The charges in this case were to the effect that the company charged 20 cents a barrel more for cement sold to purchasers using trucks than for cement bought by other customers transporting their cement by rail (5670). A similar complaint was issued in another case (5671). Both complaints alleged that the effect of the discriminations may be to injure, destroy, or prevent competition between those receiving the lower price and those not so favored.

General Foods Corp., New York.—This corporation was charged with selling its prepared pectin products, Certo and Sure-Jell, in some areas at substantially lower prices than in others. The complaint alleged that these discriminations in price may substantially lessen competition between General Foods and its competitors (5675).

Eight other complaints alleged price discriminations in the sale of automobile accessories and supplies (5720 through 5723 and 5768 through 5771). In other cases, the products involved were rubber and canvas footwear (5677), malted milk products (5701), and radio tubes (5728). Respondents named in these complaints included the B. F. Goodrich Co. (5677), Horlicks Corp. (5701), Whitaker Cable Corp. (5722), Sylvania Electric Products, Inc. (4728), and Federal-Mogul Corp. ( 5769).

**B. VIOLATION OF SECTION 2 (c)**

Violation of section 2 (c) was charged where a food brokerage firm accepted from sellers brokerage fees on transactions with a wholesale grocery concern by which it was allegedly controlled through common ownership and family ties (5784).

**C. VIOLATION OF SECTION 2 (d)**

A complaint under this section charged two dress manufacturers with paying some customers for advertising services or facilities without making similar payments available to other customers on proportionally equal terms (5735).

**D. VIOLATION OF SECTION 2 (e)**

A publisher of school books was charged with providing some customers with certain services and facilities which were not proportionally available to all customers (5773).

**E. VIOLATION OF SECTION 2 (f)**

In three complaints alleging violation of this provision, jobbers of automotive parts and supplies were charged with knowingly inducing and receiving unlawfully discriminatory prices (5724, 5766, and 5767).

**F. VIOLATION OF SECTION 3**

Use of exclusive-dealing contracts prohibited by this section was charged in three complaints. The respondents and their products are Revlon Products Corp. (5685), cosmetic products; Harley-Davidson Motor Co. (5698), motorcycles and related equipment; and Horlicks Corp. (5701), malted milk products.

**III. Complaints Under Wool Products Labeling Act**

Eleven complaints alleged that wool products were misbranded in violation of the Wool Products Labeling Act and the rules and relations promulgated thereunder, in that they were not labeled so as to disclose the kinds and percentages of the different fibers of which the fabrics were made and the identity of the manufacturer or other seller of the products. One complaint also charged unlawful removal from wool products of required content and identification information.

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

**ORDERS TO CEASE AND DESIST**

During the fiscal year, the Commission issued 79 orders to cease and desist from the use

of unfair methods of competition and other violations of the laws it administers. Sixteen of the orders were directed

against monopolistic practices. The following cases are illustrative of the orders issued:

### I. Orders Under Federal Trade Commission Act

#### A. PRICE-FIXING AND RESTRAINT-OF-TRADE CASES

The Package Advertising Co., New York.—The Commission ordered this company, which owned patents and trade-marks in connection with printed waxed paper bands used extensively in the wrapping of bread and other bakery products, to stop agreeing with other manufacturers or distributors with regard to the prices or terms at which, or the territories in which, sales of wrapper bands not manufactured or sold by it should be made (5416).

American Dental Trade Association, Washington, and others.—This trade association, its officers, and 143 manufacturers and distributors were ordered to cease and desist from conspiring to fix prices and from entering into other agreements restraining trade in the sale of dental goods. The respondents distribute over 75 percent of the dental goods manufactured and sold in the United States (5636).

#### B. FALSE ADVERTISING OF DRUGS AND COSMETICS

Bristol-Myers Co., New York.—This company was ordered to cease advertising that the use of Ipana Tooth Paste with massage will prevent "pink tooth brush," aid in the treatment of its causes, or impart firmness and health to the awns; that Ipana has any significant therapeutic value in the treatment of mouth, tooth, or gum diseases; or that modern diets do not give the gums sufficient exercise or stimulation. The order also prohibits claims that twice as many United States dentists personally use Ipana as any other dentifrice and that more United States dentists recommend Ipana for use by their patients than any other two dentifrices combined (4861).

Geo-Mineral Co., St. Louis.—The order in this case was directed against advertising claims that Geo-Mineral, a medicinal preparation, is a competent or effective treatment for a large number of diseases and conditions. The practical effect of the order is to limit the claims for the product to conditions arising solely because of an inadequate intake of iron (5666).

Carter Products, Inc., New York, and others.—The Commission ordered this company and its advertising agency to stop representing that the deodorant cosmetic, Arrid, stops underarm perspiration or is more than temporarily effective in reducing the flow of perspiration. Claims that the preparation is safe or harmless are banned unless accompanied by a disclosure that it may cause irritation of sensitive skin (4960). (Petition for court review pending.)





to show the information required by the Wool Product Labeling Act, including the percentages of the various fibers from which they are made.

## CASES IN FEDERAL COURTS

During the fiscal year there were 18 proceedings to which the Commission was a party in the Supreme Court of the United States and in Federal courts of appeals. All arose on petitions to review orders to cease and desist.

Decision's favorable to the Commission were obtained in four cases in courts of appeals (including three dismissals of petitions to review) and in one case in the Supreme Court (denial of a petition for certiorari to review affirmance of a Commission order by a court of appeals) .

There was one decision adverse to the Commission when a court of appeals granted the modifications sought by the petitioner. There was a slight modification in one other case.

Pending in the Supreme Court at the close of the fiscal year was a petition for certiorari, filed by the Solicitor General at the instance of the Commission, to review the action of a court of appeals in modifying an order to cease and desist. Another case, argued before the Supreme Court during the fiscal year, was ordered restored to the court's docket for reargument during the October 1950 term.

During the year, certiorari was denied by the Supreme Court to a petitioner seeking review of a court of appeals decision affirming a Commission order.

Seven new petitions to review Commission orders to cease and desist were filed during the fiscal year.

Besides these 18 cases involving petitions for review, there were 10 others in which the Commission was a party or which were brought in the name of the United States at the request of the Commission.

In two cases seeking injunctions and0 T2c

PETITIONS TO REVIEW CEASE-AND-DESIST ORDERS

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

Cases Decided by the Courts

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Bristol-Meyers Co., New York.—Fourth Circuit (Richmond), false and misleading advertising of Ipana toothpaste<sup>7</sup>.

Carter Products, Inc., New York, and others.—Seventh Circuit (Chicago), false and misleading advertising of Arrid, a deodorant cosmetic.

Concrete Materials Corp., Chicago.—Seventh Circuit (Chicago), misrepresentation of so-called waterproofing compounds.

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

Gold-Tone Studios, Inc., Rochester, N. Y., and others.—Second Circuit (New York), misrepresentation in the sale of photographs.<sup>8</sup>

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

R. J. Reynolds Tobacco Co., Winston-Salem, N. C.—Seventh Circuit (Chicago), false and misleading advertising of Camel cigarettes.

Benjamin D. Ritholz, Chicago, and others.—Seventh Circuit (Chicago), deceptive practices in the sale of eyeglasses.

Ruberoid Co., New York.—Second Circuit (New York), price discrimination in the sale of roofing materials, in violation of section 2 (a) of the Clayton Act.

Standard Oil Co. (an Indiana corporation), Chicago.—Supreme Court, certiorari granted to review decision of the Seventh Circuit (Chicago), modifying and affirming as modified the Commission's order against price discrimination in the sale of gasoline, in violation of section 2 (a) of the Clayton Act.

Steelco Stainless Steel, Inc., and others, Chicago.—Seventh Circuit (Chicago), deceptive practices in the sale of kitchen utensils.

## OTHER COURT CASES INVOLVING THE COMMISSION

### Cases Decided by the Courts

U. S. v. Morton Salt Co.; U. S. v. International Salt Co.—The Supreme Court reversed the Seventh Circuit (Chicago) and sustained Commission orders requiring the filing of special reports of compliance.

Goodyear Tire Rubber Co. v. Federal Trade Commission; B. F. Goodrich Co. v. Federal Trade Commission; United States Rubber

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<sup>7</sup> Order of Commission affirmed November 9, 1950.

<sup>8</sup> Order of Commission affirmed, with some modification, July 5, 1950.



Co. v. Federal Trade Commission; Firestone tire & rubber Co. v. Federal Trade Commission; Montgomery Ward & Co., Inc. v. Federal trade Commission.—Petitions for injunctions to prevent further action by the Commission in a quantity-limit proceeding in the rubber tire industry denied by the United States District Court (District of Columbia).

U.S. v. Atlantic Coast Oil Co. of New York, Inc.—Judgement of \$2,500 in suit for civil penalties in the United States District Court (Brooklyn) for violation of a Commission order to cease and desist.

#### Cases pending in the Courts

U.S. v. Morton Salt Co.; U.S. v. International Salt Co.—Pending in the United States District Court (Chicago) for injunction and penalties for failure to file special reports of compliance.

U.S. v. Lady Carole Coats, Inc., and others; U.S. v. Shelbrooke Coats, and others.—Suits for penalties for failure to keep records under the Wool Products Labeling Act filed in the United States District Court (New York City).

U.S. v. Korjena Medicine Co., and others; U.S. v. Oland D. Redd.— Suits for civil penalties for violation of a Commission order to cease and desist pending in the United States District Court (Buffalo).

U.S. v. Standard Education Society, and others.—suit for civil penalties for violation of a Commission order to cease and desist pending in the United States District Court (Chicago).

U.S. v. Gerald A Rice, and others.—Suit for civil penalties for violation of a Commission order to cease and desist pending in the United States District Court (Seattle).

ANNUAL REPORT OF THE FEDERAL TRADE COMMISSION, 1950  
 TABLES SUMMARIZING LEGAL WORK OF THE COMMISSION AND  
 COURT PROCEEDINGS, 1949-50

TABLE I-Case work, fiscal years 1949 and 1950

	Applications for complaint <sup>1</sup>		Complaints <sup>2</sup>	
	1949	1950	1949	1950
Pending beginning of year -----	1,378	1,554	320	328
Docketed -----	1,177	627	96	124
Settlements by stipulation vacated -----	3	3	-----	-----
Closed cases reopened -----	3	11	-----	-----
Orders to cease and desist vacated -----	-----	-----	1	2
<b>Total for disposition -----</b>	<b>2,561</b>	<b>2,195</b>	<b>417</b>	<b>454</b>
To complaint -----	90	104	-----	-----
Consolidated with other proceedings -----	6	18	-----	-----
Settled by stipulation -----	126	147	5	2
Settled by acceptance of Trade Practice Conference rules -----	-----	-----	3	2
Dismissed or closed -----	785	760	33	60
Orders to cease and desist -----	-----	-----	47	79
Complaints rescinded -----	-----	-----	1	-----
<b>Total dispositions -----</b>	<b>1,007</b>	<b>1,029</b>	<b>89</b>	<b>143</b>
Pending end of year -----	1,554	1,166	328	311

<sup>1</sup> These are cases docketed for investigation.

<sup>2</sup> These are cases in which the Commission issues a formal complaint charging violation of 1 or more of the statutes it administers.

TABLE II.—Court proceedings, fiscal years 1949 and 1950

	Petitions for review of orders to cease and desist				Mandamus, injunctions, etc.	
	Court of appeals		Supreme Court of the United States		1949	1950
	1949	1950	1949	1950		
Pending beginning of year -----	9	8	-----	1	3	-----
Cases appealed -----	6	7	3	2	-----	-----
Suits instituted -----	-----	-----	-----	-----	-----	5
<b>Total for disposition -----</b>	<b>15</b>	<b>15</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>5</b>
Decisions for Federal Trade Commission -----	5	1	1	-----	3	5
Decisions for others -----	1	1	-----	-----	-----	-----
Petitions withdrawn -----	-----	3	-----	-----	-----	-----
Remanded to Federal Trade Commission -----	1	-----	-----	-----	-----	-----
Certiorari denied -----	-----	-----	1	1	2	-----
<b>Total disposition -----</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>5</b>
Pending end of year -----	8	10	1	2	0	0

<sup>1</sup> In 2 cases, decisions adverse to the Commission were handed down by a district court and approved by a court of appeals, but they were reversed by the Supreme Court.

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## PART III. COOPERATIVE AND VOLUNTARY PROCEDURES

In its continuing program of encouraging voluntary compliance with the laws under its jurisdiction, the Commission has consolidated its cooperative procedures in the Bureau of Industry Cooperation. The Bureau consists of the Division of Trade Practice Conferences and the Division of Stipulations.

Through this Bureau, the Commission conducts legal activities of a voluntary or cooperative nature, in contrast to its formal trial procedures. By means of industry conferences and individual stipulation agreements, the Commission seeks to cooperate with business and industry to inform and guide them with respect to the scope and meaning of the laws it administers.

It is the policy of the Commission to utilize the trade practice conference and stipulation procedures to encourage widespread observance of the law by enlisting the cooperation of members of industries and informing them more fully of the requirements of the law, so that wherever consistently possible the Commission may avoid the need for adversary proceedings against persons who through misunderstanding or carelessness, may violate the law unintentionally.<sup>1</sup>

In establishing the Bureau, the Commission said it "is encouraged by the increased interest on the part of industry to cooperate in wiping out unfair and deceptive trade practices and in developing programs which will be in the interest of, and will be approved by consumers. \* \* \* The Commission hopes to further this work so that it will continue to have the enthusiastic support of the Congress and the President, as well as of consumers and small business."

### TRADE PRACTICE CONFERENCES

The trade practice conference procedure is designed to bring about any observance on an industry-wide basis through the cooperative establishment of rules designed to prevent unfair trade practices. The conference plan provides an opportunity for industry members and other interested parties, including consumers, to cooperate with the Commission in effectuating the elimination of unfair methods of competition and other practices harmful to the industry or to the consuming public. Of primary concern in the establishment of industry

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<sup>1</sup> See page 127 for the complete text of the commission's policy on settlement of cases by trade-practice conference and stipulation agreements.

rules is the protection of the public from such unfair practices as false and misleading advertising and other forms of deception.

Conference proceedings looking to the promulgation of rules for an industry are usually initiated on application of the particular industry involved, although they may be instituted on the Commission's own motion. The objective is to utilize the best thought and voluntary cooperation of all concerned in establishing rules reflecting the requirements of law and a high standard of ethics. The conference procedure is authorized when it is considered to be in the public interest and a constructive force for good in the industry.

Rules established under the conference procedure define and proscribe unfair-trade practices. They express the requirements of the statutes, as well as decisions of the Commission and the courts, in language addressed specifically to the problems and practices of particular industries. The cooperation of industry members in the formulation and administration of rules results in widespread compliance with the law and thus results in substantial economies in the cost of law enforcement to both government and industry.

In the administration of trade practice rules, emphasis is placed on the maintenance of active cooperation between the industry and the Commission in promoting voluntary industry-wide observance of the rules and in keeping the Commission abreast of industry conditions and problems which may require rule amendment or other action. Industry members are afforded guidance designed to assure business conduct in conformity with the laws administered by the Commission.

Trade practice conference procedure.—The Commission's rules of practice (see p. 121) cover procedural requirements for establishing trade practice rules. Conference proceedings may be instituted by the Commission upon its own motion or upon application by an industry. Any interested party or group in an industry, large or small, may apply to the Commission for the institution of such proceedings. Once a conference is authorized, industry representatives are invited to meet and discuss proposed rules.

Members of the Commission's staff are available at all stages of the proceedings to assist industry representatives in working out constructive solutions of problems, encountered in conforming trade practices to the law. Before rules are promulgated, public hearings are held to allow all concerned, including the general public, to present their views, suggestions, or objections.

### Group I and Group II :Rules Explained

Trade-practice rules may include not only provisions for elimination of practices which are illegal per se or conducive to unfair com-





cultural soil conditioning or soil improvement purpose, for use as poultry or stable litter, or for similar uses. The rules ban various unfair methods and deceptive practices and afford industry members guidance as to the proper use of terms such as "peat moss" and "moss peat."

Fountain pen and mechanical pencil industry.—Members of this industry are engaged in manufacturing and marketing fountain pens, ball point pens, dip pens, mechanical pencils, and parts for such products. Annual sales at retail aggregate \$250,000,000. The rules are directed to the elimination and prevention of various types of unfair trade practices. They offer a yardstick to industry members in curbing misleading advertising and cover specifically the false use of the terms "Iridium tipped" and "Osmiridium tipped." They also deal with deceptive practices with respect to gold content. The provisions are designed to provide the industry with a comprehensive understanding of the requirements of the law.

Wholesale optical industry.—Industry members sell at wholesale corrective eye glasses or lenses with or without processing and eyeglass frames, mountings, parts, or accessories.

Tj 2.88 0 TD 0 Tc (glassos) Tj 3.0 Tc 4D -0 Tc (sell) tot 21.6 0 TD 0 Tc ( ) Tj 3.36 0 4D 0.0014 7

tion of competitors, commercial bribery, and coercing purchase of one product as a prerequisite to the purchase of other products.

Candy manufacturing industry.—Products of this industry include all kinds and varieties of candy except solid or molded chocolate products, for which a separate set of rules is being considered. Total sales in 1948 of such candy products at wholesale exceeded \$900,000,000. Specific abuses sought to be corrected by the rules for this industry include misuse of the word "free," tie-in sales, false advertising, price discrimination, and the use of lottery schemes.

Fine and wrapping paper distributing industry.—Members of this industry are engaged in wholesaling, selling, or distributing fine and wrapping paper products, including writing paper, envelopes, and paper boards. The group I rules are prohibitions against various forms of unfair practices.

among other things, marking as to foreign origin of imported fasteners, deception as to length of slide fasteners, illegal discrimination in price, services, or facilities, unlawful brokerage, defamation of competitors and false disparagement of their products, and simulation of trademarks and trade names.

Bedding industry.—Hearing on proposed rules for this industry has been held, and the matter was under consideration by the Commission as the year ended. Members of the industry manufacture and sell mattresses, bedsprings, beds, and other bedding products, among the practices covered by the proposed rules are deception as to used materials and parts, misuse of the terms "felt," "Latex," "foamof Tc 0 Tj 23 48 0 Tj 0 98 0 Tj 0 32 0 Tj 0 31..

## ANNUAL REPORT OF THE FEDERAL TRADE COMMISSION, 1950

tion, with certain designated exceptions, of blank spaces in the contract which are to be filled in after execution; misrepresentation as to such items as insurance rates and coverage and finance charges; and the deceptive use of rate charts in "packing" finance charges. Consideration was also given in the proceeding to a rule covering the practice by a vendor of conditioning the installment sale or financing of a motor vehicle on the purchase of an insurance policy from specified insurance company.

Cedar chest industry.—A trade-practice conference for this industry was held in Chicago in June 1950 to afford industry members opportunity to consider a revision of trade-practice rules promulgated for this industry in November 1931. The next step will be publication of proposed revised rules for submission at a public hearing for consideration and comment of interested parties.

Commercial cold storage industry.—Application was made by this industry to revise trade practice rules promulgated in 1931. Industry members presented suggested revised rules at a conference in Chicago. Some of the subjects under consideration are the issuance of deceptive warehouse receipts, delivering goods when negotiable warehouse receipts are outstanding and uncanceled, price discrimination, inducing breach of contract, and selling below cost.

Parking meter industry.—These proceedings were instituted upon application of the industry, with the final hearing on proposed rules held June 30, 1950. The proposed rules relate to such practices as defamation of competitors or false disparagement of their products, deceptive use of trade names and trade-marks, commercial bribery, selling below cost, and unlawful combinations in restraint of trade. This industry has sales totaling over \$12,000,000 annually. The products of the industry are installed in more than 1,100 cities and towns throughout the Nation.

Hearing-aid industry.—The purpose of this proceeding is to revise rules promulgated in December 1944. A hearing was held June 27, 1950, to consider additional rules covering such matters as arrangements to exclude sales of competitors' products; deception as to used or rebuilt products; and combination or coercion to fix prices, suppress competition, or restrain trade.

Water-repellent fabrics and outerwear industry.—Initiated by the Commission on its own motion, these proceedings are designed to eliminate misleading advertising and other misrepresentations concerning the efficacy of water-repellent fabrics and rainwear. Since the industry conference, numerous meetings have been held with the Bureau of Standards and industry representatives in an effort to establish appropriate standards as a basis for development of adequate

rules. The protection of consumer purchasers from the harmful effects of deceptive claims as to the degree and permanency of water and moisture protection afforded by industry products is a principal objective of the proceedings.

#### Administration of Rules

The objective of rule administration work is to secure expeditiously, through cooperative efforts, the highest possible degree of voluntary compliance with the rules. Through correspondence, office conferences, and field work, informal administrative action is taken to insure that the rules for particular industries are understood and observed.

These procedures enable the Commission to discover instances of such violations and to promptly enlist the cooperation of industry members in eliminating the practices in question; to establish a working liaison with industry leaders, officials, and industry members and informally assist them in avoiding practices contrary to the rules and the laws administered by the Commission; to discuss at first hand the adequacy of the rules in fulfilling industry needs; to learn promptly of new or changed competitive conditions necessitating revision or amendment of rules or other action; and to assure all industry members of the Commission's constant interest in their particular industry rules and its readiness to assist in solving problems arising under them.

In the course of this work during the fiscal year, 57 different industries under rules were visited in the field involving conferences with over 520 industry members, association executives, and other industry representatives. In addition, the Commission wrote to approximately 4,200 members of various industries to keep them alert to the provisions of their industry rules and to offer them opportunity for review of the practices in their industries.

By such continual contact the Commission has maintained a high degree of interest in rule observance. These informal administrative procedures have enabled the Commission during the year to dispose of some 4,900 alleged rule violations in 33ance.some

surplus chick dealers. The year witnessed a great increase in the number of "bogus independent outlets," a development which was effectively checked through field work and written communications. Cooperative liaison work with officials of the National Poultry Improvement Plan of the United States Department of Agriculture, with participating State agencies, and with the industry trade association materially aided in the effort to achieve rule observance on a Nation-wide basis.

Mail-order insurance.—A considerable volume of advertising material of organizations engaged in the interstate promotion and sale of insurance by mail was subjected to careful examination after promulgation of the industry rules February 3, 1950. Substantial progress is being made toward the discontinuance of affirmative misrepresentations in advertising respecting coverage and benefits, as well as misrepresentation through failure to disclose material facts relative to reductions, limitations, and exceptions contained in policies. Through cooperation extended by many industry members much progress has also been made in eliminating use of statements in advertising which in and of themselves are not actually false but which by implication may be confusing and misleading to prospective purchasers of insurance.

Masonry waterproofing industry.—Progress was made during the year in bringing about more widespread compliance with the rules for this industry. Special attention was given to the elimination of false and exaggeratedtheompli.08 0 TD 0 Tc ( ) Tj2.83.48 c mp10.002 4504242702

products composed predominantly of rayon and in minor part of nylon. Through cooperative efforts the advertising and labeling of such products have been substantially improved. Advertising was extensively surveyed, office conferences held, and considerable correspondence conducted throughout the year.

Sun glass industry.—Firms engaged in the interstate distribution of sun glasses were contacted during the year to obtain industry-wide observance of the rules for this industry. Particular attention was given to certain advertising representations deemed to be misleading and contrary to the

circumstances involving commercial bribery, deception, or restraint of trade; full-line forcing as a monopolistic weapon; combination or conspiracy to fix prices, suppress competition, or restrain trade; and discrimination in price, services, or facilities.

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

Rules also cover deceptive use of such terms as: "perfect," "real," "genuine," or "natural" in describing precious stones or their imitations; "pullorum tested," "blood tested," "hybrid," "inbred," or "inbred line," and "in-crossbred"



values; disclosure as to remaining shrinkage in so-called preshrunk merchandise; disclosure that apparently new products are secondhand, used, rebuilt, or renovated; disclosure that products are artificial or imitations; specification of minimum requirements for standard or genuine products; disclosure as to imperfect or defective merchandise, as to presence of metallic weighting in silk products, as to true functions of radio parts and accessories, as to latent defects in artificial limbs or other prosthetic appliances, as to use and application of masonry waterproofing products, and as to true metal composition of watchcases.

### INFORMATIVE LABELING

Informative labeling enters extensively into the work of the Commission under trade practice conference rules. Fiber identification, or what is generally referred to as "truth in fabrics," forms a large part of informative labeling work. While consumer goods containing



Industry Cooperation to the Division of Trade Practice Conferences for further consideration, report, and recommendation, or recommendation is made to the Commission for institution of investigations on an industry-wide basis. The objective is to provide uniform and concurrent voluntary corrective action applicable to all members of a given industry so that all may be placed on an equal competitive basis.

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

During the fiscal year the Commission disposed of 266 cases upon the recommendation of the Division as follows:

Accepted executed stipulations including 5 amendment stipulations -----	164
Closed without prejudice -----	43
Directed issuance of complaints -----	23
Referred for further investigation -----	20
Placed on suspense -----	11
Denied petition for modification of stipulation -----	1
Rescinded stipulations -----	4
	-----
Total -----	266

A recapitulation of the Division's work during the fiscal year follows:

Cases pending June 30, 1949 -----	<sup>1</sup> 136
Cases referred to the Division during fiscal year -----	274
	-----
Total for disposition -----	410
Cases disposed of by the Commission during fiscal year -----	266
	-----
Balance -----	144
Cases pending with the Commission -----	7
	-----
Cases pending in Division July 1, 1950 -----	137

<sup>1</sup> Includes five supplemental cases not reflected in 1949 report.

PART IV. FOREIGN TRADE WORK

EXPORT TRADE ACT

The

The following figures cover exports by the associations during 1949, in comparison with statistics for 1948:

	1948	1949
Metals and metal products -----	\$38,580,731	\$45,243,575
Products of mines and wells -----	43,247,920	43,279,155
Lumber and wood products -----	11,799,541	9,702,272
Foodstuffs -----	142,165,390	106,660,000
Miscellaneous -----	464,389,920	418,176,331
Total -----	<u>700,183,502</u>	<u>623,061,333</u>

#### INQUIRIES AND RECOMMENDATIONS

Two inquiries into the operations of export associations were in progress during the year. reopened inquiry involving operation of Pacific Forest Industries (Docket 202-1) is still pending in the of expo,on Dockng 1949, the the were

The Association list as of June 30, 1950, is as follows:

American Hardwood Exporters, Inc., 706  
International Building, New Orleans  
AMTEA Corp. (American Machine Tool Export  
Association), 30 Church Street, New York.  
American Spring Export Association, Inc., 30  
Church Street, New York.  
American Tire Manufacturers Export Association,  
30 Church Street, New York.  
Amertool Services, Inc., 4701 Marburg Avenue,  
Cincinnati, Ohio.  
California Dried F

## TRUST LAWS AND TRADE REGULATION ABROAD

Under section 6 (h) of the Federal Trade Commission Act the Commission compiles information as to trust laws, unfair competition, and regulation of trade and industry in foreign countries. Some of the more important measures are noted;

Argentina.—Price ceilings were removed on some products in July 1949, and payment of subsidies to producers of essential foodstuffs was discontinued about the same time. To halt price increases on these products and to forestall the possible inflationary effect of devaluation, a Government decree was issued early in October 1949 forbidding, at any stage of manufacture, distribution, or marketing, any increase in the price of essential goods over the price level prevailing during the second half of September. All Argentine imports must be covered by a prior exchange permit from the Central Bank, with permits limited to essential products. Some products are subject to import quotas.

Australia.—To meet sit-15.36j 2.88 0 TD 0 Tc (essential) Tj 78.12 0 TDq0 Tc ( )

transferred to the Directorate General of Industry of the Ministry of Economy. In February 1950, the Government issued to supreme decrees tightening control of exchange.

Brazil.—Under a law approved December 16, 1949, the National Economic Council was created to study the economic life of the country and to suggest measures to the President and to the National Congress. The Federal Foreign Trade Council, established by decree in 1934, was abolished. Exchange permits are necessary, and import licenses are required on all but a few products.

Burma.—On June 21, 1949, the Constituent Assembly adopted the Union Mineral Resources Act which amended the Constitution to permit foreign enterprises to develop mineral resources. Regulations were passed to govern the conduct of mineral concessions. In September 1949 the Prime Minister issued a policy statement on the Government's industrialization program emphasizing the need for foreign capital. In order to control inflationary price levels, the Civil Supplies Department purchases scarce commodities and distributes them, controlling the resale price. The Government has encouraged the importation of yarns to expand the textile industry, but textile imports are restricted, and a large part of the foreign exchange is reserved for necessary food supplies. The Import and Export Trade Control Act of 1947, as amended, is still in effect. An order issued in October 1949 prohibited the sale or transfer of an import or export licence to any other person.

Canada The Combines Investigation Act and related Criminal Code provisions were amended November 25, 1949. The amendments relate to court proceeding concerning monopolistic trade restrictions and unlawful combinations in restraint of trade. One section provides that the Attorney General of Canada may institute and conduct prosecutions or other proceedings and exercise all powers and functions conferred by the Criminal Code on the Attorney General of a province. Other sections provide for trial by a judge without a jury and define the persons whose acts or documents may be introduced in evidence under the rebuttable presumptions established by the statute.

A report of the Combines Investigation Commission on the flour-milling industry, dated December 1948, was published in 1949. The Government announced that no action would be taken against the flour millers, or against the optical goods industry upon which the Commission reported in April 1948.

As a result of an investigation and report by the Combines Investigation Commission in 1948, action was brought in the Alberta Supreme Court in January 1950 against six western bakeries and a trade association. In May the Crown prosecutor announced that the



charge against the trade association would be dropped, but that against the bakeries remained pending.

In June 1950 the Minister of Justice appointed a committee of four



istration. The decree was designed "to guarantee reasonable prices for consumer goods, to direct expected increases in foreign exchange earnings toward the lowering of the living costs of the working classes, \* \* \* to insure an adequate market for certificates of exchange as a protection for the mining industry, and to stimulate the development of any new export products."

Denmark.—The Goods Supply Act, the basic law on which rests the Government regulation of foreign trade, production, ~~rationing~~,  
ste, ste,o( ) Tj 2. Tj 3.36 8 Tc (ste,) Tj 29.16TD 0

abolished by the Cabinet, with some of its functions taken over by other ministries.

France.—Antitrust or cartel bills were introduced in the National Assembly in January and May 1950. The earlier bill was intended to regulate economic ententes and included a provision for compulsory cartelization under Government direction. The second bill provided for creation of a commission or council to receive complaints as to ententes or agreements and practices which injure the general interest in France by establishing monopoly or by limiting or stifling competition. Exemption would be granted in case of agreements which contribute to production and distribution.

Great Britain.—Some industry controls were relaxed in 1949 and 1950. Rationing of gasoline was abolished May 27, 1950, after more than 10 years; and clothing and food rationing was relaxed. The point-rationing system for certain foods was abolished, and all control over the distribution of milk was removed. Steel licensing was abolished in May 1950, except for sheet and tinplate; few industrial materials remain under license. Manpower controls and direction were ended in March 1950. Wool control instituted in September 1939, was ended October 31, 1949.

The first report of the Committee on Industrial Productivity, which was appointed by the Government in December 1947, was presented in the fall of 1949. The committee was instructed to concentrate on study of essential industries which are undermanned, industries with low production compared with prewar output, those producing items of key importance, and those where high production costs affect export sales. The committee is assisted by panels on technology and operational research, imports substitution, and human factors affecting industrial productivity.

The first report of the Board of Trade on the operation of the Restrictive Practices (Inquiry and Control) Act of 1948, showed six cases referred to the Commission by the Board in 1949, involving electrical filament lamps, insulated electric wires and cables, certain builders' castings, dental equipment, matches, and machinery for the manufacture of matches. No reports have been issued on these inquiries. The Commission has eight members (two full-time and six part-time) appointed in January 1949, and at the end of that year reported a staff of 37 persons.

Nationalization of the steel industry was provided by a law passed in November 1949, effective January 1, 1950.

The Royal Commission on the Press appointed in 1947 to investigate monopolistic tendencies in the presentation of news, reported in 1949. The Commission found "nothing approaching a monopoly in

the press as a whole or in any class of newspaper.” As to news agencies, the Commission was satisfied that the existence of two providing domestic coverage and four covering foreign news, insures effective competition and coverage.

Devaluation—depreciation of the pound sterling in terms of dollars and gold—as announced by the British Government September 18, 1949.

A working party set up by the Board of Trade in 1948 reported in 1949 on film production costs, with recommendations to improve and accelerate production in the industry.

Draft of a Wool Textile Industry Development Council order was presented to parliament in November 1949. This would follow the lines of other councils set up for the cotton, furniture, jewelry, and silverware industries. All concerns in the wool industry which employ labor or manufacturing processes and whose turn-over exceeds £300 in any month would be required to register with the Council. The Council would promote research, exports and design, and advise the industry and the Government on matters reviewed by the Wool Working Party. Expenses of the Council would be met by a levy on persons in the industry. Clothing Industry Development order was approved by parliament and became effective January 1, 1950.

Guatemala.— A lease law passed in December 1949, provided that plantation owners must continue leases to tenant farmers for 2 years, and they may not charge more than 10 percent of the value of the crop in cash or produce.

Hungary.—Nationalization of all important industries in Hungary was completed by decree in December 1949. This includes not only domestically owned firms but also foreign-owned enterprises formerly exempt from nationalization. Economic bureaus were established by decree in October 1949, to perform both official and economic tasks in the various parts of the People’s Economy. The former governmental organs and national enterprises will be discontinued and transformed into economic bureaus under direction of the People’s Economic Council. Another decree in October 1949 required reports on all real estate owned or used abroad and all assets claimed by inheritance.

Iran.—A 7-year economic development program was initiated under laws passed in February and July 1949. A planning organization was created to survey such projects as completion of railway lines, health programs, expansion of the production of wheat, cotton, and other agricultural products, and rehabilitation of textile mills and sugar refineries. Oil royalties will be used to finance the program. An economic council was set up to submit proposals for economic

plans, to study and coordinate has proposed or established by ministries and administrations, and to give advice on trade and other economic questions. Government offices are required to submit their plans to the council.

Japan.—The Monopoly Act of 1947, amended twice in 1948, was amended three times in 1949. The act is administered by the Fair Trade Commission, which also has charge of enforcement of the Trade Association Law of 1948, to which three amendments were passed in 1948 and six in 1949. The Marine Transportation Act, effective August 25, 1949, exempts shipping conferences from the Monopoly and Trade Association Laws, on condition that



minerals, and fishing. The National Economic Council will receive applications for concessions and will determine in each case whether the economic activity meets the requirements.

Peru.—A new Peruvian mining code is covered by a decree-law of May 12, 1950.

Philippines.—A new import control law passed in May 1950 subjects all imports to licensing regardless of whether quota limitations are imposed. For items under quota a certain percentage will be reserved for new importers. Goods will be classified by the Import Control Board as prime, essential, nonessential, or luxuries, with percentages assigned to each. A stringent price control law was also passed in 1950.

Portland.—Under a decree issued in September 1949, a Chamber of Foreign Commerce was created for the purpose of developing and strengthening economic relations between Poland and foreign countries. The Chamber will make investigations and prepare reports for use of the authorities and domestic enterprises. It will collect and disseminate information concerning matters bearing on foreign trade, and it will expedite plans and projects for trade and transportation.

Rumania.— program for speeding up collectivization of the farms was made effective in 1949, with liquidation of the last large estates completed in March 1949. Two decrees in November 1949 provided for reorganization of some of the economic ministries in order to facilitate the nationalization of industrial plants.

Sweden.—The Swedish Price Control Law of 1947 was extended in June 1949 for the rest of the year; thereafter the wage and price stabilization agreements with labor unions and farmers were prolonged for another year. The Government is pledged to prevent a general rise in the price level and to maintain the stability of the Swedish currency.



stimulate the establishment of new industries and the expansion and modernization of existing plants, and to encourage investment of private capital, both domestic and foreign,

## PART V. FISCAL AFFAIRS

### APPROPRIATION ACTS PROVIDING FUNDS FOR COMMISSION WORK

The Independent Offices Appropriation Act, 1950 (Public Law 266, 81st Cong.), approved August 24, 1949, provided funds for the fiscal year 1950 for the Federal Trade Commission as follows:

#### FEDERAL TRADE COMMISSION

Salaries and expenses: For necessary expenses, personal services in the District of Columbia; health service program as authorized by law (5 U. S. C. 150); payment of claims pursuant to section 403 of the Federal Tort Claims Act (28 U. S. C. 2672); contract stenographic reporting services; printing and binding; and newspapers not to exceed \$700: \$3,650,000; Provided, That no part of the funds appropriated herein for the Federal Trade Commission shall be expended upon any investigation hereafter provided by concurrent resolution of the Congress until funds are appropriated subsequently to the enactment of such resolution to finance the cost of such investigation.

#### APPROPRIATIONS FOR FISCAL YEAR

Funds appropriated to the Commission for the fiscal year 1950 as cited above amounted to \$3,650,000. In addition the Deficiency Appropriation Act, 1950 (Public Law 583, 81st Cong. 2d sess.), approved June 29, 1950, provided \$73,000, making a total available of \$3,723,000.

#### Obligations by functions

	Fiscal year 1949	Fiscal year 1950
1. Antimonopoly:		
Legal case work	\$1,267,927	\$1,400,000
Economic and financial reports	203,803	234,174
Export trade	50,075	52,432
2. Antideceptive practices:		
Legal case work	1,192,349	1,145,823
Trade practice conferences	234,642	211,497
Wool act administration	297,672	311,165
Trade marks and insurance	35,253	46,909
3. Administrative salaries	314,784	320,792
Total	3,596,505	3,722,792

APPROPRIATIONS AND EXPENDITURES, 1915-50

Obligations by objects

	Fiscal year 1949	Fiscal year 1950
Personal services -----	\$3,301,933	\$3,463,578
Travel -----	128,627	153,888
Transportation of things -----	1,190	819
Communication services -----	23,772	23,794
Rents and utility services -----	10,156	9,944
Printing and binding -----	36,401	29,746
Other contractual services -----	35,415	8,802
Supplies and materials -----	37,461	20,473
Equipment -----	21,550	11,748
 Total -----	 3,596,505	 3,722,792

APPROPRIATIONS AND EXPENDITURES, 1915-50

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

Year	Nature of appropriations	Appropriations	Expenditures and liabilities	Balance

1915	Lump sum -----	\$184,016.23	\$90,442.05	\$93,574.18
	Printing and binding -----	12,386.76	9,504.16	2,882.60
1916	Lump sum -----	430,964.08	379,927.41	51,036.67
	Printing and binding -----	15,000.00	14,997.55	2.45
1917	Lump sum -----	542,025.92	448,890.66	93,135.26
	Printing and binding -----	25,000.00	23,610.54	1,389.46
1918	Lump sum -----	1,578,865.92	1,412,280.19	166,585.73
	Printing and binding -----	30,000.00	11,114.06	18,885.94
1919	Lump sum -----	1,693,622.18	1,491,637.39	201,984.97
	Printing and binding -----	14,934.21	14,934.21	0
1920	Lump sum -----	1,206,587.42	1,007,593.30	198,994.12
	Printing and binding -----	28,348.97	28,348.97	0
1921	Lump sum -----	938,609.94	842,991.24	95,618.70
	Printing and binding -----	37,182.56	37,182.56	0
1922	Lump sum -----	952,505.45	878,120.24	74,385.21
	Printing and binding -----	22,801.73	22,801.73	0
1923	Lump sum -----	952,020.11	948,293.07	3,727.04
	Printing and binding -----	22,460.21	22,460.21	0
1924	Lump sum -----	990,000.00	960,020.93	29,979.07
	Printing and binding -----	20,000.00	19,419.25	580.75
1925	Lump sum -----	990,000.00	988,082.37	1,917.63
	Printing and binding -----	20,000.00	19,866.14	133.86
1926	Lump sum -----	990,000.00	976,957.02	13,042.98
	Printing and binding -----	18,000.00	18,000.00	0
1927	Lump sum -----	980,000.00	943,881.99	36,118.01
	Printing and binding -----	17,000.00	17,000.00	0
1928	Lump sum -----	967,850.00	951,965.15	15,884.85
	Printing and binding -----	16,500.00	16,500.00	0
1929	Lump sum -----	1,135,414.83	1,131,521.47	3,893.36
	Printing and binding -----	27,777.69	27,777.69	0
1930	Lump sum -----	1,440,971.82	1,430,084.17	10,887.65
	Printing and binding -----	35,363.58	35,363.58	0
1931	Lump sum -----	1,932,857.81	1,808,403.35	124,454.46
	Printing and binding -----	39,858.73	39,858.73	0
1932	Lump sum -----	1,808,097.19	1,749,484.60	58,612.59
	Printing and binding -----	30,000.00	30,000.00	0
1933	Lump sum -----	1,421,714.70	1,378,973.14	42,741.56
	Printing and binding -----	30,000.00	20,000.00	10,000.00
1934	Lump sum -----	1,273,763.49	1,273,606.38	157.11
	Printing and binding -----	40,250.00	40,250.00	0
1935	Lump sum -----	2,063,398.01	1,922,313.14	141,084.67
	Printing and binding -----	34,000.00	34,000.00	0
1936	Lump sum -----	1,998,665.58	1,788,729.76	209,935.82
	Printing and binding -----	36,800.00	32,996.05	3,803.95
1937	Lump sum -----	1,895,571.94	1,850,673.82	44,898.12
	Printing and binding -----	43,353.95	43,353.95	0
1938	Lump sum -----	1,950,000.00	1,895,519.47	54,480.35
	Printing and binding -----	46,000.00	46,000.00	0

Year	Nature of appropriations	Appropriations	Expenditures and liabilities	Balance
1939	Lump sum -----	\$2,236,795.00	\$2,150,474.40	\$86,320.60
	Printing and binding -----	46,700.00	46,700.00	0
1940	Lump sum -----	2,285,500.00	2,214,889.07	70,610.93
	Printing and binding -----	60,000.00	60,000.00	0
1941	Lump sum -----	2,240,000.00	2,167,256.24	72,743.76
	Printing and binding -----	60,000.00	59,000.00	1,000.00
1942	Lump sum -----	2,373,822.00	2,296,921.13	76,900.87
	Printing and binding -----	60,000.00	42,000.00	18,000.00
1943	Lump sum -----	2,237,705.00	2,100,783.09	136,921.91
	Printing and binding -----	50,250.00	32,210.75	18,039.25
1944	Lump sum -----	2,040,050.00	1,917,307.50	122,742.50
	Printing and binding -----	43,000.00	39,848.47	3,151.55
1945	Lump sum -----	2,016,070.00	1,957,818.31	58,251.69
	Printing and binding -----	43,000.00	39,728.72	3,271.23
1946	Lump sum -----	2,129,833.00	2,118,404.77	11,428.28
	Printing and binding -----	44,000.00	33,044.88	10,955.12
1947	Lump sum -----	2,925,120.00	2,826,817.64	98,302.36
	Printing and binding -----	50,000.00	33,902.35	16,097.65
1948	Lump sum -----	2,915,596.00	2,894,685.60	20,911.32
	Printing and binding -----	55,000.00	53,815.34	1,184.66
1949	Lump sum -----	3,574,510.00	3,560,103.39	14,406.61
	Printing and binding -----	46,525.00	36,401.16	10,123.84
1950	Lump sum (including printing and binding) ---	3,723,000.00	3,722,791.55	208.45

# APPENDIXES

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## FEDERAL TRADE COMMISSION ACT

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(15 U. S. C., Secs. 41-58)

AN ACT To create a Federal Trade Commission, to define its powers and duties, and for other purposes

SEC. 1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a commission is hereby created and established, to be known as the Federal Trade Commission hereinafter referred to as the Commission), which shall be composed of five commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate. Not more than three of the commissioners shall be members of the same political party. The first commissioners appointed shall continue in office for terms of three, four, five, six, and seven years, respectively, from the date of the taking effect of this Act, the term of each to be designated by the President, but their successors shall be appointed for terms of seven years, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the commissioner whom he shall succeed: Provided, however, That upon the expiration of his term of office a commissioner shall continue to serve until his successor shall have been appointed and shall have qualified. The Commission shall choose a chairman from its own membership.<sup>1</sup>

No commissioner to

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With the exception of the secretary a clerk to each commissioner, the attorneys, and such special experts and examiners as the Commission may from time to time and necessary for the conduct of its work, all employees of the commission shall







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

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

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

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

of thirty days from the time such order of the Commission was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected so that it will accord with the mandate, in which event the order of the Commission shall become final when so corrected.

(j) If the Supreme Court orders a rehearing; or if the case is remanded by the circuit court of appeals to the Commission for a rehearing, and if (1) the time allowed for filing a petition for certiorari has expired, and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Commission rendered upon such rehearing shall become final in the same manner as though no prior order of the Commission has been rendered.<sup>3</sup>

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

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

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

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

(b) To require, by general or special orders, corporations engaged in commerce, excepting banks, and common carriers subject to the Act to regulate commerce, or any class of them, or any of them, respectively, to file with the commission in such form as the commission may prescribe annual or special, or both annual and special, reports or answers in writing to specific questions, furnishing to the commission such information as it may require as to the organization, business, conduct, practices, management, and affairs of such corporations, associations, and partnerships.

(d) Upon the direction of the President or either<sup>8</sup> House of Congress to investigate and report the facts relating to any alleged violations of the antitrust Acts by any corporation.

(e) Upon the application of the Attorney General to investigate and make recommendations for the readjustment of the business of any corporation alleged to be violating the antitrust Acts :in order that the corporation may thereafter maintain its organization, management, and conduct of business in accordance with law.

(f) To make public from time to time such portions of ) Upon the application of the At TD 0.e violating theotio thmor

Such attendance of witnesses, and the production of such documentary evidence, may be required from any place in the United States, at any designated place of hearing. And in case of disobedience to a subpoena the commission may invoke the aid of any court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence.

Any of the district courts of the United States within the Jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpoena issued to any corporation or other person, issue an order requiring such corporation or other to invoke



(2) that the enjoining thereof pending the

nate such advertisement. No advertising agency shall be liable under this section by reason of the causing by it of the dissemination of any false advertisement, unless it has refused, on the request of the Commission, to furnish the Commission the name and postoffice address of the manufacturer, packer, distributor, or seller, residing in the United States, who caused it to cause the dissemination of such advertisement.

SEC. 15. For the purpose of sections 12, 13, and 14—

(a) (1) The term "false advertisement" means an advertisement, other than labeling, which is misleading in name or content, and which is disseminated by or for the advertiser, or by or for the manufacturer, packer, distributor, or seller, if the advertiser, manufacturer, packer, distributor, or seller, or any of them, knows at the time of dissemination that the advertisement is false.



(f) <sup>11</sup> For the purposes of this section and section 407 of the Federal Food, Drug, and Cosmetic Act, as amended, the term "oleomargarine" or "margarine" includes—

(1) all substances, mixtures, and compounds known as oleomargarine or margarine;

(2) all substances, mixtures, and compounds which have a consistence similar to that of butter and which contain any edible oils or fats other than milk fat if made in imitation or semblance of butter.

SEC. 16. Whenever the Federal Trade Commission has reason to believe that any person, partnership, or corporation is liable to a penalty under section 14 or under subsection (1) of section 5, it shall certify the facts to the Attorney General, whose duty it is to use the same for the purpose of instituting a civil action under section 5 of the Federal Food, Drug, and Cosmetic Act.

<sup>11</sup> See footnote 10, p. 101.

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

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

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

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

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

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

8. Widespread threats to the trade of suits for patent infringement arising from the sale b0 TO a ED a CB (C) E J R H I d a 0

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

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

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

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

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

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

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

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

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

(g)

statements as that the customer's friends or his employer have expressed a desire for, or special interest in, consummation of seller's transaction with the customer.

(c) Alleged connection of a concern, organization, association, or institute with, or endorsement of it or its product or services by, the Government or nationally known organization, or representation that the use of such product or services is required by the Government, or that failure to comply with such requirement is subject to penalty.

(d) False claim by a vendor of being an importer, or a technician, or a diagnostician, or a manufacturer, grower, or nurseryman, or a distiller, or of being a wholesaler, selling to the consumer at wholesale prices; or by a manufacturer of being also the manufacturer of the raw material entering into the product, or by an assembler of being a manufacturer.

(e) Falsely claiming to be a manufacturer's representative and outlet for surplus stock sold at a sacrifice.

(f) Falsely representing that the seller owns a laboratory in which the product offered is analyzed and tested.

(g) Representing that ordinary private commercial seller and business is an association, or national association, or connected therewith, or sponsored thereby, or is otherwise connected with noncommercial or professional organizations or associations, or constitutes an institute, or, in effect, that it is altruistic in purpose, giving work to the unemployed.

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

further expenditure in order to obtain benefit of commitment and expenditure already made, such as failure to reveal peculiar or nonstandard shape of portrait or photographic enlargement, so as to make securing of frame therefor from sources other than seller difficult and impracticable, if not impossible.

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

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

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

(g) Obtaining agents or representatives to distribute the seller's products through falsely promising to refund the money paid by them should the product prove unsatisfactory, or promising that the agent would be granted right to exclusive or new territory, would be given assistance by seller, or would be given special credit or furnished supplies, or overstating the amount of his earnings or the opportunities which the employment offers.

(h) Advertising a price for a product as illustrated or described and not including in such price all charges for equipment or accessories illustrated or described or necessary for use of the product or customarily included as standard equipment, and failing to include all charges not specified as extra.

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

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

(b) They are composed in whole

h) Advertising isjCeD460382nd Tc TD49224 Tc(CeLT0:0382nd ai.28 ) Tj 490 TD

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

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

24. Selling below cost or giving products without charge, with intent and effect of hindering or suppressing competition.

25.





retaining, without refund, goods returned for exchange or adjustment, and enforcing, notwithstanding agents' alterations, printed terms of purchase contracts, and exacting payments in excess of customers' commitments.

30. Shipping products at market prices to customers or prospective customers or to the customers or prospective customers of competitors without an order and then inducing or attempting **im**

# RULES OF PRACTICE<sup>1</sup>

## RULE I. THE COMMISSION

Offices.—The principal office of the Commission is at Washington, D. C.  
All communications to the Commission must be addressed to Federal Trade Commission, Washington

## RULE III. INVESTIGATIONAL PROCEDURES

(a) Investigations.—In any matter under investigation the Commission may invoke any or all of the compulsory processes authorized by law, including those stated in subsection (2) of section C of Rule XXX. Any party required in any manner to respond to such processes shall be given actual notice of the purpose of the investigation.

(b) Investigational hearings.—Investigational hearings as distinguished from hearings in formal adversary proceedings shall be held before the Commission, one or more of its members, or a duly designated representative for the purpose of hearing the testimony of witnesses and receiving documents and other data relating to one or more of the subjects under investigation. Unless otherwise ordered by the Commission, such hearings shall be nonpublic investigatory proceedings and shall be stenographically reported, and a transcript thereof shall be made a part of the record of the investigation.

(c) Rights of witnesses.—The provisions of subsection (3) of section C of Rule XXX shall be applicable to proceedings under (a) and (b) above.

## RULE IV. APPLICATIONS FOR COMPLAINT

Any person, partnership, corporation, or association may apply to the Commission to institute a proceeding in respect to any violation of law over which the Commission has jurisdiction.

Such application for complaint shall be in writing, signed by or in behalf of the applicant, and shall contain a short and simple statement of the facts constituting the alleged violation of law and the name and address of the applicant and of the party complained of.

## RULE V. COMPLAINTS

Whenever the Commission shall have reason to believe that there is a violation of law over which the Commission has jurisdiction, and in case of violation of the Federal Trade Commission Act, if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, the Commission shall issue and serve upon the proper parties a complaint stating its charges and containing a notice of a hearing upon a day and at the place therein fixed, at least thirty (30) days after the service of said complaint!..

Upon request made within 15, days after service of the complaint, any party shall be afforded opportunity for the submission of facts, arguments, offers of settlement or proposals of adjustment where time, the nature of the proceeding and the public interest permit, and due consideration shall be given to the same. Such submission shall be in writing. The filing of such request shall not operate to delay the filing of the



sion Act service may also be made at the residence of the person, partnership, or corporation to be served.

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

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

(b) By leaving a copy thereof at the principal office or placeand

which constitute the ground of defense. Respondent shall specifically admit or deny each of the facts alleged in the complaint, unless respondent is without knowledge, in which case respondent shall so state.

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

All motions subsequent to the filing of the initial decision shall be addressed to and ruled upon by the Commission. Ten (10) copies of all motions shall be filed.

#### RULE XI. TIME

(a) Computation.—In computing any period of time prescribed or allowed by these rules, the day of the act, event, or default after which the designated period of time begins to run is not to be included. The last day of the period so computed is to be included, unless it is a Sunday or legal holiday, in which event the period runs until the end of the next day which is neither a Sunday nor a holiday. When the period of time prescribed or allowed is less than seven (7) days, intermediate Sundays and holidays shall be excluded in the computation. A half holiday shall be considered as other days and not as a holiday.

(b) Continuances and extensions of time.—For good cause shown, the trial examiner may, as to all matters pending before him, extend any time limit prescribed in these rules, except that governing the submission of his initial decision. Except as otherwise expressly provided by law, the Commission, for good cause shown, may extend any time limit prescribed in these rules with respect to matters pending before it. Application for an extension shall be made prior to the expiration of the time which it is desired to extend.

(c) Regulation of time and place of hearing.—Initial hearing before a trial examiner shall begin at the time and place ordered by the Commission, unless a notice of a change of such time and place is issued by the trial examiner, who shall regulate the course of hearings subject to the provisions of Rule XX.

#### RULE XII. DOCUMENTS

Filing.—All documents required to be filed in any proceeding, whether pending before a trial examiner or before the Commission, shall be filed with the Secretary of the Commission.

Title.—Documents shall clearly show the docket number and title of the proceeding.

Copies.—Documents, other than correspondence, shall be filed in triplicate, except as otherwise specifically required by these rules.

Form.—Documents not printed shall be typewritten, on one side of paper only; letter size, eight (8) inches by ten and one-half (10½) inches; left margin, one and one-half (1½) inches; right margin, one (1) inch.

Documents may be printed, in ten (10) or twelve (12) point type, on good, unglazed paper, of the dimensions, and with the margins above specified.

Documents shall be bound at left side only.

The originals of all answers, briefs, motions, and other documents shall be signed in ink, by the respondent or his duly authorized attorney. Where the respondent is an individual or a partnership, the originals of said documents shall be signed by said individual or by one of the partners, or by his or its attorney. Where the respondent is a corporation, the originals of said documents shall be signed under the corporate name by a duly authorized official of such corporation, or by its attorney. Where the respondent is an association, the originals of said documents shall be signed under the association name for said association by a duly authorized official of such association, or by its attorney.

One copy of a brief or other document required to be printed shall be signed as the original.

## RULE XIII. ADMISSION AS TO FACTS AND DOCUMENTS

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

Copies of the documents shall be delivered with the request unless copies have already been furnished. Each of the matters on which an admission is so requested shall be deemed admitted unless, within a period designated within the request, not less than ten days after service thereof or within such further time as the Commission or the trial examiner may allow on motion and notice, the party so served serves upon the party making the request, a sworn statement either denying specifically the matters of which an admission is requested, or setting forth in detail the reasons why he can neither truthfully admit nor deny those matters. Service required hereunder may be made upon a respondent either by registering and mailing or by delivering a copy of the documents to be served to the respondent or his attorneys, or by leaving a copy at the principal office or place of business of either. Service upon the attorney supporting the complaint may be either by registering and mailing or by delivering a copy of the documents to be served to such attorney.



The trial examiner is charged with the duty of conducting a fair and impartial hearing and of

trial examiner without such written agreement between opposing counsel they shall be subject to objection and exception.

#### RULE XVI. SUBPOENAS

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

or not, by deposition de bene esse or, prior to the

## XI. PROPOSED FINDINGS AND CONCLUSIONS

Upon request by either party, oral argument may be allowed by the trial examiner. The record shall show his ruling on each proposed finding and conclusion.

**RULE XXII. TRIAL EXAMINER'S INITIAL DECISION IN ADVERSARY PROCEEDINGS**



(b) any additional findings as to facts, law, or discretion; and (c) such an order as it may deem just and appropriate.

No officer, employee or agent, engaged in the performance of investigative or prosecuting functions for the Commission, and no party respondent or his agent or counsel in any case shall, in that or a factually related case, participate or advise in the decision of the Commission, except as a witness or as counsel in public proceedings.

#### RULE XXVI. REPORTS SHOWING COMPLIANCE WITH ORDERS AND WITH STIPULATIONS

In every case in which the Commission shall have issued an order to cease and desist, and in every instance in which the Commission approves and accepts a stipulation wherein a party agrees to cease and desist from the unlawful method, acts, or practices involved, the respondent or respondents named in such order and the party or parties so stipulating shall file with the Commission within sixty (60) days after service of such order, or within sixty (60) days after notice of approval of such stipulation, a report, in writing, setting forth in detail the manner and form in which they have complied with said order or with said stipulation: Provided, however, That if within the said sixty (60) day period respondent shall file petition for review in a circuit court of appeals, the time for filing report of compliance will begin to run de novo from the final judicial determination; and provided further that where the order prevents the use of a false advertisement of a food, drug, device, or cosmetic, which may be injurious to health because of results from such use under the conditions prescribed in the advertisement, or under such conditions as are customary or usual, or if the use of such advertisement is with intent to defraud or mislead, an interim report stating whether and how respondents intend to comply shall be filed within ten (10) days.

Within its discretion, the Commission may require any respondent upon whom such order has been served, and any party entering into such stipulation, to file with the Commission, from time to time thereafter, further reports in writing, setting forth in detail the manner and form in which they are complying with said order or stipulation.

Reports of compliance shall be signed in ink by respondents or by the parties stipulating.

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Commission, after such hearing, such action is required by said changed, conditions or by the public interest.

In any case where an order dismissing a formal complaint of the Commission has been entered the Commission may, upon reasonable notice to the parties and opportunity for a hearings to whether said proceeding should be reopened, issue an order reopening the same whenever, in the opinion of the Commission, changed conditions of fact or of law or the public interest so require.

#### RULE XXVIII. TRADE PRACTICE CONFERENCE PROCEDURE

(a) Purpose.—The trade practice conference procedure has for its purpose the establishment, by the Commission, of trade practice rules in the interest of industry and the purchasing public. This procedure affords opportunity for voluntary participation interest



such period of time as the Commission or its duly authorized official may designate.

(e) Industry conferences.—Public notice of the time and place of any such authorized conference shall be issued by the Commission. A member of the Commission or of its staff: shall have charge of the conference and shall conduct the conference pursuant to direction of the Commission and in such manner as will facilitate the proceeding and afford appropriate consideration of matters properly coming before the conference. A transcript of the conference proceedings shall be made, which, together with all rules, resolutions, modifications, amendments or other matters offered, shall be filed in the office of the Commission and submitted for its consideration.

(f) Public hearing on proposed rules.—Before final approval by the Commission of rules for an industry, and upon public notice, further opportunity shall be afforded by the Commission to all interested persons, corporations or other organizations, including consumers, to submit in writing relevant suggestions or objections and to appear and be heard at a designated time and place.

(g) Promulgation of rules.—When trade practice rules shall have been finally approved and received by the Commission, they shall be promulgated by official order of the Commission and published, pursuant to law, in the Federal Register. Said rules shall become operative thirty (30) days from date of promulgation or at such other time as may be specified by the Commission. Copies of the final rules shall be made available at the office of the Commission. Under the procedure of the Commission a copy of the trade practice rules as promulgated by the Commission is sent to each member of the industry whose name and address is available, together with an acceptance form providing opportunity to such member to signify his intention to observe the rules in the conduct of his business.

(h) Violations.—Complaints as to the use, by any person, corporation or other organization, of any act, practice or method inhibited by the rules may be made to the Commission by any person having information thereof. Such complaints, if warranted by the facts and the law, will receive the attention of the Commission in accordance with the law. In addition, the Commission may act upon its own motion in proceeding against the use of any act, practice or method contrary to law.

(i) Amendment of rules.—Trade Practice rules may be amended or rescinded by the Commission upon its own motion or upon application filed with it by any interested person, party, or group. Such application shall be in writing, signed by the applicant or his duly authorized representative, and shall set forth the reasons for the requested action.

#### RULE XXIX. PUBLIC INFORMATION

The Rules of Practice of the Commission, and such amendments as may be made thereto, shall be published in the Federal Register and may be obtained from the Commission upon application.

The findings, conclusions of law, and final orders of the Commission in respective formal proceedings and a digest; of accepted stipulations to desist from unlawful practices shall be published in the official reports of the Commission.

Trade Practice Conference Rules for respective industries, issued under Rule XXVIII hereto, may be obtained upon application to the Commission and shall be published in the Federal Register.

XXIX. PUBLIC INFORMATION

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Information concerning the activities of the Commission will be released from time to time under the direction or pursuant to the authority of the Commission.

In proceedings instituted by the issuance of formal complaint, the pleadings, transcript of testimony, exhibits, and all documents received in evidence or made a part of the record therein shall be available for inspection and copying by the public at the convenience of the Commission.

Documents, records, and reports made public by the Commission, including stipulations to cease and desist, certain trade practice conference records, and certain papers filed under the Wool Products Labeling Act, shall be available for inspection and copying at the convenience of the Commission.

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## RULE XXX. PROCEDURE FOR ESTABLISHING QUALITY LIMITS

## A. How Initiated

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

## B. Petition for Establishment, Amendment or Repeal of a Quantity-Limit Rule

Any interested party may at any time file with the Commission, in writing, a request or petition for the establishment of a quantity-limit rule for any commodity or class of commodities, or for the revision or repeal of a previously established rule. Such petition shall state the petitioner's interest and such relevant facts, documented if possible, as may tend to show the need for the action requested.

## C. Investigation

If the Commission believes that consideration should be given to the fixing or establishing of quantity limits for a particular commodity or class of commodities, it shall initiate an investigation thereof by appropriate resolution. Such investigation shall include the ascertainment of facts and information concerning the quantity differentials granted to purchasers in the distribution of the particular commodity or class of commodities, the number of available purchasers of given quantities, and facts and information pertinent to competitive conditions existing in the distribution thereof. The investigation shall be nonpublic and facts and information so obtained, such as the names of purchasers, the volume of their purchases, prices paid, conditions of sale and the details of competitive relations, shall not be published except in composite form so as not to reveal facts as to specific parties.

(1) Voluntary process.—Investigation shall be conducted by any authorized agent or agents of the Commission, who may, by interview, conference, correspondence or otherwise, request any person believed to have information or documents relevant to the inquiry to furnish such information orally or in writing, or to produce or permit the copying of such documents.

(2) Compulsory process.—In the conduct of such investigation, the Commission may invoke any or all of the compulsory processes authorized by law and every person in any manner required to respond to such process shall be given actual notice of the purpose of the investigation.

The compulsory process which may be involved shall include the following:

(a) The issuance of a subpoena directing the party named therein to appear before the officer designated therein and to testify to facts and matters under investigation or produce documents relating thereto, or both. Oral information obtained by this compulsory process shall be under oath and a stenographic record shall be made thereof;

(b) The issuance of a notice to a corporation, to produce for examination and copying documents relating to any matter under investigation;

(c) The issuance of an order requiring a corporation to file a special report or answers in response to specific questions.

(3) Rights of witnesses under compulsory process.—(a) Any person required to attend and testify or submit documents or other data shall be entitled to retain or, on payment of lawfully prescribed cost, procure a copy of any document produced by such person and a copy of the transcript of his own testimony;



(b) Any person compelled to appear at an investigation may be accompanied and advised by counsel or other qualified representative or by both, but such counsel or qualified representative may not, as a matter



RULE XXXI. PETITIONS FOR THE ISSUANCE, AMENDMENT, OR  
REPEAL OF RULES

Any interested person may petition for the issuance, amendment, or repeal of a rule. Such petitions shall specifically set forth the proposed rule, amendment, or repeal, together with a statement of the basis for and reasons supporting the proposal made, and seven copies of such petition shall be filed. After consideration of any such

## STATEMENT OF POLICY<sup>1</sup>

### STATUS OF APPLICANT OR COMPLAINANT

The so-called "applicant" or complaining party has never been regarded as a party in the



Whenever the Commission shall have reason to believe that any

practice conference procedure insofar as it may affect the settlement of pending matters before it, and it has reappraised its policy with respect to the settlement of cases by stipulation agreements.t

it cannot be expected to be present in agreements by the conspirators to discontinue and not; resume the violations. Violations of this type are frequently also criminal





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

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

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

In the Final Report on the Chain-Store Investigation (S. Doc. 4, 74th, 110 p., o. p, 12/14/34), legal remedies available to combat monopolistic tendencies in chain-store development were discussed.<sup>7</sup> The Commission's recommendations pointed the way to subsequent enactment of the Robinson-Patman Act (1936) prohibiting price and trade discrimination by large concerns.

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In the Store's Self-Defensive Store (pri 536) 57-21.8 5

65th, 8 p., o. p., 5/19/17); Anthracite and Bituminous Coal Situation, summary (H. Doc. 193, 65th, 29 p., o. p., 6/19/17); and Anthracite and Bituminous Coal (S. Doc. 50, 65th, 420 p., o. p., 6/19/17)—pursuant to S. Res. 217, 64th 6/22/16; H. Res. 352, 64th, 8/18/16, and S. Res. 51, 65th, 5/1/17; Washington, D. C., Retail Coal Situation (5 p., release, processed, o. p., 8/11/17)—pursuant to F. T. C. motion; Investment and Profit in Soft-Coal Mining (two parts, 5/31/22 and 7/6/22, 218 p., o. p., S. Doc. 207, 65th)—pursuant to F. T. C. motion; and Report of the F. T. C. on Premium Prices of Anthracite (97 p., o. p., 7/6/25)—pursuant to F. T. C. motion.

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

Coal, Current Monthly Reports (F. T. C.).—The Commission (December 1919) initiated a system of current monthly returns from the soft coal industry similar to those compiled during the World War, 1917-18 (Coal— Monthly Reports on Cost of Production, 4/20/20 to 10/30/20, Nos. 1 to 6, and two quarterly reports with revised costs, 8/25/20 and 12/6/20), processed, o. p. ) . An injunction to prevent the calling for the monthly reports (denied about seven years later) led to their abandonment.

Combed Cotton Yarns.—See Textiles.

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

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

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such as accounting, inventory, control, purchase, practices, etc., formed a part of the inquiry.

Cooperation in American Export Trade.—See Foreign Trade.

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

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

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

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

Copper Industry (F. T. C.).—The Commission's report on The Copper Industry, transmitted to Congress (3/11/47), was in two parts: Part I—The Copper Industry of the United States and International Copper Cartels, and Part II—Concentration and Control By the Three Dominant Companies. The Commission reported that "The copper situation is particularly serious, not only because of the concentration of control of the ore reserves and of the productive capacity, but 9, Tc ( 2) Tj 17aah 0 TD rTj 2.52 TD (one64 0 6 (i2 0 TD 0.021o 7



Trade Commission, and considered the rapid rise of wartime prices and the plans then being made for the Commission's general investigation of foodstuffs. [See Foods (President), Wartime, 1917-18, herein.] Proceedings of the conference were published (High Cost of Living, 119 p., o. p.).

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

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

Cotton Industry.—See Textiles.

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

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

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

Distribution.—See Millinery Distribution.

Distribution Methods and Costs (F. T. C.).—This inquiry into methods and costs of distributing important consumer commodities (F. T. C. Res., 6/27/40) was undertaken by the Commission pursuant to

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

Divergence between Plant and Company Concentration (F. T. C.).—In this 1950 report, the Commission measured the divergence between plant and company concentration for each of 340 manufacturing industries. The report, entitled *The Divergence between Plant and Company Concentration, 1947* (162 p.), is summarized beginning at p. 16. See also *Concentration of Productive Facilities*.

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

Electric and Gas Utilities, and Electric Power.—See *Power*.

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

Electrical Household Appliances.—See *Distribution Methods and Costs*.

Farm Implements (Senate), Wartime, 1917-18.—The Report of the F. T. C. on the Causes of High Prices of Farm Implements (inquiry under S. Res. 223, 65th, 5/13/18; report, 713 p., o. p., 5/4/20) disclosed numerous trade combinations for advancing prices and declared the consent decree for dissolution of International Harvester Co. to be inadequate. The Commission recommended revision of the decree and the Department of Justice proceeded to that end.

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

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

Fertilizer (Senate).—Begun by the Commissioner of Corporations<sup>8</sup> (S. Res. 487, (32d, 3/1/13), this inquiry disclosed extensive use of bogus independent fertilizer companies for competitive purposes (Fertilizer Industry, S. Doc. 551, 64th, 269 p., o. p., 8/19/16). Agreements for abolition of such unfair competition were reached.

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

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<sup>8</sup> The Commission was created September 26, 1914, upon passage of the Federal Trade Commission Act, sec. 3 of which provided that "all pending investigations and proceedings of the Bureau of Corporations (of the Department of Commerce) shall be continued by the Commission."

Fertilizer and Related Products (O. P. A.), Wartime, 1942-43.—At the request of O. P. A. (June 1942), the Commission investigated costs, prices, and profits in the fertilizer and related products industries. The inquiry developed information with reference to the operations of 12 phosphate rock mines of 11 companies, and 40 plants of 24 companies producing sulphuric acid, superphosphate, and mixed fertilizer. One of the principal requirements of the inquiry was to

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was published in seven parts: I. Country Grain Marketing (9/15/20, 350 p., o. p.); II. Terminal Grain Markets and Exchanges (9/15/20, 333 p., o. p.); III. Terminal Grain Marketing (12/21/21, 332 p., o. p.); IV> Middlemen's Profits and Margins (9/26/23, 215 p., o. p.); V. Future Trading Operations in Grain (9/15/20 347 p., o. p.); VI Prices of Grain and Grain Futures (9/10/24, 374 p., o. p); and VII. Effects of Future Trading (6/25/26, 419 p., o. p.). The investigation as reported in vol. V, and testimony by members of the Commission's staff (U. S. Congress House Committee on Agriculture, Future Trading, hearings (67th, April 25-May 2, 1921) was an important factor in enactment of the Grain Futures Act (1921). (Further reference to the grain trade is made under Grain Elevators, Grain Exporters, and Grain Wheat Prices, pp. 140-141.)

Food (President) Continued—Bakeries and Flour Milling.—One F. T. C. report was published by the Food Administration (U. S. Food Administration, Report of the F. T. C. on Bakery business in U. S., pp. 5-13, o. p., 1133/17). Other reports were: Food Investigation, Report of the F. T. C. on Flour Milling and Jobbing (4/4/18, 27 p., o. p.) and Commercial Wheat Flour Milling (9/15/20, 118 p., o. p.).

Food (President) Continued Canned Foods,<sup>10</sup> Private Car Lines, Wholesale Food Marketing.—Under the general title Food Investigation were published Report of the F. T. C. on Canned Foods—General Report and Canned Vegetable and Fruits (5/18/18, 103 p., o. p.); Report of the F. T. C. on Canned Foods—Canned Salmon (12/27/18, 83 p., o. p.); Report of the F. T. C. on Private Car Lines, regarding transportation of meats, fruits, and vegetables (6/27/19, 271 p., o. p.); and Report of the F. T. C. on Wholesale Marketing of Food (6/30/19, 268 p., o. p.), which recommended that a wholesale dealer in perishable food products should be required to procure a Federal license and that Federal inspection and standards should be provided.

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

Food—Wholesale Baking Industry (F. T. C.).—This inquiry (F. T. C. Res., 8/31/45) resulted in two reports to Congress: Wholesale Baking Industry, Part I—Waste in the Distribution of Bread (4/22/46, processed, 29 p.) and Wholesale Baking Industry, Part II—Costs, Prices and Profits (8/7/46, 137 p.). Part I developed facts concerning wasteful and uneconomic practices in the distribution of bread, including consignment selling which involves the taking back of unsold bread; furnishing, by gift or loan, bread racks, stands, fixtures, etc., to induce distributors to handle a given company's products. It was found that, although War Food Order No. 1, which prohibited these practices was only partially observed, in 1945 as compared with 1942, the quantity of bread saved was sufficient to supply the population of England, Scotland, and Wales with a daily ration of one-third of a loaf for 30 days, the population of France for 36 days, or the population of Finland for nearly 1 year. The Commission suggested that "a careful examination of present laws be made by the legislative and executive branches of the Government to determine what legislation, if any, is needed to permanently eliminate ~~wholesaling and consignment selling from the bread business~~." (year 1945)

Commission, in a preliminary report, Profits of Country and Terminal Grain Elevators (S. Doc. 40, 67th, 12 p., o. p, 6/13/21) presented certain data collected during its inquiry into the grain trade ordered by the President.

Food—Grain Exporters (Senate).—The low prices of export wheat in 1921 gave rise to this inquiry (S. Res. 133, 67th, 12/22/21) concerning harmful speculative price manipulations on the

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

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

Fuse Manufacturers (W. P. B.), Wartime, 1942-43.—For the War Production Board the Commission ins estimated and reported on the activities of representative fuse manufacturers whose operations were subject to W. P. B. Limitation Orders L-158 and L-161, as amended.

Gasoline.—See Petroleum.

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

Grain.—See Food.

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

Guarantee Against Price Decline (F. T. C.).—Answers to a circular letter (12/26/19) calling for information and opinions on this subject were published in Digest of Replies in Response to an Inq1t08y fD e 2 9 P



change Commission. This work is based upon resumption by F. T. C. of its prewar financial reporting function and continuation by S. E. C. of its current responsibilities for collection of financial information from corporations with securities registered on a national exchange. F. T. C. obtains comparable information from a carefully selected sample of small, medium size and large nonregistered corporations. The sample has been designed so that the two sets of data can be combined to provide estimates for 21 major industry groups as well as the aggregate for all manufacturing corporations. The Industrial Financial Reports formerly were known as Industrial Corporation Reports. A summary appears at p. 30.

Insignia Manufacturers (W. P. B.), Wartime, 1944-45.—Preliminary studies made by the War Production Board disclosed the probability that certain insignia manufacturers had acquired larger quantities of foreign silver than necessary to fill legitimate orders and diverted the balance to unauthorized uses. In response to W. P.

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

Leather and Shoes (F. T. C. and House), Wartime, 1917-18.—General complaint regarding high prices of shoes led to this inquiry, which is reported in Hide and Leather Situation, preliminary report (H. Doc. 857, 65th, 5 p., o. p., 1/23/18), and Report on Leather and Shoe Industries (1918) p. 2, p. 8/2/19). Further study (H. Res. 217, 66th, 1/23/19) and 3aTTj 2.3 TD 0.03.an96 0 TD 5.000

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Motor Vehicles (Congress).—Investigating (Public Res. 87, 75th, 4/13/38) distribution and retail sales policies of motor vehicle manufacturers and dealers, the Commission found, among other things, a high degree of concentration and strong competition; that many local dealers' associations fixed prices and operated used-car valuation or appraisal bureaus essentially as combinations to restrict competition; that inequities existed in dealer agreements and in certain manufacturers' treatment of some dealers; and that some companies' car finance plans developed serious abuses (Motor Vehicle Industry, H. Doc. 468, 76th, 1077 p., 6/5/39). The leading companies voluntarily adopted a number o

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print Paper Investigation (in response to S. Res. 96, 65th, 6/27/17; S. Doc. 61, 65th, 8 p., o. p., 7/10/17)].

Paper—Newsprint (Senate).—The question investigated (S. Res. 337, 70th, 2/27/29) was whether a monopoly existed among newsprint manufacturers and distributors in supplying paper to



and of the actual and potential influence of such methods on competitive markets and price levels. In the cement industry the basing-point method<sup>15</sup> was found to have a tendency to establish unhealthy uniformity of delivered prices and cross-hauling or cross-freighting to be an economic evil (Report of the F.T.C. on Price Bases Inquiry Basing-Point Formula, and Cement Prices, 218 p., o. p., 3/26/32). Illustrating the use in a heavy commodity industry of both a modified zone-price system and a uniform delivered-price system, the Commission examined price schedules of the more important manufacturers of range boilers, 1932-36, disclosing that the industry operated under a zone-price formula, both before and after adoption of its N. R. A. code (Study of Zone-Price Formula in Range Boiler Industry, 5 p., processed, 3/30/36, a summary based on the complete report which was submitted to Congress but not printed).

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

Priorities (W. P. B.), Wartime, 1941-45—Pursuant to Executive orders (January 1942), W. P. B. designated the Federal Trade Commission as an agency to conduct investigations of basic industries to determine the extent and degree in which they were complying with W. P. B. orders relative to the allocation of supply and priority of delivery of war materials. F. T. C. priorities investigations are listed herein under the headings: Aluminum, Foundries Using; Antifreeze Solutions, Manufacturers of; Capital Equipment, Chromium, Processors of; Commercial Cooking and Food and Plate Warming Equipment, Manufacturers of; Contractors, Prime, Forward Buying Practices of; Copper Base Alloy I.64g

Rates of Return in Selected Industries (F. T. C.).—A comparison of the prewar (World War II) and postwar rates of return on stockholders' investments after taxes for more than 500 identical manufacturing corporations. The study, covering the years 1940, 1947, 1948, and 1949, includes 25 selected manufacturing industries (16 p., processed).

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

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

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

Silverware Manufacturers (W. P. B.), Wartime, 1942-43.—Silverware manufacturers were investigated at the request of the War Production Board to determine the extent to which they had complied with the copper orders, that is, W. P. B. General Preference Order No. m-9-a, Supplemental Order No. m-9-b, and Conservation Order m-9-c, as amended.

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

Sisal Hemp (Senate).—The Commission assisted the Senate Committee on Agriculture and Forestry (S. Res. 280, 73d, 5/29/33) in its investigation of the sisal hemp industry.





Textile Mills, Cotton (W. P. B.), Wartime, 1943-44.—For the War Production Board the Commission conducted a compliance investigation of manufacturers of cotton yarns, cordage, and twine to ascertain whether they were in violation of Priorities Regulation 1, as amended, by their failure to fill higher rated orders at the time they filled lower rated orders.

Textiles (President).—President Roosevelt (Executive order of 9/26/34) directed an inquiry into the textile industry's labor costs, profits, and investment structure to determine whether increased wages and reduced working hours could be sustained under prevailing economic conditions. Reports covering the cotton, woolen and worsted, silk and rayon, and thread, cordage and twine industries were: Report of the F. T. C. on Textile Industries, Parts I to VI, 12/31/34 to 6/20/35, 174



also conducted cost inquiries for the Interior Department, Tariff Commission, Post Office Department, Railroad Administration, and other Government departments or agencies. It is estimated that the inquiries helped to save the country many billions of dollars by checking unjustifiable price advances.

Wartime Costs and Profits (F. T. C.).—Cost and profit information for 4,107 identical companies for the period 1941-45 is contained in a Commission report (1948) on Wartime Costs and Profits for Manufacturing Corporations, 1941 to 1945 (30 p., processed, with 106 p. appendix), Compilation of the information contained in the report was begun by the Office of Price Administration prior to the transfer of the financial reporting function of that agency to the Federal Trade Commission in December 1946.

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

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

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