

ANNUAL REPORT
OF THE
FEDERAL
TRADE COMMISSION
FOR THE
FISCAL YEAR ENDED JUNE 30
1942

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1942

FEDERAL TRADE COMMISSION

WILLIAM A. AYRES, *Chairman*¹

GARLAND S. FERGUSON

CHARLES H. MARCH

EWIN L. DAVIS

ROBERT E. FREER

OTIS B. JOHNSON, *Secretary*

FEDERAL TRADE COMMISSIONERS--1915-42

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

EXECUTIVE OFFICES OF THE COMMISSION

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

BRANCH OFFICES

45 Broadway, New York
433 West Van Buren Street,
Chicago

55 New Montgomery Street,
San Francisco
909 First Avenue, Seattle

150 Baronne Street, New Orleans

¹ Chairmanship rotates annually. Commissioner Ferguson will become Chairman in January 1943.

LETTER OF SUBMITTAL

To the Congress of the United States:

I have the honor to submit herewith the Twenty-Eighth Annual Report of the Federal Trade Commission for the fiscal year ended June 30, 1912.

By direction of the Commission:

WILLIAM A. AYRES, *Chairman.*

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ANNUAL REPORT
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FEDERAL TRADE COMMISSION
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FISCAL YEAR ENDED JUNE 30, 1942

INTRODUCTION

DUTIES OF THE COMMISSION

The Federal Trade Commission herewith submits its report for the fiscal year July 1, 1941, to June 30, 1942. Organized March 16, 1915, under the Federal Trade Commission Act, which was approved September 26, 1914, and amended March 21, 1938, the Commission is an administrative agency of the Federal Government.

In performing its functions, the Commission's duties fall into two categories: (1) Legal activities in enforcement of the laws it administers, and (2) general investigations of economic conditions in domestic industry and interstate and foreign commerce.

In addition to discharging these duties, the Commission during the fiscal year directed the work of its investigative, legal, accounting, statistical, and other services in conducting urgent wartime investigations and studies for the War Production Board and the Office of Price Administration.

Legal activities of the Commission embrace (1) the prevention and correction of unfair methods of competition and unfair or deceptive acts or practices in commerce, in accordance with the Federal Trade Commission Act, in which it is declared that unfair methods of competition and unfair or deceptive acts or practices in commerce are unlawful; (2) administration of section 2 of the Clayton Act, as amended by the Robinson-Patman Act, dealing with price and other discriminations, and sections 3, 7, and 8 of the Clayton Act dealing with tying and exclusive dealing contracts, acquisitions of capital stock, and interlocking directorates, respectively; (3) administration of the Webb-Pomerene or Export Trade Act, for the promotion of foreign trade by permitting, under stated restrictions, the organization of associations to engage exclusively in export trade; and

(4) administration of the Wool Products Labeling Act of 1939, which became effective July 14, 1941, and is designed to protect industry, trade, and the consumer against the evils resulting from the unrevealed presence of substitutes and mixtures in wool products.

The general investigations arise chiefly under section 6(a), (b), and (d) of the Federal Trade Commission Act, giving the Commission power:

(a) To gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers * * *, 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 * * * to file with the Commission in such form as the Commission may prescribe annual or special, or both annual and special, reports or answers in writing to specific questions, furnishing to the Commission such information as it may require as to the organization, business, conduct, practices, management, and relation to other corporations, partnerships, and individuals of the respective corporations filing such reports or answers in writing. * * *

(d) Upon the direction of the President or either House of Congress ¹ to investigate and report the facts relating to any alleged violations of the antitrust acts by any corporation.

SUMMARY OF LEGAL ACTIVITIES

The Commission during the fiscal year disposed of more than 1,500 matters which were in a preliminary stage, either by docketing as applications for complaints, by progression to the status of formal complaint, by acceptance from the respondents of stipulations to cease and desist from the practices involved, by consolidation with other proceedings, or by closing the matters.

The Commission accepted 560 stipulations, 219 pertaining especially to misleading radio and periodical advertising matter. It issued 249 complaints alleging violations of the laws it administers and entered 250 orders directing respondents to cease and desist from such violations.

In the Federal courts during the year, results favorable to the Commission were obtained in 36 cases: 1 before the Supreme Court, 29 before United States circuit courts of appeals, and 6 before United States district courts. A circuit court of appeals set aside 1 Commis-

¹ The Independent Offices Appropriation Act for 1934 provided that future investigations by the Commission for Congress must be authorized by concurrent resolution of the two Houses. Under the appropriation acts for 1941 and 1942, funds appropriated for the Commission are not to be spent upon any investigation thereafter called for by Congressional concurrent resolution "until funds are appropriated subsequently to the enactment of such resolution to finance the cost of such investigation."

sion order. Circuit courts of appeals affirmed 15 Commission orders (5 with modifications) and dismissed petitions for review of orders in 11 cases. Forty-five petitions for review of cease and desist orders were filed during the year.

At the close of the fiscal year, 49 export trade associations were operating under the Export Trade (Webb-Pomerene) Act, 8 having been formed during the year.

In addition to administering trade practice rules previously approved for numerous industries, the Commission during the year promulgated rules for five additional industries: beauty and barber equipment and supplies; luggage and related products; rayon and silk dyeing, printing, and finishing; sun glass; and ribbon.

Early in the fiscal year, the Commission issued rules and regulations to carry out the provisions of the Wool Products Labeling Act, effective July 15, 1941.

GENERAL INVESTIGATIONS

During the present emergency, numerous branches of the Government, especially the war agencies, have utilized the basic factual accounting, statistical and economic data covering important national industries which were gathered by the Commission in the approximately 125 general investigations or studies it has conducted during its existence. This total does not take into account the 370 investigations relating to industry practices and to costs, prices, and profits of basic commodities which were conducted by the Commission during the first World War when the Commission was relied upon by the Government as its principal cost-finding and fact-finding agency.

A majority of these general investigations were authorized by Congressional resolutions, some were conducted pursuant to Presidential orders, a number were made at the request of other branches of the Government, and others on the initiative of the Commission. Many of these inquiries have supplied valuable information bearing on competitive conditions and trends in interstate trade and industrial development and have shown the need for, and wisdom of, legislative or other corrective action.

WARTIME INVESTIGATIONS

During the fiscal year, the Commission conducted 16 investigations, all of which related to projects in furtherance of the war effort. Thirteen were made at the request of Government war agencies, including the War Production Board and the Office of Price Administration. (For details of wartime investigations, see p.11.)

For the War Production Board, the Commission completed inquiries to determine whether the steel, copper and copper scrap, copper ingots, jewel bearings, silverware, and chromium and nickel industries were complying with priority orders issued by the board. For the same agency, the Commission completed a survey which furnished a detailed picture of the metal-working machines industry.

Studies for the Office of Price Administration, which provided factual background for that agency's price rulings and regulations, included costs, prices, and profits inquiries into the household furniture, bread-baking, paperboard, steel, and phosphate rock mining industries.

Inquiries initiated by the Commission under authority of the Federal Trade Commission Act were coordinated with wartime work to provide data requested by the war agencies. These were the industrial corporation reports project, methods of production cost accounting in manufacturing industries, and methods and costs of distribution of essential commodities.

The Commission assigned a number of its examiners to the House Naval Affairs Committee, at the committee's request, to aid in a comprehensive investigation of the progress being made in war industries.

An inquiry into mass food distribution involved a study of the economic effects of the delivery of food to large retailers at their warehouses as compared with delivery at their stores. This inquiry was not related directly to the war effort.

In connection with its continuing survey of radio and periodical advertising (see p.79), the Commission, at the request of the Office of Censorship, the War Production Board and the Office of Price Administration, collected and forwarded to the appropriate agencies data obtained from war-related advertising illustrative of trends and prices, or dealing with critical materials, or violative of press and radio wartime practice codes.

THE COMMISSIONERS AND THEIR DUTIES

The Federal Trade Commission is composed of five Commissioners appointed by the President and confirmed by the Senate. Not more than three of the Commissioners may belong to the same political party.

The term of office of a Commissioner is seven years, as provided in the Federal Trade Commission Act. The term of a Commissioner dates from the 26th of September last preceding his appointment (September 26 marking the anniversary of the approval of the act in 1914), except when he succeeds a Commissioner who relinquishes office prior to expiration of his term, in which case the act provides that the new member "shall be appointed only for the unexpired term

of the Commissioner whom he shall succeed." Upon the expiration of his term of office, a Commissioner continues to serve until his successor has been appointed and has qualified.

As of June 30, 1942, the Commission was composed of the following members: William A. Ayres, Democrat, of Kansas, Chairman; Garland S. Ferguson, Democrat, of North Carolina; Charles H. March, Republican, of Minnesota; Ewin L. Davis, Democrat, of Tennessee, and Robert E. Freer, Republican, of Ohio.

Each December the Commission designates one of its members to serve as Chairman during the ensuing calendar year. Commissioner Ayres has served as Chairman during the calendar year 1942, having succeeded Commissioner March. Commissioner Ferguson will become Chairman in January 1943. Through this method of rotating the chairmanship, each Commissioner serves as Chairman at least once during his term of office. The Chairman presides at meetings of the Commission and signs the more important official papers and reports at the direction of the Commission.²

In addition to the general duties of the Commissioners, in administering the statutes, the enforcement of which is committed to the Commission, each Commissioner has supervisory charge of a division or divisions of the Commission's work. Chairman Ayres has supervisory charge of the Administrative Divisions and the Medical Advisory Division; Commissioner Ferguson, of the Trial Examiner's Division and the Trade Practice Conference Division; Commissioner March, of the Legal Investigation Division; Commissioner Davis, of the Trial and Appellate Division and Commissioner Freer, of the Division of Accounts, Statistics and Economic Investigations and the Radio and Periodical Division. The Commission has a Secretary, who is its executive officer.

Each case that is to come before the Commission is first examined by a Commissioner and then reported on to the Commission, but all matters under its jurisdiction are acted upon by the Commission. The Commissioners meet for the consideration and disposal of such matters each business day. They direct the work of a staff which, as of June 30, 1942, numbered 684 officials and employees,³ including attorneys, economists, accountants, and administrative personnel employed in Washington and in 5 branch offices. The Commissioners hear oral arguments in the cases before the Commission; usually preside individually at trade practice conferences held for industries in various parts of the country, amid have numerous other administrative duties incident to their position.

² Duties of the Chairman In connection with wartime activities of the Commission are set forth on p.23.

³ Of this total, 53 were on military furlough as of June 30, 1942.

HOW THE COMMISSION'S WORK IS HANDLED

The various activities of the Federal Trade Commission may be classified generally under the headings: legal; accounting, statistical and economic; and administrative.⁴

The legal work of the Commission is under the supervision of its Chief Counsel, its Chief Examiner, its Chief Trial Examiner, the Director of its Radio and Periodical Division, and its Director of Trade Practice Conferences.

The Chief Counsel acts as legal adviser to the Commission, supervises its legal proceedings against respondents charged with violations of the acts administered by the Commission, has charge of the trial of cases before the Commission and in the courts, and supervises the foreign trade work of the Commission as conducted, pursuant to the Export Trade Act, by the Export Trade Section.

The Chief Examiner has charge of legal investigations of applications for complaint alleging violations of the laws over which the Commission has jurisdiction, except as to probable violations which come under the observation of the Radio and Periodical Division. When the Commission undertakes general investigations, the Chief Examiner supervises those which are primarily of a legal nature. Certain of the wartime investigations are conducted by the Legal Investigation Division.

The general legal investigational work of the Commission is conducted by a staff of attorneys especially trained as examiners who operate from the executive offices of the Commission in Washington or from its five branch offices in New York, Chicago, New Orleans, San Francisco, and Seattle.

Members of the Trial Examiner's Division preside at hearings for the reception of evidence in formal proceedings and in certain of the general investigations which are conducted by the Commission. Other members of the division negotiate settlements by stipulation of applications for complaint, subject to the approval of the Commission.

The Division of Trade Practice Conferences conducts activities relating to the formulation and approval of trade practice rules, the holding of industry conferences in respect thereto, the administration and enforcement of such rules as have received Commission approval and are in effect, and other staff duties incident to the trade practice conference procedure. This division is also charged with the general administration of the Wool Products Labeling Act and the rules and regulations thereunder.

The Radio and Periodical Division conducts preliminary office investigations in cases involving allegations of false and misleading advertising. Such cases usually result from the division's continuing

⁴ For special wartime activities, see p.11.

examination of radio and periodical advertising, and, in a majority of instances, are disposed of by stipulation. This division also carries on a special continuing examination of war-related advertising. (For details, see p.22.)

The Medical Advisory Division furnishes to the Commission or any of its branches professional opinions in matters involving the validity of claims made by advertisers of food, drugs, cosmetics, and devices in connection with cases instituted under the advertising provisions of the Federal Trade Commission Act.

In addition to receiving scientific advice from its Medical Advisory Division, the Commission, in its investigation of cases, makes full use of the facilities offered by other departments of the Government to which it refers matters for scientific opinions and information. The Commission receives effective cooperation from such agencies as the United States Public Health Service, the National Bureau of Standards, the Food and Drug Administration, and the Department of Agriculture's bureaus relating to agricultural chemistry, entomology, plant industry, animal industry, dairy industry, and home economics, as well as from nongovernment hospitals, clinics, and laboratories and from members of the medical profession and other scientists. The opinions and data furnished by such agencies and individuals are often particularly helpful in enabling the Commission to reach sound and fair conclusions with respect to scientific and technical questions coming before it.

The Division of Accounts, Statistics and Economic Investigations conducts those general inquiries of the Commission which are primarily of an economic nature, such as industry inquiries, the industrial corporation reports project, and the current studies of wartime costs, prices, and profits. (For details of wartime studies, see p.11.) This division cooperates with the legal divisions with respect to antitrust cases and to cost accounting work for the Robinson-Patman Act cases.

The Commission has on its staff an economic adviser who performs advisory service in connection with economic problems involved in investigations and other work of the Commission.

The Administrative Divisions conduct the business affairs of the Commission and function under the executive direction of the Secretary. These divisions are: Budget and Finance, Personnel Supervision and Management, Research and Library, Records, and

Publication and Procurement.

PUBLICATIONS OF THE COMMISSION

Publications of the Commission, reflecting the character and scope of its work, vary in content and treatment from year to year. Important among such documents are those presenting fact-finding

studies, reports, and recommendations relating to general business and industrial inquiries. Illustrated by appropriate charts and tables, these books and pamphlets deal with current developments, possible abuses, and trends in an industry, and contain scientific and historical background of the subjects discussed. They have supplied the Congress, the Executive agencies of the Government, and the public with information not only of specific and general value but of especial value as respects the need or wisdom of new and important legislation, to which they have frequently led, as well as to corrective action by the Department of Justice and private interests affected. The Supreme Court has at times had recourse to them, and many of them have been designated for reading in connection with university and college courses in business administration, economics, and law.

The 33 published volumes of *Federal Trade Commission Decisions* contain the findings of fact and orders to cease and desist issued by the Commission throughout the years and constitute a permanent and authoritative record of the remedial measures taken by the Commission to stop violations of the laws it administers. The decisions set forth in these volumes establish for industry, business, and the individual the guideposts of fair competitive dealing. They also tell, case by case, the story of the multiplicity of unlawful practices which have been found to be detrimental to the public interest and of the accomplishments of the Commission in the prevention of such practices.

The Commission publishes a monthly summary of work which reports current progress in its various activities.

Regarding publications, the Federal Trade Commission Act, section 6 (f), says the Commission shall have power--

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

Publications of the Commission for the fiscal year ended June 30, 1942, were:

Federal Trade Commission Decisions, Volume 32, December 1, 1940, to May 31, 1941.

Federal Trade Commission Decisions, Volume 33, June 1, 1941, to October 31, 1941.

Federal Trade Commission Rules, Policy and Acts, December 10, 1941.

Annual Report Of the Federal Trade Commission for the Fiscal Year Ended June 30, 1941. House Document No. 510, Seventy-seventh Congress, Second Session, January 9, 1942.

Trade Practice Rules for the following industries: *Beauty and Barber Equipment and Supplies Industry*, August 9, 1941; *Luggage and Related Products Industry*, September 17, 1941; *Rayon and Silk Dyeing, Printing and Finishing Industry*, December 12, 1941; *Sun Glass Industry*, December 23, 1941; *Ribbon Industry*, June 30, 1942.

RECOMMENDATIONS

Since 1930 the Federal Trade Commission has consistently recommended in its annual and special reports to Congress the amendment of section 7 of the Clayton Act. The substance of such recommendations was that acquisition of assets be declared unlawful under the same conditions which are already applied to, the acquisition of stock. In its last preceding annual report the Commission called attention to the endorsement of such recommendations by the Temporary National Economic Committee in its final report and to the Committee's suggestion to Congress that the acquisition of assets of competing corporations over a certain size be forbidden without prior Governmental approval to insure that the purpose and probable result of such acquisition would be in the public interest. The Commission is in accord with this view and the principle of the Temporary National Economic Committee of thus limiting future expansion of the evil.

PART I. WARTIME INVESTIGATIONS

A substantial part of the activities of the Federal Trade Commission during the fiscal year was devoted to conducting wartime investigations and studies at the request of various war agencies of the Government, including the War Production Board and the Office of Price Administration.

For the performance of these duties, the Commission had available, when the call came from the war agencies, the trained personnel of its legal examining, investigative, accounting, statistical, and other services, all equipped by long experience to undertake investigations and studies made necessary by the national emergency.

Of the 17 investigations or studies instituted, completed, or in progress during the year, 16 related to projects which directly furthered the war effort, 13 being requested by the war agencies and 3 being undertaken by the Commission on its own initiative under authority of the Federal Trade Commission Act. One investigation, authorized by the Commission during the last preceding fiscal year, had no direct connection with the war program.

PRIORITIES INVESTIGATIONS

REPORTS MADE TO WAR PRODUCTION BOARD ON COMPLIANCE WITH PRIORITY ORDERS BY SIX INDUSTRIES

One of the most valuable contributions the Commission made to the war effort during the fiscal year was the series of priorities investigations it conducted for the War Production Board.¹ As it became increasingly necessary for the Government to divert from civilian uses certain materials essential to the successful prosecution of the war, the War Production Board undertook to ascertain whether industries producing such materials were complying with its rules and regulations governing priorities.

Pursuant to authority vested in it by Executive orders issued in January 1942, the War Production Board designated the Federal Trade Commission as an agency to conduct investigations of certain basic industries to determine the extent and degree to which they were complying with the board's orders relative to the allocation of the supply and the priorities of delivery of materials.

¹ Two of these investigations, relating to the steel and the copper fabricating Industries, were requested by the Office of Production Management, predecessor to the War Production Board.

Six such inquiries, nation-wide in scope and comprehensive as to each particular industry, were completed by the Commission during the fiscal year, involving field investigations of a total of 1,110 companies. The industries investigated and the number of companies covered in each were:

Steel, 31 companies; copper fabricating, 88; copper ingots, 83; jewel bearings, 172; silverware, 19, and chromium and nickel, 717.

At the close of the fiscal year, the Commission was preparing to undertake for the War Production Board another priorities investigation, this one covering 947 aluminum foundries.

The report on each of these investigations was made directly to the War Production Board.

METAL-WORKING MACHINES SURVEY

DATA ON OPERATIONS OF 406 MANUFACTURERS COMPILED FOR USE OF WAR PRODUCTION BOARD

For the purpose of furnishing the War Production Board with a complete and detailed picture of the metal-working machines industry in the United States for a representative period, the Commission made a survey of the operations of 406 manufacturers of such machines. The survey was begun at the request of the War Production Board in May 1942, and at the close of the fiscal year basic data had been collected and submitted to the board and the tabulation of the final summary was nearing completion.

Data gathered by the Commission included identification of metalworking machines as to kind, type, size, and model; date of invoicing; customer's name and Government war contract number; customer's order number, preference rating, and urgency number; date the machine was required; and a detailed breakdown with regard to the source of the customer's contract. This last-mentioned item was designed to show the number of machines shipped for the use of the various branches of the armed services of the United States, for our Allies, and for other foreign and domestic uses.

INDUSTRIAL CORPORATION REPORTS

VALUABLE DATA FOR USE OF INDUSTRY IN WARTIME IS DEVELOPED

The industrial corporation reports project was initiated in accordance with the functions of the Commission as set forth in section 6 of its organic act. On May 27, 1940, the Commission directed certain corporations to file financial reports for the year 1939 and annually thereafter. The significant facts developed were published in combined form.

For many years the Commission has believed such a project would be of great benefit to the national economy in peacetime and of especial value in a national emergency. The plan was developed in cooperation with the Division of Statistical Standards, Bureau of the Budget, Executive Office of the President, and other Federal agencies. The Commission believes this type of fact-finding should be continuous so that essential information may be always available. Much time and expense could have been saved in the prewar emergency had such data been available covering a period of at least five years.

Prior to the war period, the purpose of collecting and publishing these data obtained from industry and trade was to aid in promoting orderly business operations and more stable employment of labor. To a considerable degree, this purpose still controls. Under war pressure, much of industry necessarily is forced into new channels, and both labor and capital, except during periods of conversion, are more fully employed than before. Under such conditions, the reports from industry and trade, when critically analyzed and properly compiled, provide the Government with basic information for use in formulating its over-all policy of industrial control and in guiding the nation's industrial activities to the end that essential military and civilian needs may be supplied. The information thus compiled in industry reports may also serve the purpose, when compared with earlier reports, of showing the effects of the war effort on industry and trade and should aid in planning for post-war reconstruction.

The Commission believes the industry summaries will be of increasing value to the Government in showing the trends of industrial activity, as well as to managers of corporations, stockholders, lenders of capital, and the general public.

The industrial corporation reports project has been fully coordinated with wartime work. The list of corporations earlier developed was supplemented to meet the minimum needs of the Office of Price Administration with regard to 1940 operations. The original 1940 project was expanded to cover 4,500 corporations representing the consolidated operations of more than 7,000 corporations, of which 270 are Canadian. The Commission also enlarged the project to collect and audit special annual reports of earlier years and quarterly reports of subsequent operations, approximately 12,000 in all, for the Office of Price Administration.

Considerable demand for the completed reports on industrial operations of these corporations has come from Government agencies most concerned with the war effort. The reports for 1940 have been furnished to the Office of Price Administration, War Production Board, the War and Navy Departments and other Government establishments. They have not been released to the public because of wartime restrictions as to printing and publishing.

During the fiscal year, reports from 86 industry groups were received, and the Commission is preparing composite summary reports showing, among other things, the average rate of return for each of the industry groups, the range of returns for individual corporations, and the average rates of the corporations grouped according to the amount of assets.

The summary reports also give the total sales, the proportion sold in the domestic and markets, the proportion of each dollar of sales represented by the cost of materials, production labor cost, other pay roll in cost of goods (except in repairs and maintenance and research and development), depreciation, obsolescence, etc., corporate taxes, social security and pension fund payments, repairs and maintenance, research and development expense, selling expense, advertising, administrative and general office expenses, and miscellaneous costs, together with the gross and net margins on sales.

INDUSTRY GROUPS FOR WHICH 1940 OPERATIONS ARE REPORTED

The 86 industry groups for which reports of 1940 operations were obtained, listed according to commodities, are :

Agricultural machinery and tractors.
Aircraft.
Asbestos and abrasive products.
Automobile parts and accessories.
Beet sugar.
Biscuits and crackers.
Blowers, exhaust, and ventilating fans.
Bolts, nuts, washers and rivets.
Bread and bakery products.
Cane sugar.
Cement.
Cereal preparations.
Chemicals (industrial).
Cigarette and tobacco products.
Clay products (other than pottery).
Coke-oven products.
Commercial laundry, dry-cleaning and pressing machines.
Copper.
Corn products.
Cotton textiles.
Cranes : dredging, excavating and road-building machinery.
Distilled liquors.
Drugs and medicines.
Electrical machinery and apparatus.
Elevators, escalators, and conveyors.
Fertilizer.
Firearms and ammunition.

Food products machinery.
Footwear (except rubber).
Forging-iron and steel.
Fruit and vegetable.
Furniture.
Glass and glassware.
Gray iron and malleable iron castings.
Gypsum products.
Heating and cooking apparatus (except electrical).
Hardware.
Internal combustion engines.
Lead and zinc.
Leather.
Linoleum, and other hard surface floor covering.
Lumber and timber products.
Machine shop products-water softeners.
Machine-tool accessories and machinists' precision tools.
Machine tools.
Malt beverages.
Matches.
Mechanical measuring instruments (except electrical).
Mechanical stokers.
Mens, youths' and boys' clothing.
Merchant pig iron.

Flour.

Milk and milk products.

Mining machinery and equipment.	Screw-machine products and wood screws.
Motor vehicles.	Sewing machines.
Non-ferrous metals (secondary).	Shipbuilding.
Office and store machines.	Smelting and refining equipment.
Oil-field machinery.	Soap, cottonseed products, and cooking fats.
Paints and varnishes.	Special industry machinery.
Paper and pulp.	Steam engines and turbines.
Paving and roofing materials.	Steel castings.
Petroleum (refining).	Textile dyeing and finishing.
Petroleum (crude producing).	Textile machinery.
Plastics.	Tin cans and tinware.
Plumbers' supplies.	Wall board and plaster (except gypsum), building insulation, and floor composition.
Power boilers.	Wire and Cable (electrical).
Pump and pumping equipment.	Wool carpets and rugs.
Railroad equipment.	Woolens and worsteds.
Rayon and allied products.	
Refrigeration equipment and air-conditioning units.	
Rubber products.	

WARTIME COSTS, PRICES, AND PROFITS

INQUIRIES FOR OFFICE OF PRICE ADMINISTRATION RELATE TO FURNITURE,

BREAD, PAPERBOARD, STEEL, AND FERTILIZER

Household furniture.--Early in the fiscal year the Commission, at the request of the Office of Price Administration, made a Study of costs, prices, and profits of 67 representative furniture companies, to determine whether, and to what extent, increases in the prices of household furniture were justified. Reports on the results of the inquiry, submitted to the Office of Price Administration in September 1941, included for each of the companies, for the years 1936-41, comparative rates of return on the average annual total investment and on average annual Stockholders' investment, before and after income taxes; comparative capital turnover, correlated to rates of return on average annual total investment; ratios of costs, expenses and net profits from manufacturing per dollar of net sales; and comparison of net sales with the value of furniture manufactured in 1939 as reported by the United States Bureau of the Census. The reports also contained information with reference to costs of important materials used in manufacturing household furniture; manufacturers' factory prices of specific articles; unit costs of the manufacture and sale of certain popular-selling items as of the dates of price changes during the year preceding July 1941; and trends in unit costs and selling prices during that period.

This inquiry was conducted for the further purpose of determining whether agreements to fix or maintain prices existed in the industry and whether increases in wholesale prices of furniture were the result of collusion or other understandings in

restraint of trade.

Bread-baking industry.--In the autumn of 1941, the Office of Price Administration, believing the price of bread should be held at a minimum in the interest of the low-income consumer, requested the Commission to make a study of the bread-baking industry and to inquire particularly into consignment selling of bread by bakers to retailers and the possibility of eliminating the practice.

Other general purposes of the inquiry were to ascertain whether the cost of producing and marketing bread and the price paid by consumers could be reduced by a modification or elimination of practices such as the acceptance by bakers of the return of stale bread remaining unsold on retailers' shelves; the delivery of fresh bread daily or oftener to retail outlets; the sale of bread of the same kind in loaves of many different sizes and weights; the sale of bread of the same kind but of more than one grade or quality, taking into consideration particularly the marketing of so-called "secondary" bread; the use of premiums, combination offers, free goods, and prizes; and the furnishing of facilities by bakers to retailers.

Results of this inquiry, transmitted to the Office of Price Administration in January 1942, covered the industry's size, growth, degree of concentration, regulations during the first World War, production cost accounting, and uneconomic distribution practices; costs, prices, profits, sales, and stale returns, etc., for 60 bread-baking companies and summaries of their financial condition and operating results during the years 1936-41; total cost of baking and wrapping white household bread, showing in detail the costs of the principal ingredients and of direct labor, indirect labor, production overhead, and wrapping materials and production and distribution statistics.

Subsequent to the close of the fiscal year, at the request of the Director of the Office of Economic Stabilization, the Commission undertook a further study of the bread and flour industry.

Paperboard industry.--In a letter of November 12, 1941, to the Chairman of the Federal Trade Commission, the Price Administrator wrote :

The Office of Price Administration, in performing its function of price stabilization; finds it imperative to secure additional manufacturing cost. and profit data covering at least from 15 to 30 paperboard industrial units in wide geographic distribution * * *

The Administrator also stated it would be necessary to make this study particularly in relation to the marginal or high cost mills because of the necessity of obtaining "maximum production during the national emergency," and later asked that the scope of the inquiry be broadened to include 68 selected mills operated by 47 companies.

From records of the companies, the Commission obtained pertinent financial, cost, and other statistical information regarding operations of the selected mills. These data were presented to the Office of

Price Administration in May 1942, the report embodying summaries of financial condition and operating results of the 47 companies for the years 1936-41; monthly mill operating statements and costs for specified grades of paperboard for the 68 mills statistics with respect to average hourly wage rates and earnings; quoted or list prices of paperboard; cost per ton of various kinds of pulp, paper, and other materials; data on sales of paperboard by grades; determination of machine hour rates; and a description of the development of the paper and paperboard industries and their methods of production cost accounting.

Steel costs.--Upon request of the Office of Price Administration, the Commission in April 1942 undertook a study of costs, prices, and profits covering 30 steel producing companies, including all the larger ones, the inquiry embracing costs for about 90 percent of the total steel production in the country. At the close of the fiscal year, analysis was being made of the cost of production and distribution for each class and grade of semifinished and finished steel products, such as ingots, blooms, slabs, billets, plates, sheets, bars, rods, structural shapes, pipe, wire, and wire rope; and for the particular sizes which account for a substantial portion of the tonnage in each of the classifications.

Such costs are segregated so as to show separately the cost per ton for material used, productive labor, fuel and power, depreciation, repairs and maintenance, property taxes and insurance, other direct expenses, total material and conversion cost, shipping expense, and general selling and administrative expenses. The total cost of production and distribution is then compared with the corresponding net sales realization, after allowance for discounts and outbound freight, so as to show the net operating profit on each class and selected item. Supplemental information is also furnished with respect to the tonnage and yields involved in each process.

Fertilizer and chemical industry.--Near the close of the fiscal year, the Office of Price Administration made plans for the Federal Trade Commission to study costs, prices, and profits in the fertilizer and related products industries. The inquiry, begun with a study of 11 important companies in the phosphate rock mining industry, will include also a large number of companies engaged in the production of superphosphate, Organic nitrates, sulphuric acid, and mixed fertilizers.

WAR MATERIAL CONTRACTS, COSTS, AND PRODUCTION

COMMISSION AIDS HOUSE NAVAL AFFAIRS COMMITTEE IN STUDY OF WAR

PROGRAM

The Federal Trade Commission, at the request of the House of Representatives Committee on Naval Affairs, assigned members of

its accounting and legal examining staffs to assist the committee in its inquiry into progress of the national defense program.

The Naval Affairs Investigating Committee assigned a number of the Commission's examiners to some of the more important field investigations involving a thorough check of the awarding of contracts, and of cost records of aircraft manufacturers and their operations and management; construction of naval air stations, beginning with the selection of the sites and proceeding through all phases of construction to completion; the organizational set-up of the contractors with reference to methods of purchase and keeping of cost records; and an examination into the speed, progress, and quality of the work in all phases.

Studies also were made of methods of control of materials purchased for use on Government contracts, distribution of labor costs, including overtime and bonus payments, distribution of overhead, patent licenses, and cartel agreements, all in connection with the manufacture of scientific instruments and other products for the Navy.

In thus assisting the House Naval Affairs Investigating Committee, the Commission has had a substantial part in effecting Savings estimated by the committee as being in excess of \$500,000,000.

PRODUCTION COST ACCOUNTING METHODS

INQUIRY CONDUCTED AS INTEGRAL FACT OF THE WAR COST STUDIES

When the United States entered upon an active national defense program in 1940, it became apparent that a study of methods, practices, and systems of production cost accounting used in manufacturing industries, particularly those important to that program, would be advisable. When the Bureau of the Budget authorized the Commission to initiate such an inquiry during the fiscal year, the Commission was then preparing to investigate, at the request of the Office of Price Administration, costs, prices, and profits of household furniture, and there was the prospect that it would be occupied in other national defense inquiries. Consequently, the production cost accounting study was conducted as an integral part of Such national defense and wartime inquiries.

The information obtained will comprise a report on methods of production cost accounting with chapters devoted to basic problems and principles, features of the so-called "standard costs system," an illustrative description of an actual "manufacturing order" or "job lot" cost system, and production cost accounting in the bread-baking, paperboard, and steel industries.

In the baking industry, in which there is no product-in-process at the end of the workday and only a negligible quantity of unsold

finished products on hand, there is no production cost accounting system that shows either the total or the unit costs of the respective types of bread or of other bakery products. The production of yeast raised products and of cakes and other pastries is carried on by separately organized departments. Generally, monthly departmental operating statements contain data, which permit computation of an average cost per pound of all products of the department, but not of any specific description of product.

In the manufacture of paperboard, the machine that converts the raw materials into finished paperboard represents an investment of such magnitude that often there will be only one such machine in a mill. The prevailing method of applying operating or "conversion" costs to the several kinds of paperboard made is to determine for the machine the average operating cost per running hour, record the amount of actual running time the machine consumes in producing each kind of paperboard, and multiply this time by the hour-cost rate. The total "conversion" cost of the period, which is divided by the number of running hours of the machine to yield the average hour-cost rate, includes the direct labor cost, the direct supervision cost, the driving power cost, the cost of steam for heating the water in the heaters and for drying the paperboard, and all other operating costs pertaining to the machine.

In the steel industry, the successive processes of converting iron ore into pig iron, of refining pig iron into steel ingots, or rolling or hammering the ingots into blooms, or billets, bars or slabs, and of converting these semifinished into finished steel products, are carried on by separate production organizations in separate plants; and, although the same steel company may carry on the whole sequence of processes, a portion of the steel product of any process may be sold and only the remainder passed to the mill that performs the next process. The cost accounting is conducted so as to show the cost of each process and also the purported cost of the product as it emanates from each process. While some steel companies count as a component of the cost of each production process a provision for depreciation of the investment in the plant and equipment with which the process is carried on, many other steel companies treat depreciation as a general charge against the operations as a whole or as an appropriation from profit.

DISTRIBUTION METHODS AND COSTS

SURVEY FOR PRICE ADMINISTRATOR COVERS 20 COMMODITY GROUPS

From time to time during the fiscal year, special reports embodying the results of the study made by the Commission in 1941 of methods and costs of distributing particular commodities were prepared at the request of the Office of Price Administration for the confidential

use of its commodity sections. The 20 commodity groups covered were : biscuits and crackers, canned fruits and vegetables, carpets and rugs, cement , coffee , electric household appliances, farm machinery, flour, food wholesaling and retailing, lumber, meats, men's and boys' outer wear, men's and boys' shirts and collars, packaged cereals, paints and varnishes, petroleum products, rubber tires and tubes, sugar, women's hosiery, and women's outer wear.

The inquiry, which developed the groundwork of information for these reports, was undertaken by the Commission on its own initiative in 1940 under authority conferred upon it by section 6 of the Federal Trade Commission Act, the resolution directing that an investigation be made of the methods and costs, of distributing commodities in the channels of commerce of the United States, and of such relevant practices, usages, trade barriers, laws, charges, rates, and other factors as are an element of or affect such methods or costs in any substantial degree.

Material dealing with the methods and channels of distribution used and the costs of distribution functions undertaken by manufacturers was obtained largely from special reports made by sample groups of representative manufacturers of some 20 commodities or classes of closely allied commodities. Information respecting the expenses of wholesale and retail distribution of these commodities was procured from income tax reports of representative groups of corporations engaged primarily in wholesaling or retailing particular commodities or classes of commodities selected for special study. The period covered for costs of distribution for most of the commodities selected was the calendar year 1939 or the fiscal years of the companies most nearly coinciding therewith. Other sources drawn upon included the industrial corporation reports project of the Commission (see p. 12), information developed in cases coming before the Commission and other Government agencies, and material from trade and other publications.

In addition to the special reports made to the Office of Price Administration, a one-volume report embodying the results of the inquiry for publication as a report of the Federal Trade Commission was in preparation at the close of the fiscal year.

MASS FOODS DISTRIBUTORS

EFFECTS OF DELIVERY TO CHAIN WAREHOUSE AND STORE DOOR ARE COMPARED

The Commission, on April 29, 1941, under authority of section 6 of the Federal Trade Commission Act, directed an investigation into the prices paid by large retail grocers for certain perishable foods which are customarily delivered by the manufacturer to the retailer's store door but which in recent years, often at the request of the distributor,

have been delivered to his warehouse. The Commission excluded from the inquiry fresh meats, fruits, and vegetables.

Foods which the Commission has found in many marketing areas to be included among those whose delivery is being shifted from store door to warehouse delivery, where desired by both seller and buyer, are cheese, biscuits and crackers, certain bakery products, soft drinks, potato chips, mayonnaise and other salad dressings, coffee, and many other specialty food products.

The initial pressure for warehouse delivery has usually come from the large grocery chain. Such distributor may be interested in the change for either of two reasons : (1) the manufacturer may give a price concession on goods delivered to the warehouse of the chain distributor which is larger than the additional cost incurred by him in getting those goods from his warehouse to his individual stores (2) the distributor may believe that he has better control over his merchandising policies if all the chain's purchasing is effected through one central office or through the central office of each warehousing district rather than through each store manager.

The food manufacturer may resist the pressure for a change from store-door delivery to warehouse delivery for either of two reasons : (1) he may not wish to make the price concession for warehouse delivery to which the distributor may think he is entitled, believing either that such concession is unnecessary to hold the business, or that it is unjustified under the Robinson-Patman Act, or that it will make it difficult for him to hold the business of those who do not receive the price concession; (2) he may believe store-door delivery in his business to be essential to maintaining sales volume by insuring a constant fresh supply of his product in each store and an effective counter display.

The discount allowed by the food manufacturer for warehouse delivery appears to be the issue about which there is most concern. The chain may refuse to take the product if it cannot get warehouse delivery. The manufacturer may refuse to supply the product if he cannot deliver at the store. Sometimes, however, he compromises by giving or offering to give warehouse delivery without allowing the discount. That warehouse delivery gives rise to a saving for the manufacturer in many instances, there can be little question. Whether the discount, when allowed, is always made available to all on proportionally equal terms and whether it is always justified by a saving at least equal to it in amount, may be questioned.

Sometimes the warehouse delivery discount received by a chain is of considerable consequence. Its competitors, in such case, whether or not strictly entitled to the discount under the sales terms, usually will feel that there is an unjustifiable discrimination.

This inquiry, which was not directly related to the war effort , was nearing completion at the close of the fiscal year.

OTHER WARTIME ACTIVITIES

Advertising analyzed for war agencies.--After the United States entered the war, some of the war agencies made prompt use of the system long established by the Commission for conducting comprehensive surveys of radio and periodical advertising on a continuing basis.

At the request of various war agencies, the Commission during the fiscal year surveyed, analyzed, summarized, and reported to the agencies such advertising in newspapers, magazines, and radio broadcasts as contained any reference to the war, the war effort, war economy or war production, the armed services, the general public health or morale, price. rises or trends, rationing, priorities, conservation of paper, rubber, or other materials, and other war-related subjects. Any advertisements found to contain possible violations of the Code of Wartime Practices for American Broadcasters and the Code of Wartime Practices for the American Press, as promulgated by the Office of Censorship, were transferred to that office for appropriate action.

Monthly reports made to, and at the request of, the War Production Board, contained analyses and tabulations relative to rubber-products advertising and rubber selling prices to facilitate the board's survey of critical materials. In connection with this project, a study was made of approximately 4,000 advertisements appearing in 71 issues of newspapers published in 64 cities located in 38 states.

For the Office of Price Administration, the Commission included in its regular continuing survey of advertising those advertisements advising the public to "buy now" or containing statements that materials are or will be scarce, that the quality of new materials or products offered for sale is equivalent to or better than merchandise formerly offered, statements concerning rationing, offers to sell products subject to a "freeze order," and any institutional or general character references to rationing, price control, or quality which might affect the price and rationing program.

The material thus surveyed for the war agencies comprised all advertising broadcast over the national and regional networks and samplings of that broadcast over all individual stations; as well as advertisements in 583 magazines, 463 newspapers, 25 domestic newspapers printed in European languages, and 19 domestic newspapers printed in Oriental languages.

Trade practice work in wartime.--In the establishment of rules and regulations under its trade practice conference procedure (see p.67) ,

the Commission during the fiscal year adopted and followed the policy of directing such activities to the furtherance of the war effort.

This policy also governed the administration of existing trade practice rules for many industries. In addition, several important new projects were undertaken, one being for the establishment of trade practice rules concerning the designation of colorfastness of all types of textiles ² in order that the consumer might be provided with essential information relative to the different degrees of resistance to fading which the respective dyestuffs employed will afford, including the relative colorfastness of the dye to sunlight, washing, dry cleaning, perspiration, etc. These are matters of large moment to the entire population in the present emergency, especially in view of the enlarged need for obtaining the maximum service from consumer goods and the necessity for manufacturers to use various substitute dyestuffs in order to conserve critical materials.

Another trade practice proceeding concerned moth-protecting chemicals and devices and the respective degrees of assurance which are thereby afforded to purchasers in protecting woolen articles of clothing, blankets, household goods, and other products subject to moth damage. This proceeding is designed not only to afford protection to the purchasers of such articles but also to effect conservation of labor and materials by providing more effective safeguards against the \$200,000,000 moth-damage bill which it is estimated is incurred annually.

Wool Act aids war program.--The Wool Products Labeling Act (see p.75) operated effectively in support of the war effort, its provisions being indispensable to the program for conserving wool as a critical war material and for its equitable distribution for use to best advantage in essential military and civilian articles. The act provides a bulwark of support for the economic well-being of the people at a time when the types, character, and quality of merchandise must of necessity undergo many changes and when wise buying and careful selection by consumers are more necessary than ever. The act bars misrepresentation and deceptive concealment of content in the marketing of wool products, which are essential in clothing and protecting the population.

Membership on war committees.--The Chairman of the Federal Trade Commission served as a member of the Price Administration Committee of the Office of Price Administration, and was the Commission's representative in its continuing relationships with the Board

² Proposed trade practice rules concerning colorfastness of textiles were made public by the commission, August 5, 1942, and hearings thereon were held in Washington, D. C., August 18, 1942, and in New York City, September 9 and 10, 1942.

of Economic Warfare, established by the President, under the chairmanship of Vice President Wallace, for "developing and coordinating policies, plans, and programs designed to protect and strengthen the international economic relations of the United States in the interest of national defense." The Commission placed its staff of accountants, economists, and statisticians at the disposal of the Board of Economic Warfare to make studies and investigations required by the board.

In response to a request received from the Bureau of Industrial Conservation of the Office of Production Management (now the War Production Board), the Chairman of the Commission served as a member of that agency which is carrying on an intensive "War Against Waste." The Chairman also was a member of a committee for the development and utilization of the country's present and future petroleum resources and facilities, of which committee the Petroleum Coordinator for National Defense is Chairman.

Members of the Commission's staff served on the following committees of the Advisory Commission to the Council of National Defense: Inter-Departmental Conference Committee on National Food Resources; Sub-Committee of Inter-Departmental Conference Committee on Planning and Procedure; Fruit and Vegetables Committee; Tobacco Committee; and Food Distribution Committee.

Through its Medical Advisory Division, the Commission cooperated with the Medical and Health Supply Section of the Division of Civilian Supply, War Production Board. The Director of the Medical Advisory Division performed liaison duties for the Commission in connection with the work of the National Research Council's Committee on Drugs and Medical Supplies, which serves in an advisory capacity to the War Production Board.

PART II. GENERAL LEGAL WORK

DESCRIPTION OF PROCEDURE

A case before the Federal Trade Commission may originate in any one of several ways. The most common origin is through complaint by a consumer, a competitor, or from public sources. The Commission itself may initiate an investigation to determine whether the laws administered by it are being violated.¹ No formality is required in making application for complaint, a letter setting forth the facts in detail being sufficient, but it should be accompanied by all evidence in possession of the complaining party in support of the charges made.

INFORMAL PROCEDURE

Upon receipt of an application for complaint, the Commission considers the essential jurisdictional elements before deciding whether it shall be docketed. When such application has been docketed, it is assigned to an attorney for the purpose of developing all the essential facts. The general procedure is to interview the party complained against, advise him of the charges, and request such information as he may care to furnish in defense or in justification. It is the policy of the Commission not to disclose the identity of the complainant. If necessary, competitors of the respondent are interviewed to determine the effect of the practice from a competitive standpoint. Often it is desirable to interview consumers and members of the general public to obtain their assistance in determining whether the practice alleged constitutes an unfair method of competition or unfair or deceptive act or practice, and also to establish the existence of the requisite public interest.

After developing all the facts, the examining attorney summarizes the evidence in a report, reviews the law applicable, and makes recommendations as to what action he believes the Commission should take. The record is reviewed by the Chief Examiner and, if found to be complete, is submitted, with a statement of facts together with his conclusions and recommendations, to the Commission for its consideration.

If a published or broadcast advertisement coming under the observation of the Radio and Periodical Division appears to be misleading, that division conducts mail inquiries and reports its recommenda-

¹ For a brief statement of the provisions of these laws, see p.1.

tion to the Commission under the procedure more fully explained on page 83.

The Chief Examiner or the Director of the Radio and Periodical Division may recommend to the Commission: (1) that the case be closed without further action because of lack of evidence or because the practice does not violate any law administered by the Commission; (2) disposition of the application upon the signing by the respondent of a stipulation as to the facts and an agreement to cease and desist from the practices as set forth in the stipulation; or (3) issuance of formal complaint.

If the Commission decides that a formal complaint should issue, the case is referred to the Chief Counsel for preparation of the complaint and trial of the case. Should the Commission permit disposition by stipulation, the case is referred to the Chief Trial Examiner or to the Director of the Radio and Periodical Division for negotiation and submission to the Commission for approval.

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

FORMAL PROCEDURE

Only after careful consideration of the facts developed by the investigation does the Commission issue a formal complaint. The complaint and the answer of the respondent thereto and subsequent proceedings are a public record.

A formal complaint is issued in the name of the Commission acting in the public interest. It names the respondent, or respondents, alleges a violation of law, and contains a statement of the charges. The party complaining to the Commission is not a party to the formal complaint; nor does the complaint seek to adjust matters between parties; rather, the prime purpose of the proceeding is to prevent, for the protection of the public, those unfair methods of competition and unfair or deceptive acts or practices forbidden by the Federal Trade Commission Act and those practices within the Commission's jurisdiction which are prohibited by the Clayton Act (as amended by the Robinson-Patman Act), the Export Trade Act, and the Wool Products Labeling Act of 1939.

The rules of practice of the Commission (see p.107) provide that a respondent desiring to contest the proceedings shall, within 20 days from service of the complaint, file answer admitting or denying each allegation of the complaint.

Where evidence is to be taken, either in a contested case or where the respondent has failed to file answer, the matter is set down for hearing before a member of the staff of trial examiners, which hearing may be held anywhere in the United States, the Commission being represented by one of its attorneys and the

respondent having the privilege of appearing in his own behalf or by attorney.

After the submission of evidence in support of the complaint, and then on behalf of the respondent, the trial examiner prepares a report of the evidence for the information of the Commission, a copy of which is furnished counsel for the Commission and counsel for the respondent. Exceptions to the trial examiner's report may be taken by either counsel.

Briefs may be filed within a stated time after the trial examiner's report is made, and in the discretion of the Commission, upon the written application of the attorneys for the Commission or for the respondent, oral argument may be had before the Commission. Thereafter, the Commission reaches a decision either sustaining the charges of the complaint or dismissing the complaint, or closing the case without prejudice.

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

If the complaint is dismissed or the case closed, an appropriate order is entered; sometimes such order of dismissal or closing is accompanied by a written opinion, although more often reasons for the action appear only in the order.

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

Under the Federal Trade Commission Act and the Wool Products Labeling Act, an order to cease and desist becomes final 60 days after date of service thereof upon the respondent, unless within that period the respondent petitions an appropriate United States circuit court of appeals to review the order. In case of review, the Commission's order becomes final after affirmance by the circuit court of appeals or by the Supreme Court of the United States, if taken to that court. Violation of an order to cease and desist after the same shall have become final and while it is in effect subjects the offender to a civil penalty of not more than \$5,000 for each violation, recoverable by the United States.

Under the Clayton Act, an order to cease and desist does not become final, in the sense that its violation subjects the violator to a penalty, until a United States circuit court of appeals shall have issued its order commanding obedience, on the application

for review by the respondent or cross-application of the Commission for enforcement.

Under all three acts, the respondent may apply to a circuit court of appeals for review of an order and the court has power to affirm, or to affirm after modification, or to set aside, the order. Upon such application by the respondent and cross-application by the Commission, or upon application by the Commission for enforcement of an order under the Clayton Act, the court has power to enforce the order to the extent it is affirmed. In any event, either party may apply to the Supreme Court for review, by certiorari, of the action of the circuit court of appeals.

PROVISIONS FOR PREVENTING DISSEMINATION OF FALSE ADVERTISEMENTS

The Federal Trade Commission Act contains provisions for the prevention of the dissemination of false advertisements concerning food, drugs, devices (meaning devices for use in the diagnosis, prevention, or treatment of disease), and cosmetics. 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 pending issuance and final disposition of the complaint.

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

LEGAL INVESTIGATION

INQUIRIES PRIOR TO FORMAL COMPLAINT OR STIPULATION

The Commission makes legal investigation of all applications for complaint preliminary to instituting formal action for the correction of unfair methods of competition or other acts or practices violative of the laws it administers.

During the fiscal year ended June 30, 1942, the Commission disposed of 272 preliminary inquiries which had been docketed and 1,264 applications for complaint, or a total of 1,536 informally docketed matters.

Investigation of cases in preliminary stages includes the general preliminary legal investigating work of the Commission under the several acts and the continuing survey of radio and periodical advertisements with the object of correcting false and misleading representations.

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

At the beginning of the fiscal year, July 1, 1941, there were pending for investigation in the legal investigation division² 277 preliminary or undocketed cases. Three hundred twenty-one additional applications of this character were received during the year, making a total of 598 on hand, of which 313 were investigated. Of the investigated matters, 228 were docketed and transmitted to the Commission for action and 85 closed without docketing because of lack of jurisdiction or other reasons. This left 285 preliminary cases of this type pending for investigation at the end of the fiscal year.

Five hundred fifty-two applications for complaint, which had been docketed without preliminary investigation, were pending for regular investigation at the beginning of the year. Subsequently, 466 additional cases of this type were received, making a total of 1,018 such cases docketed for investigation. Of these, 512 were investigated and transmitted to the Commission for action, leaving 506 cases of this character pending for investigation at the close of the year.

During the year, 511 further investigations included inquiries into alleged violations of cease and desist orders and stipulations, investigations for the Chief Counsel, and others of a supplemental nature. At the end of the year, 223 such matters awaited completion of investigation.

Thus, during the year, the legal investigation staff completed 1,336 investigations under the laws administered by the Commission, and in addition, at the request of the Office of Production Management and its successor, the War Production Board, completed 7 nation-wide surveys covering the investigation of 1,516 companies engaged in the manufacture of essential war products. (For details of these wartime investigations, see p.11.)

PRICE FIXING AND OTHER TRADE RESTRAINTS

One of the fundamental purposes behind the passage of the Federal Trade Commission Act in 1914 was the establishment of an agency which would detect and eliminate illegal trade restraints in their incipiency, before they had developed into monopolies. At the beginning of the fiscal year, 87 cases of this type were on the Commission calendar, either awaiting investigation or being investigated. During the year, 61 new cases were instituted, making a total of 148

² Statistics hereinafter reported on pp. 29-32 concerning the general legal investigational work of the Commission during the fiscal year are the records of the legal investigating division and not the consolidated record of the Commission, and therefore do not coincide with the figures reported in the tabular summary of legal work for the entire Commission appearing on pp.64-65.

restraint-of-trade matters on the calendar. In the same period, 67 investigations of this type were completed for consideration and disposition by the Commission, leaving 81 pending on the active investigational calendar as of June 30, 1942.

Price fixing continues to be the most frequently recurring charge among the restraint-of-trade cases, although the whole category of trade restraints will be found among the charges in the cases pending before the Commission during the fiscal year. These include such practices as conspiracy to boycott or threats of boycott; interference with sources of supply; threats of infringement suits not made in good faith; sales below cost for the purpose of injuring competitors; collusive bidding; intimidation of competitors; coercive practices; espionage; and commercial bribery.

The following general classifications of commodities involved are listed to convey an idea of the widespread nature of the restraint-of-trade investigations: Agricultural supplies; automotive equipment; beauty and barber supplies; clothing and cloth; construction materials and supplies; containers; dental equipment and appliances; drugs, chemicals, and pharmaceuticals; electrical equipment and appliances; feathers; firearms; flaxseed; food products and beverages; footwear and accessories; fuel; golf clubs and equipment; hospital and surgical supplies; household wares, furnishings and equipment; ice; insecticides; jewelry; lumber and lumber products; machinery and tools; metal and metal products; minerals and mineral fibers; nursery stock; paint and varnish; paper and paper products; photographic supplies; optical goods; publications; rubber and rubber products; school equipment and supplies; silverware; technical instruments and parts; textile fabrics; tobacco; vegetable fibers and oils; vending machines; and vitrified products.

In addition to the original investigations undertaken during the year, 21 matters were completed which involved formal docketed cases. These consisted of a variety of matters, many requiring complete investigation to determine whether cease and desist orders previously issued by the Commission were being violated. Investigations of this nature are as extensive as those made in the original development of a case and in some instances more difficult. At the close of the fiscal year 8 cases of this nature were pending on the investigational calendar.

Of the 148 restraint-of-trade investigations which were active during the fiscal year, 24 resulted from applications for complaint filed by Federal, State, or municipal agencies, and 25 were initiated by the Commission on its own motion. A few applications for complaint came from miscellaneous sources, but the majority continued to originate among individuals and concerns whose business was being jeop-

ardized by alleged unfair and illegal practices. The group last mentioned was responsible for 99 of these applications.

Investigations of alleged violations of section 7 of the Clayton Act may also be classified as involving other forms of trade restraints. Under section 7, the Commission had four preliminary matters for consideration during the fiscal year, three of which were pending at the beginning of the year. These matters involved alleged unlawful stock acquisitions by corporations engaged in the production and sale of steel and steel products, in the factorage and refining of sugar, in the manufacture and sale of a tanning product, and in the compressing and storage of cotton. Two of these matters were disposed of by the Commission because investigation failed to indicate violation of law. The other two remained on the suspense calendar at the close of the year for further consideration.

CLAYTON ACT, SECTION 2, AS AMENDED BY THE ROBINSON-PATMAN ACT

The Robinson-Patman Act, approved June 19, 1936, amends section 2 of the Clayton Act, and restates in more inclusive form the basic principle of prohibiting price discriminations which injuriously affect competition. It also prohibits per se certain classes of discriminations which may involve price only indirectly, without regard to their competitive effects in specific cases, thus supplementing and strengthening the previous legislation.

Matters involving possible violations of this act are generally quite complicated. An effort is made by the Commission, in the preliminary stages of an investigation, to determine not only whether the practice in question involves prima facie violation of the act, but whether the defenses available under the act are present in the particular matter. This frequently necessitates the checking of competitive prices and pricing policies and of undertaking cost studies in cooperation with the parties charged with violations.

Experience in the administration of the act has made it possible for the Commission, through the development of certain information by preliminary inquiry, more readily to clear up misunderstandings among the public as to the scope of the act and its application to specific situations, as well as to make a more accurate selection for investigation of matters involving probable merit. The Commission has endeavored, in view of limited funds and personnel available, to confine investigations, insofar as feasible, to matters of substantial importance, and to eliminate the expenditure of time and money in the investigation of matters which preliminary inquiry discloses to be of little practical importance. The necessary diversion of personnel for

work in connection with the war program has necessitated the further emphasis of this effort.

During the year ended June 30, 1942, the Commission instituted field investigations of alleged violations of the Robinson-Patman Act in 32 cases and completed investigations in 79 cases. At the beginning of the year, 164 matters were on hand for investigation, and at the close of the year, 117. As in previous years, the administration of the statute has touched widely varied fields of industry and commerce and involved many classes of commodities. Frequently, an investigation of one member of an industry requires similar investigations of other members of the same industry, in order to accomplish equitable and effective correction. The proceedings of the Commission and the decisions of the courts on these proceedings have served as useful guides for members of industries in determining their pricing and distribution policies. It is apparent that these guides have been beneficial both in effecting the voluntary elimination of unlawful or doubtful practices before they become the subjects of investigation, and in discouraging the inception of such practices.

FIELD INVESTIGATIONS OF CASES INVOLVING FOOD, DRUGS, DEVICES, AND COSMETICS

The Wheeler-Lea amendment to the Federal Trade Commission Act of March 21, 1938, greatly enlarged the preexisting need for medical and other scientific and expert opinion and evidence. This was met in part by the establishment by the Commission of a Medical Advisory Division. In the administration of the Wheeler-Lea amendment, special attention has been given to therapeutic representations made concerning, and pharmacological actions of, medicinal preparations, the use of which might be injurious. Similarly, consideration has been given to devices also likely to be injurious to health.

Since enactment of the Wheeler-Lea amendment, the Commission has completed 1,644 field investigations of alleged violations of section 12 of the Federal Trade Commission Act, which relates to false advertising of food, drugs, devices, and cosmetics. Of these, 232 were completed during the fiscal year. This number included new cases as well as old cases reinvestigated to determine whether Commission cease and desist orders, and stipulations executed by advertisers and accepted by the Commission, were being violated, and whether additional practices not previously prohibited were being carried on in contravention of the law.

At the close of the year, 181 applications for complaint respecting alleged false advertising of food, drugs, devices, and cosmetics were under investigation, 9 of which related to drug and cosmetic preparations and devices alleged to be injurious to health.

DISPOSITION OF CASES BY STIPULATION

PROCEDURE AFFORDS OPPORTUNITY FOR DISPOSING OF SOME CASES BY AGREEMENT TO DISCONTINUE UNFAIR PRACTICES

Under certain Circumstances the Commission, instead of disposing of cases by formal complaint and trial, affords the respondent the privilege of disposition by signing a statement of fact and an agreement to discontinue the unfair practice.

The Commission's policy with respect to the circumstances under which cases may be disposed of by stipulation is set forth in the appendix, page 117.

A total of 560 stipulations in which various individuals, firms, and corporations agreed to cease and desist from unlawful practices were approved by the Commission during the fiscal year. These included 341 general cases and 219 cases pertaining specially to radio and periodical advertising matter. (See p.82.)

COMPLAINTS

ALLEGED VIOLATIONS OF FEDERAL TRADE COMMISSION ACT AND CLAYTON ACT AS AMENDED BY THE ROBINSON-PATMAN ACT

During the fiscal year ended June 30, 1942, the Commission issued 249 complaints, of which 229 charged violation of the Federal Trade Commission Act and 20 charged violation of the Clayton Act.

I. COMPLAINTS UNDER THE FEDERAL TRADE COMMISSION ACT

A. SUPPRESSION OF PRICE COMPETITION AND OTHER ALLIED RESTRAINTS OF TRADE

(Complaints referred to are identified by docket numbers. Full text of any complaint may be obtained upon application to the Federal Trade Commission, Washington)

1. COMBINATIONS TO FIX AND MAINTAIN PRICES

Twenty-two complaints were issued charging combination and conspiracy in restraint of trade among members of certain industries to fix minimum prices or maximum discounts from a base price list at which their products were to be sold. These complaints related to price-fixing combinations involving certain members of the following industries:

Charcoal (4535); printed stationery (4538); bakery products (4550); milk and ice cream cans (4551); electrical alloy wire (4558); paper products (4559); milk bottle closures (4565); linen supplies (4588); women's coats and suits (4596); women's millinery (4597); bottle and can crowns and caps (4602); crepe paper (4606); traffic

signals (4610); asbestos pipe coverings (4613); Harris Tweed fabric

(4618); liquid-tight paper containers (4675); art pictures (4693); uniforms (4612); button molds (4726); commercial screen advertising (4736); women's dresses (4751); and garment boxes (4777).

2. AGREEMENTS IN RESTRAINT OF TRADE, BOYCOTT, AND REFUSAL TO SELL

Three complaints were issued charging combination and conspiracy in restraint of trade among members of certain industries, methods used being boycott, refusal to sell, and interference with the sources of supply of competitors. The complaints related to hardware wholesalers (4592); wholesale grocers (4643); and retail dealers in tea, coffee, and household specialties (4776).

B. FALSE ADVERTISING AND MISREPRESENTATION

A total of 173 complaints issued by the Commission charged false and misleading representations in advertisements, on labels, and otherwise. They may be classified broadly as follows:

Sixty-two complaints alleged misrepresentation of origin, composition, performance, condition, quality, ingredients, materials, price, quantity, or style of various products; 46 alleged false and misleading representations as to the therapeutic value of various medicinal and food preparations and devices; and 12 alleged misrepresentation as to business status, such as a retailer representing him-self to be a wholesaler or manufacturer, or a commercial enterprise representing itself as a cooperative.

Nine complaints alleged misrepresentation as to results effected by the use of various products; six, passing off of one article for another, or of used articles, or articles composed in part of used materials, for new; seven, misrepresentation in the sale of cosmetics, including in some instances failure to disclose harmful potentialities to users; six, misrepresentation and disparagement of competitors' products; six, false and misleading use of well-known names to describe products of inferior quality; and five, misrepresentation in the sale of correspondence courses of instruction.

Three complaints alleged misrepresentation of the durability or enduring qualities of stone; three, misleading use of well-known corporate or trade names in promoting the sale of products; two, false and misleading representation that the products involved were made under the supervision of a doctor; two, misrepresentation of qualities of radio devices; two, misrepresentation of durability and quality of fountain pens; one, misrepresentation in connection with advertising for agents to sell automobile devices; and one, misrepresentation of terms under which coupons are redeemed and misleading use of a well-known trade name.

C. MISCELLANEOUS COMPLAINTS

Twenty-seven complaints were issued in which the respective respondents were charged with supplying dealers with lottery devices for use in the sale of merchandise; commercial bribery; alleged misrepresentation in the sale of encyclopedias, Bibles and prayer books, books and magazines, and books for keeping income tax information; use of the Red Cross name and emblem in selling commercial products without disclosing that the American Red Cross has no connection with the enterprise; and misrepresentation in the sale of tinted or colored photographic enlargements and miniatures, and frames therefor.

II. COMPLAINTS UNDER THE CLAYTON ACT**A. ALLEGED VIOLATION OF SECTION 2 (a) OF CLAYTON ACT AS AMENDED BY****ROBINSON-PATMAN ACT**

Eight complaints were issued charging violation of section 2 (a) through unlawful discriminations in price among various purchasers in the sale of commodities of like grade and quality. The complaints alleged that the effect of the discriminations may be substantially to lessen competition or tend to create a monopoly in some line of commerce, or to injure, destroy, or prevent competition either with those who discriminate or knowingly receive the benefit of the discrimination, or with customers of either of them. Three of the complaints involved candy and confections (4571, 4673, and 4677); two, corn syrup (4548 and 4556); one, hand-operated carpet sweepers (4636); one, glass dairy-testing apparatus (4725); and one, tufted bedspreads, rugs and allied products (4744).

B. ALLEGED VIOLATION OF SECTION 2 (c) OF CLAYTON ACT AS AMENDED BY**ROBINSON-PATMAN ACT**

Four complaints were issued charging violation of section 2 (c), the so-called brokerage section. Two of the complaints related to the practice of buyers receiving brokerage on their own purchases, one of these also involving the payment of such brokerage by the manufacturer. Another charged the receipt of brokerage by an intermediary under control of and acting for the buyer, and the fourth involved division of brokerage with the buyer and an arrangement by the broker with the seller to make corresponding allowance to the buyer in lieu of brokerage. Two of the complaints related to transactions in fruits and vegetables (4547 and 4589); one relating to rice was subsequently dismissed (4587).; and one involved crystal phosphate (4585).

C. ALLEGED VIOLATION OF SECTION 2 (d) OF CLAYTON ACT AS AMENDED BY**ROBINSON-PATMAN ACT**

Three complaints contained charges of violation of section 2 (d), which prohibits discrimination in granting compensation to buyers who furnish services or facilities where such compensation is not made available to other buyers on proportionally equal terms. One of these complaints charged the allowance of special discounts on account of services in pooling orders from the separate units of chain store buyers and withholding such discounts from other competing buyers furnishing or offering to furnish similar services (4571). Another involved compensating certain buyers for advertising expenditures while withholding compensation for such purpose to competing buyers (4637). The third alleged the allowance of compensation to certain chain store customers for window displays while withholding such compensation from independent store customers and not making it available on proportionally equal terms to some chain store customers (4740).

D. ALLEGED VIOLATION OF SECTION 3 OF CLAYTON ACT

Five complaints charged the respondents with leasing and selling, or contracting to sell, certain rivet-setting machines, or fixing a price therefor, or discount from, or rebate on such price, on the condition, agreement, or understanding that the lessee or vendee would not use the machines for setting any tubular or bifurcated rivets other than those manufactured by or sold under the authority of the respective respondents. (4560, 4561, 4562, 4563, and 4564.)

Another complaint alleged that a candy manufacturer sold or contracted to sell candy bars to retail drug chain customers for resale, granting a discount on the dollar volume of purchases, on the agreement that the purchaser would not deal in the candy of a competitor. (4673.)

In another complaint a manufacturer of a hair tonic was charged with selling its product on the condition, agreement, or understanding that the purchasers would not use, sell, or distribute similar products of any of the competitors of the respondent and that if such purchasers should use or distribute any product not purchased from the respondent they would not be further supplied with or permitted to handle the respondent's product. (4773.)

It was alleged in each of these complaints that the effect of leasing or selling on the condition or agreement set forth in each complaint may be to substantially lessen competition in commerce.

ORDERS TO CEASE AND DESIST**UNFAIR TRADE PRACTICES PROHIBITED IN 250 CASES**

The Commission issued 250 orders to cease and desist from the use of unfair methods of competition and other violations of law during the fiscal year ended June 30, 1942.

The following cases, briefly described, are illustrative of orders to cease and desist issued during the fiscal year:

I. ORDERS UNDER THE FEDERAL TRADE COMMISSION ACT**COMBINATIONS TO FIX AND MAINTAIN PRICES AND RESTRAIN TRADE**

Scientific Apparatus Makers of America, Chicago, and others.--An unincorporated group of the members of this incorporated association, styled the Surveying-Drafting-Coaters Section of Scientific Apparatus Makers of America and consisting of producers and distributors of tracing cloths, blueprint papers, and other similar supplies and equipment, were ordered to cease and desist from carrying out a conspiracy to fix and maintain prices for their products. The order prohibited them from exchanging information among themselves, pursuant to agreement, regarding prices, discounts, terms, and conditions of sale, from classifying customers, and particularly from adopting any regulation designed to prevent any deviation on the part of the members of the association from the prices, discounts, and terms fixed and agreed upon. (3092.)

The Hardwood Institute, Oshkosh, Wis., and others.--An order was issued directing 21 hardwood lumber manufacturers in Wisconsin and The Hardwood Institute, an unincorporated trade association, to cease and desist from entering into or carrying out any agreement or combination for the purpose or with the effect of restricting price competition in the sale of hardwood lumber.

Among the practices engaged in by the respondents, pursuant to agreement, and which were prohibited by the order, were the following fixing or maintaining prices, terms or conditions of sale; using a system for calculating and quoting prices predicated upon a designated basing point plus freight therefrom; preparing or circulating for use of sellers of hardwood lumber compilations of delivery charges to produce the same delivered price quotations at any given destination; exchanging price lists among themselves or with competing sellers or adhering or agreeing to adhere to the prices quoted in such lists; exchanging detailed information concerning sales; and formulating or adopting various practices for the purpose of producing uniformity in such quotations. (3418.)

Power and Gang Mower Manufacturers' Association, Detroit, and others.--This trade association and 6 manufacturers, who sold from 65 to 85 percent of the power and gang mower industry's products, were ordered to cease and desist from any agreement or combination to maintain prices and uniform discounts, terms of sale, or trade-in allowances, or otherwise to hinder competition. (3689.)

Western Confectioners Association, Inc., San Francisco, and others.--This association, its officers, and 18 of its member manufacturers were ordered to cease and desist from entering into or carrying out any agreement to establish or maintain uniform or minimum prices for their candy products or uniform discounts to purchasers. The order directed the respondents to discontinue any concerted action to classify purchasers of their products for the purpose of fixing or maintaining uniform discounts, and prohibited coercion of manufacturers by threats of legal action or otherwise to maintain uniform or minimum prices fixed by the respondents. (4132.)

Salt Producers Association, Detroit, and others.--The order in this case directed the association and 20 member corporations, and others, to cease and desist from combining or conspiring to fix or maintain prices for, or to curtail and regulate the production or sale of, salt. The order required the respondents to cease engaging in the following practices, pursuant to agreement: establishing or maintaining uniform prices, terms or conditions of sale; quoting and selling under a zone system whereby the delivered cost to buyers within each respective zone was made identical; exchanging price lists, invoices, and the names of distributors or dealers who receive special discounts; and curtailing or regulating the quantity of salt to be produced and sold by any respondent corporation. (4320.)

Organization Service Corporation, New York, and others.--This corporation, two of its subsidiary institutes, and certain of its members engaged in the manufacture of pins, metal paper clips, and fasteners were ordered to cease and desist from engaging in the following practices by agreement or combination: fixing, establishing, or maintaining prices to be charged for their products; compiling or exchanging statistical information concerning prices to be charged; and employing or participating in any inquiry pertaining to prices with the purpose or effect of causing adherence to or maintenance of uniform prices (4351.)

AR. Winarick, Inc., New York, and others.--These respondents, engaged in the sale of beauty parlor and barber supplies, were ordered to cease and desist from entering into or continuing any agreement to restrain competition and fix prices. (4470.)

Pacific Fruit & Produce Co., Walla Walla, Wash., and others.--Five Walla Walla shippers of broadleaf spinach, a Minneapolis fruit

brokerage company, and four Chicago produce jobbers were ordered to cease and desist from carrying out a conspiracy to eliminate competition or monopolize trade in the Chicago area. The order prohibited the following practices, among others, when engaged in pursuant to agreement: restricting the sale and purchase of broadleaf spinach to selected shippers and jobbers; determining or limiting the number of jobbers who shall purchase in any designated area; causing all purchases and sales to be made through certain designated brokers; preventing jobbers and wholesalers not parties to the agreement from purchasing from selected shippers from the Walla Walla district; and fixing or maintaining the price to dealers or the public in Chicago. (4487.)

Newton Paper Co., Holyoke, Mass., and others.--A paper manufacturer, three New York distributors of "bogus" paper (a cheap flexible paper cut by dies into stays used in lining handbags and pocketbooks), a die cutters' trade association, its executive secretary, and seven operators of stay die cutting businesses, were ordered to cease and desist from entering into understandings or conspiracies to hinder or restrain competition. The respondents were further ordered to cease and desist from the following practices when engaged in pursuant to agreement: fixing and establishing prices, terms, and discounts; allocating new and prospective customers; refusing to sell to customers of other members of the association; restricting purchases to the respondent manufacturer and distributors; furnishing the association or its representative with lists of delinquent customers and refusing to sell to such customers; and assessing penalties for violation of the agreement. (4559.)

James MacDonald, Ltd., Stornoway, Scotland, and others.--Five Scottish manufacturers of Harris Tweed fabrics and their sales representatives in the United States were ordered to cease and desist from engaging in any price-fixing agreement or conspiracy which restrains and monopolizes the sale of their products in the trade between Great Britain and the United States and among the States of the United States. The order prohibited the carrying out of any agreement which provides that manufacturers will not sell Harris Tweed garments purchased from the respondents at prices lower than those fixed by the respondents; that manufacturers will not sell to any retailer who does not bind himself to sell at or not less than certain fixed prices; that retailers will not sell at prices less than those fixed by respondents; and that the respondents will compile and circulate among themselves a list of manufacturers who cut the prices thus fixed. The order also prohibited the respondents from fixing and maintaining, by concerted or collective action, minimum prices, terms, and conditions of sale. (4618.)

COMBINATIONS IN RESTRAINT OF TRADE, BOYCOTT, REFUSAL TO SELL

Chicago Medical Book Co., Chicago, and others.--Chicago Medical Book Co., dealer in medical books, and four publishers of medical books located in Philadelphia and St. Louis were ordered to cease and desist from entering into or carrying out any agreement or conspiracy for the purpose or with the effect of restraining competition, and particularly from engaging in the following practices as a part of such agreement or conspiracy: attempting to boycott any dealer; refusing to sell to any such dealer; preventing or attempting to prevent any dealer from purchasing at the regular price; and discriminating against any dealer as to price or other conditions of sale. (3557.)

The Wholesale Dry Goods Institute, Inc., New York, and others.--The respondents, including 115 individuals, copartners, and corporations engaged in the wholesale distribution of dry goods, notions, and kindred merchandise, were ordered to cease and desist from following a common course of action in connection with any mutual understanding, agreement, or conspiracy for the purpose and with the effect of establishing the respondents as a preferred class of buyers or of inducing, coercing, or restraining manufacturers in the determination of their sales policies or the selection of their customers. Other practices prohibited by the order included circulating a list of preferred buyers recognized as wholesalers or a list of manufacturers; refusing or threatening to refuse to deal with manufacturers because they sell to buyers not recognized by the respondents as wholesalers; and threatening manufacturers for the purpose or with the effect of preventing them from selling to certain prospective buyers. (3751.)

Berland Supply Co., Inc., Milwaukee, and others.--A group of glassware manufacturers and their representatives and an association of wholesale dealers were ordered to cease and desist from conspiring to suppress competition in the glassware trade in Milwaukee and the surrounding trade area. The order directed the respondents to cease and desist from any agreement to refuse to sell to any person or to cut off his source of supply or otherwise deprive him of an opportunity to compete; to prevent by coercion any wholesaler or retailer from engaging in price competition; to designate who shall be wholesalers; or to otherwise limit the number of persons who may participate in the glassware trade. (3861.)

Milwaukee Jewish Kosher Delicatessen Association, Milwaukee, and others.--This association and five proprietors of delicatessen stores in Milwaukee, members of the association, and two Kosher meat manufacturers in Chicago were ordered to cease conspiring to lessen competition in the sale of Kosher products. The order directed them to cease and desist from agreeing to lessen competition by hindering certain purchasers in Milwaukee from buying Kosher

meats or allied products from manufacturers outside of Wisconsin and by obstructing sellers outside of Wisconsin in selling to certain Milwaukee merchants. (3908.)

Retail Coal Merchants Association, Richmond, Va., and others.--The association and its officers and members, consisting of all but three retail coal dealers in that city, and four wholesalers were ordered to cease and desist from entering into or carrying out any agreement for the purpose of restraining competition in the retail sale of coal in the Richmond trade area. The order directed the association and its officers and members to cease and desist from agreeing with wholesalers that the latter would not ship to retail dealers in Richmond who were not members of the association or whose prices were not those agreed upon by the association members; and urging wholesalers, under threat of boycott, to cooperate with the respondent retailers by refusing to sell to nonmembers of the association. The order also required the respondent wholesale dealers to cease entering into agreements with the association or its members for the purpose of restraining competition in the retail sale of coal in the Richmond area and, specifically, to discontinue agreeing among themselves or with other respondents that they would not ship to Richmond retailers who were not members of the association. (3911.)

Detroit Candy & Tobacco Jobbers Association, Inc., Detroit, and others.--The respondent association, its officers, directors, and 30 regular and 125 associate members, constituting a majority of the wholesalers and jobbers of candies, tobaccos, and groceries in the Detroit area, were ordered to cease and desist from coercing, inducing, or persuading sellers of these products, located in states other than Michigan, to refrain from selling to competitors of members of the respondent association. (4321.)

Inter-State Cigarette Merchandisers Association, Newark, N. J., and others.--The association and five member associations of similar name in New Jersey, New York, Pennsylvania, Connecticut, and Massachusetts, composed of persons or companies operating automatic cigarette vending machines, and their officers, directors, and members, were ordered to cease and desist from certain agreements in restraint of competition in the sale of their products and from engaging in the following practices: establishing members of the association as a preferred class for the purpose of confining the sale of automatic cigarette vending machines to such members exclusively; interfering with competitors in their effort to purchase and obtain such machines; and restraining, by threats and coercion, manufacturers from selling to competitors of members. (4388.)

Food Service Equipment Industry, Inc., Chicago, and others.--Food Service Equipment Industry, Inc., an association composed of more than 100 dealers in food service equipment for hotels, restaurants,

and clubs, and American Vitritified China Manufacturers Association, its officers and member manufacturers, and a number of manufacturers of food service equipment, were ordered to cease and desist from carrying out certain agreements and combinations to restrict competition. Among the specific practices prohibited were selecting or classifying jobbers or dealers as recipients of special benefits not granted to other jobbers; urging members to give preference to those manufacturers who had received the endorsement of the association because they had cooperated in carrying out its policies and methods; and urging manufacturers of food service equipment to sell exclusively to members of Food Service Equipment Industry, Inc. The order required the manufacturers who had received the association endorsement to cease and desist from refusing to sell to or through any jobber or dealer because he had not been selected by the association, or from refusing to sell directly to hotels, restaurants, and others at lower prices than such purchasers could receive from approved jobbers or dealers. The order also was directed against certain practices engaged in by American Vitritified China Manufacturers Association and its members. (4433.)

**MISREPRESENTING COSMETICS AND SOAP TO BE CAPABLE OF
CORRECTING
VITAMIN DEFICIENCY**

Jergens-Woodbury Sales Corporation, Cincinnati.-This respondent was ordered to cease and desist from representing its face powders and creams to be germicidal while in use or that its face cream and soap have any beneficial effect on the skin by reason of their vitamin content. (3438.)

**MISREPRESENTING A MEDICINAL PREPARATION AS AN EFFECTIVE
REMEDY
FOR THE COMMON COLD**

Aspironal Co., Atlanta, Ga.--An order directed this respondent to cease and desist from representing, among other things, that Aspironal is a cure or effective remedy for the common cold, and from disseminating any advertisement which fails to reveal certain potential dangers in its use. (4574.)

CONCEALING FOREIGN ORIGIN OF PRODUCT

Hollywood Racket Manufacturing Co., Inc., Hollywood, Calif.-The respondent company, engaged in the sale and distribution of tennis, badminton and squash rackets imported in an unfinished state from Japan, was found to have obliterated or concealed the legend "Made in Japan" originally appearing on the rackets. The Commis-

sion directed the respondent to cease and desist from using the name "Hollywood Racket Mfg. Co." as a mark or in advertising without disclosing the foreign origin of its rackets. (3931.)

MISREPRESENTATION OF UPHOLSTERY FABRIC AS "MOTH-PROOF"

Sanford Mills, Sanford, Maine, and others.--Engaged in selling a mohair upholstery fabric designated "Velmo", these respondents were ordered to cease representing their upholstery fabric as being mothproof. The Commission found that while the respondents subject their fabrics to a process which they believed to be effective, and that while they guaranteed to make good, and on occasion have made good, legitimate claims for moth damage, their process does not render the fabric permanently immune from all moth damage. (4084.)

MISREPRESENTING THE FIBER OF HAND KNITTING YARNS

Bell Yarn Co., New York.--The respondent was ordered to discontinue the use of the words "Cashmere", "tweed", "Angora" or "Angoray", "Shetland", or "crepe" to designate yarn not composed entirely of the fiber represented by such words. (4326.)

RETAIL FURNITURE DEALER REPRESENTED AS A WHOLESALE

Joseph Warner furniture Corporation, New York.--This retail furniture company, representing itself to be, customarily, a wholesaler, circularized prospective customers by mail and personal advertising, issuing "Admittance Permits" to its "Trade Showrooms" where salesmen represented that the prices were wholesale when they were in fact higher than wholesale prices and the various "discounts" allowed the customer were discounts from excessively high prices marked on the furniture. (4416.)

MISREPRESENTATION OF CONNECTION WITH THE DISABLED AMERICAN VETERANS OF THE WORLD WAR

Disabled American Veterans of the World War Rehabilitation Department, Chicago, and others.--The respondents were prohibited, among other things, from using, in connection with the sale of certain history books, the name of "Disabled American Veterans of the World War," and from representing that their salesmen were representatives of the veterans' organization, and that the organization received all the profits derived from the sale of the books. The Commission found that the respondent corporation had an arrangement with the veterans' organization for the use of the name on a royalty basis, but there was no other connection between the two. (4492.)

FALSE AND MISLEADING ADVERTISING OF AUTOMOBILE PRICES

*Ford Motor Co., Dearborn, Mich.--*The practice condemned in this case by an order to cease and desist involved misrepresentation of the ultimate price of automobiles to the consumer. In the course of a national advertising campaign, the Commission found, the objectionable advertisements described and illustrated a fully equipped car and quoted an "f. o. b." price in bold figures, sometimes followed by the words "and up" in much smaller and inconspicuous type, the purport of the advertisement being that the car as illustrated, fully equipped and ready to operate, could be purchased for the price featured plus transportation charges from the f. o. b. point. The Commission found that the car illustrated was often a higher-priced car, and that to its price additional charges were added for accessories usually considered "standard" equipment, such as bumpers, bumper guards, spare tire, together with charges for such items as taxes, advertising, "handling" and "conditioning." The respondent was ordered to cease and desist from representing as the price of a car any price other than the actual retail price at the sales point designated, including therein all accessories illustrated or necessary to the operation of the car or customarily included as standard equipment, and including all other charges not specifically stated and clearly shown to be additional charges. (3174.)

FALSE AND MISLEADING ADVERTISEMENTS OF MEDICINAL PREPARATIONS

During the fiscal year there were issued some 50 orders to cease and desist from false and misleading advertisements of medicinal preparations and corrective devices and cosmetics. In many cases there existed potential dangers in their indiscriminate use or in their use without the advice of a physician.

SALES METHODS INVOLVING LOTTERY SCHEMES AND SALE OF DEVICES FOR CONDUCTING THEM

About the same number of orders to cease and desist was issued in cases involving lottery schemes and other games of chance used to promote the sale of candy and other merchandise to the public. Manufacturers and distributors were prohibited from selling merchandise so arranged as to involve the use of a lottery scheme or game of chance in sales of such merchandise to ultimate purchasers. In some cases, orders were issued against the manufacturers and sellers of devices such as punch boards designed for use in lottery schemes.

II. ORDERS UNDER THE CLAYTON ACT

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

Under Section 2 (a), which prohibits discrimination in price when it may have certain effects on competition, the Commission issued eight orders to cease and desist.

Corn Products Refining Co., New York, and others.--The order in this case prohibited discrimination in delivered prices of glucose which made more than due allowance for differences in cost of delivery, a form of discrimination arising from calculating the delivery charges from a point other than the point of origin of the shipment. The order also forbade discrimination in price resulting from permitting favored customers to buy glucose after a general price increase at prices formerly in effect. Price discrimination depending on differences in the type of glucose containers used and direct price discrimination in the sale of gluten feed and meal and corn starch to certain customers was also forbidden. The order included a prohibition, under section 2 (e), against granting to some favored buyers advertising allowances that were not accorded competing buyers on proportionally equal terms. (3633.) (For violation of section 3 of the Clayton Act in this case, see *Corn Products Refining Co., and others*, p.47.)

Clinton Co., Clinton, Iowa, and others, and A. E. Staley Manufacturing Co., Decatur, Ill., and others.--Orders in these cases likewise ran against discrimination in the delivered prices of glucose which made more than due allowance for differences in cost of delivery also arising from calculating delivery charges from a point other than actual place of shipment. Again, these two companies were forbidden to discriminate in price through favoritism in "booking" orders as in the *Corn Products* case. In addition, the *Clinton* company order ran against discrimination resulting from unwarranted price differentials on account of the type of container used. (3800 and 3803.)

C. F. Sauer Co., Richmond, Va.--This order forbade discriminations in price among various competing purchasers of the respondent's salad dressings, spices, drugs, and insecticides. Under section 2 (d), the making of allowances for advertising to certain customers which were not available to others on proportionally equal terms also was forbidden. (3646.)

Life Savers Corporation, Port Chester, N. Y.--This manufacturer and distributor of a candy confection was ordered to cease selling to some purchasers at a price different from that made to other customers, the difference not being justified by only a due allowance in the difference in cost of manufacture, sale, or delivery. The order

also contained a prohibition under section 2 (d) against discrimination among customers in the matter of payments made to some multiple retail outlet distributors for Services or facilities furnished by them while not making such payments available to other customers on proportionally equal terms. (4571.)

National Grain Yeast Corporation, Belleville, N.J.; Federal Yeast Corporation, Baltimore; and Republic Yeast Corporation, Newark, N. J.--Orders were issued against these concerns forbidding discrimination in price among competing purchasers of bakers' yeast. The order against the first-named company also involved allowances to bakers' associations as commissions or brokerage which inured to the buyers in violation of section 2 (c). (3903, 3926, and 4367.)

**B. VIOLATION OF SECTION 2 (c) OF CLAYTON ACT As AMENDED BY
ROBINSON-PATMAN ACT**

United Buyers Corporation, Chicago, and others; Giant Tiger Corporation, Philadelphia; Uco Food Corporation, Newark, N.J.; R. C. Williams & Co., Inc., New York; A. Krasne, Inc., New York; The Thomas Page Mill Co., Inc., Topeka, Kans.; Reed-Harlin Grocer Co., West Plains, Mo., and others, and Miles Brokerage Co., Inc., Clearfield, Pa., and others.--The respondents in these eight cases, all engaged in the distribution of food products, were ordered to cease and desist from the practice of the buyer receiving from the sellers, directly or indirectly, brokerage on the buyer's purchases. In the United Buyers Corporation case, about 50 wholesale grocer buyers and 300 manufacturer-sellers were bound by the order. (3221, 4276, 4277, 4279, 4280, 4286, 4486, and 4519.) (See also National Grain Yeast Corporation, above.)

**C. VIOLATIONS OF SECTION 2 (d) AND 2 (e) OF CLAYTON ACT AS AMENDED
BY
ROBINSON-PATMAN ACT**

(For orders issued under section 2 (d), see *C. F. Sauer Co. and Life Savers Corporation*, p. 45. For order issued under section 2 (e), see *Corn Products Refining Co., and others*, p.45.)

**D. VIOLATION OF SECTION 2 (f) OF CLAYTON ACT AS AMENDED BY
ROBINSON-PATMAN ACT**

A. S. Aloe Co., St. Louis.--One of the largest retailers of surgical supplies and equipment, the respondent was ordered to cease and desist from inducing or receiving the benefit of numerous price discriminations granted by sellers, to the disadvantage of dealers competing with it. (3820.)

E. VIOLATION OF SECTION 3 OF CLAYTON ACT

The Gerrard Co., Inc., and others; Signode Steel Strapping Co., and Acme Steel Co.--

Orders were issued requiring each of these Chi-

cago corporations to cease and desist from leasing, selling or making, or continuing in effect, any contract for the sale of machines or appliances (wire and strap tying machines) on the condition, agreement, or understanding that the lessee or purchaser shall not use in or with such machines or appliances any wire other than that acquired from the respondents or from sources designated by them. (3498, 3688, and 3818.)

General Motors Corporation and General Motors Sales Corporation, Detroit.--An order was entered requiring General Motors Corporation and General Motors Sales Corporation to cease and desist from entering into, enforcing, or continuing in operation any franchise or agreement for the sale of automobiles, or any contract for the sale of automobile parts, on the condition, agreement, or understanding that the purchaser shall not use or sell automobile parts other than those acquired from the respondents unless such condition, agreement, or understanding be limited to automobile parts necessary to the mechanical operation of an automobile and which are not available, in like quality and design, from other sources of supply. Such exclusive dealing agreements were found by the Commission to be in violation of section 3 of the Clayton Act. The order also directed that the respondents, in transactions with their dealers, discontinue certain unfair methods of competition found to be in Violation of the Federal Trade Commission Act. (3152.)

Corn Products Refining Co. and Corn Products Sales Co., Inc., New York.--An order was issued requiring these respondents to cease and desist from contracting to sell or selling starch products to certain customers, or fixing a price therefor or discount or rebate therefrom, on the condition, agreement, or understanding that any such purchaser shall not use or deal in cornstarch or other starch products of the respondents' competitors, or from performing, enforcing, or continuing in operation or effect any such condition, agreement, or understanding. (3633.) (For violations of the Robinson-Patman Act in this case, see Corn Products Refining Co., and others, p.45.)

R. T. Vanderbilt Co., Inc., and Standard Mineral Company, Inc., New York.--These respondents were ordered to discontinue, among other things, licensing the use of certain patents controlled by them or making any sale or contract or agreement under such patents for the sale of pyrophyllite, a commodity used in the ceramic industry, on the condition, agreement, or understanding that the licensee or purchaser thereof shall not, in manufacturing semivitreous earthenware, use pyrophyllite purchased from or supplied by competitors of the respondents. The order in this case also was directed against what the Commission found to be unfair methods of competition and unfair and deceptive acts and practices in violation of the Federal Trade Commission Act. (3656.)

TYPES OF UNFAIR METHODS AND PRACTICES**TYPICAL METHODS AND PRACTICES CONDEMNED IN ORDERS TO CEASE
AND****DESIST**

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

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

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

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

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

5. 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.

6. 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.

7. Widespread threats to the trade of suits for patent infringement arising from the sale by competitors of alleged infringing products, not in good faith but for the purpose of intimidating the trade and hindering or stifling competition; and claiming, without justification, exclusive rights in public names of unpatented products.

8. Trade boycotts or combinations of traders to prevent certain wholesale or retail dealers or certain classes of such dealers from procuring goods at the same terms accorded to the boycotters or conspirators, or to coerce the trade policy of their competitors or of manufacturers from whom they buy.

9. Passing off goods for products of competitors through appropriation or simulation of such competitors' trade names labels, dress of goods, or counter-display catalogs, etc.

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

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

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

13. Using merchandising schemes based on lot or chance, or on a pretended contest of skill.

14. Compelling resale price maintenance by cooperating with others in the use of schemes and practices for compelling wholesalers and retailers to maintain resale prices fixed by a manufacturer or distributor for resale of his product.

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

16. 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, advertising agency, or publisher.

17. Aiding, assisting, or abetting unfair practice, misrepresentation, and deception, and furnishing means or instrumentalities therefor, and combining and conspiring to offer or sell products by chance or by deceptive methods, through such practices as supplying dealers with lottery devices, or selling to dealers, and assisting them in conducting, contest schemes as a part of which pretended credit slips

or certificates are issued to contestants, when in fact the price of the goods has been marked up to absorb the face value of the credit slip, and the supplying of emblems or devices to conceal marks of country of Origin of goods, or otherwise to misbrand goods as to country of origin.

18. Various schemes 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 schemes 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 representation that 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 the goods are not being offered as sales in ordinary course, but are specially priced and offered as a part of a special advertising campaign to obtain customers or for some purpose other than the customary profit.

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

19. Using containers ostensibly of the capacity customarily associated by the purchasing public with standard weights or quantities of the product therein contained, or using standard containers only partially filled to capacity, so as to make it appear to the purchaser that he is receiving the standard weight or quantity.

20. Misrepresenting in various ways the necessity or desirability or the advantages to the prospective customer of dealing with the seller, such as--

(a) Misrepresenting seller's alleged advantages of location or size, or the branches, domestic or foreign, or the dealer outlets he has.

(b) Making false claim of being the authorized distributor of some concern, or failing to disclose the termination of such a relationship, in soliciting customers of such concerns, or of being successor thereto or connected therewith, or of being the purchaser of competitor's business, or falsely representing that it has been discontinued, or falsely claiming the right to prospective customer's special consideration, through such false 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 organizations, or representation that the use of such product or services is required by the Government.

(d) False claim by a vendor of being an importer, or a technician, or a diagnostician, or a manufacturer, grower, or nurseryman, 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 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 theretofore associated with such business or the products thereof.

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

(j) Misrepresentation. by the publisher of the advertisers' products as compared with competing products, services or other commercial offering, by the issuance of seals of approval or other insignia of pretended tests, inquiries, investigations or guaranties, or by the publication of exaggerated claims.

21. Obtaining business through undertakings not carried out, and. not intended to be carried out, and through deceptive, dishonest, and

oppressive devices calculated to entrap and coerce the customer or prospective customer, such practices including--

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

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

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

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

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

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

(g) Obtaining agents or representatives to distribute the seller's products, through 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 offered.

(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.

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

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

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

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

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

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

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

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

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

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

24. Dealing unfairly and dishonestly with foreign purchasers and thereby discrediting American exporters generally.

25. Coercing and forcing uneconomic and monopolistic reciprocal dealing.

26. Entering into contracts in restraint of trade whereby foreign corporations agree not to export certain products into the United States in consideration of a domestic Company's agreement not to export the same commodity, nor to sell to anyone other than those who agree not to so export the same.

27. Employing various false and misleading representations and practices attributing to products a standing, merit, and value to the purchasing public, or a part thereof, which they do not possess, such practices including--

(a) Misrepresenting, through salesmen or otherwise, products' composition, nature, qualities, results accomplished, safety, value, and earnings or profits to be had therefrom.

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

(c) Misrepresenting the history or circumstances involved in the making and offer of the products or the source or origin thereof (foreign or domestic) or of the ingredients entering therein, or parts thereof, or the opportunities brought to the buyer through purchase of the offering, or otherwise misrepresenting scientific or other facts bearing on the value thereof to the purchaser.

(d) Falsely representing products as legitimate, or prepared in accordance with Government or official standards or specifications.

(e) Falsely claiming Government or official, or other, acceptance, use, and endorsement of product, and misrepresenting success and standing thereof through use of false and misleading endorsements or false and misleading claims with respect thereto, or otherwise.

28. Failing and refusing to deal justly and fairly with customers in consummating transactions undertaken, through such practices as refusing to correct mistakes in filling orders; or to make promised adjustments or refunds, and retailing, 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.

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

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

CASES IN THE FEDERAL COURTS

COMMISSION ACTIONS IN THE UNITED STATES SUPREME, CIRCUIT, AND DISTRICT COURTS

During the fiscal year, results favorable to the Commission were obtained in United States courts in 36 cases, of which 1 was before the Supreme Court of the United States, 29 were before United States circuit courts of appeals and 6 before United States district courts. A Commission order was set aside in one case in the circuit court of appeals.

The case in the Supreme Court in which favorable action was taken involved Raladam Co., Detroit, the Court unanimously reversing a prior decision by the Circuit Court of Appeals for the Sixth Circuit setting aside a Commission order. The Supreme Court, in two cases, denied petitions for certiorari sought by petitioners where circuit courts of appeals had affirmed Commission orders.

Circuit courts of appeals affirmed 15 orders to cease and desist issued by the Commission (5 with modifications) and dismissed petitions for review of orders in 11 cases.

In one case, the circuit court of appeals affirmed the judgment of a district court adjudging a respondent in contempt for ignoring its order directing him to answer certain questions in hearings before a Commission trial examiner; in another it upheld the jurisdiction of the Commission over false labeling and misbranding under section 5 of the Federal Trade Commission Act; in still another it affirmed the judgment of a district court imposing penalties for violations of a Commission order; and in three instances it denied motions by petitioners to reopen cases and adduce additional evidence before Commission trial examiners.

A district court granted the motion of the Commission to dismiss a suit instituted for the purpose of stopping the trial of a case before a trial examiner.

Forty-five petitions for review of Commission cease and desist orders were filed during the year.

PETITIONS TO REVIEW CEASE AND DESIST ORDERS

Petitions in the United States circuit courts of appeals to review cease and desist orders issued under section 5 of the Federal Trade

Commission Act and Sections 2 and 3 of the Clayton Act are discussed below.

(Except where otherwise indicated, cases involve violations of the Federal Trade Commission Act. United States circuit courts of appeals are designated First Circuit (Boston), etc.)

CASES DECIDED BY THE COURTS

Anchor Hocking Glass Corporation, Lancaster, Ohio, and others.--On motion of the petitioners, the Sixth Circuit (Cincinnati) dismissed their petition for review of the Commission order (124 F. 2d 187) The case involved a combination in restraint of trade in glassware.

Frederic A. Clarke, Glendale, Calif.--The Ninth Circuit (San Francisco) affirmed the judgment of the District Court for the Southern District of California adjudging Clarke in contempt for ignoring its order directing him to disclose, in hearings before a Commission trial examiner, the proportions of the Various ingredients used in the manufacture of his "Bonquet" tablets, sold as a "blood-building" preparation Clarke had contended that the information sought was a trade secret which he was not obliged to reveal. The court concluded its opinion with the statement that "appellant confessedly refused to obey the order, so there was no error in holding him in contempt of it."

D. D. Corporation, Batavia, Ill.--The Seventh Circuit (Chicago) (125 F. 2d 679) affirmed the Commission order in this Case after modifying it in one particular. The order was directed against what were found to be misleading representations concerning the curative properties of a liquid preparation known as "D. D. D. Prescription," advertised to "stop itching."

Fong Poy, also known as Fong Wan, and others, operating under the firm name of Fong Wan, Oakland, Calif.--The Ninth Circuit (San Francisco) directed the entry of a decree in this case affirming the Commission order and commanding obedience therewith (124 F. 2d 398). The order was based upon findings that the petitioners were misrepresenting the therapeutic value of Chinese herbs in the treatment of cancer, tuberculosis, diabetes, and other diseases.

Ford Motor Co., Dearborn, Mich.--The Supreme Court denied the Ford company's petition for writ of certiorari (314 U.S. 668). The object of the petition was to obtain a reversal of the decision of the Sixth circuit (Cincinnati) (120 F. 2d 175) unanimously upholding the Commission order directed against misleading advertising in connection with the so-called "6% plan" of financing the retail sale of automobiles.

Fresh Grown Preserve Corporation, and others, Lyndhurst, N.J.--A decision (125 F. 2d 917) by the Second Circuit (New York) upheld the jurisdiction of the Commission over false labeling and misbranding under section 5 of the Federal Trade Commission Act. Referring to the effect of the Wheeler-Lea amendment, the court said:

The amendment * * * did not modify the term “unfair methods of competition in commerce,” but made unlawful what were called “unfair or deceptive acts or practices in commerce” and by so doing enlarged instead of lessened the scope of the Jurisdiction of the Commission. The additions found in sections 12 to 15, inclusive, were also to give the Commission greater control over the advertising of food, drugs, cosmetics, and the like by providing for criminal action as well as injunction.

The Gerrard Co., Inc., Chicago, and American Steel and Wire Company of New Jersey, Cleveland.--Pursuant to stipulation of the parties, the petition for review in this case was dismissed by the Seventh Circuit (Chicago). The Commission’s agreement to this procedure was based upon the petitioners filing with it a report of compliance with its order, which was directed against a violation of section 3 of the Clayton Act, relating to petitioners’ practice of leasing and licensing wire-tying machines on condition that they be not used with any wire except that supplied by the petitioners.

Haskelite Manufacturing Corporation, Chicago.--The Commission order in this case was affirmed without dissent by the Seventh Circuit (Chicago). The order forbade representations that serving trays made in part of paper were made entirely of wood, and required the affirmative disclosure that the surfaces of such trays are made of paper, when such is the case. The court said (127 F. 2d 765):

We think the Commission had authority to prescribe reasonable requirements for the petitioner to meet in the interest of fair dealing, which requirements would act as guarantees against a recurrence of the past unfair and deceptive acts.

Hudson Fur Dyeing Co., Newark, N. J.--On motion of the petitioner, the Third Circuit (Philadelphia) dismissed the petition for review. Subsequent to its filing, the petitioner made changes in advertising matter which were acceptable to the Commission, and in conformity with its cease and desist order, which prohibited the use of the name “Hudseal” as descriptive of goods composed of dyed rabbit skins. The Commission found that this term was confused by the public with “Hudson Seal”, the well-known designation. for seal-dyed muskrat.

Lottery cases, Chicago, New York, Portland, Ore g., Milwaukee, Minneapolis, St. Joseph, Mo., Macon, Ga., and Birmingham, Ala.--Thirteen cases involving lottery methods in the sale of candy and other merchandise were determined by the Federal courts during the fiscal year, 12 of these decisions being in favor of the Commission.

Favorable decisions by the Seventh Circuit (Chicago) involved: Benjamin Jaffe, trading as National Premium Co. and King Sales Co., Chicago (123 F. 2d 814); Mitchell A. Bazelon and Jacob L. Bazelon, trading as Evans Novelty Co. and Premium Sales Co., Chicago; David Kritzik, trading as General Merchandise Co., Milwaukee (125 F.2d 351); and Philip Harry Koolish and Sara Allen Koolish, trad-

ing as Standard Distributing Co., Chicago (129 F. 2d 64).³ This court denied the motion of the Commission for a rule to show cause why Robert Hofeller, trading as Bob Hofeller Candy Co., Chicago, should not be adjudged guilty of and punished for criminal contempt for violation of the court's decree, entered in 1936, affirming the Commission order.

The Second Circuit (New York), on motion of the Commission, dismissed petitions for review in two cases because of the failure of the petitioners to prosecute them. The petitioners were Alexander Weiler and Lilly Greenspan Weiler, trading as New York Premium Novelty Co., New York, and Isidore Halperin and Morris Orenstein, trading as Wellworth Sales Co New York.

The Fifth Circuit (New Orleans), on motion of the petitioner, Robert C. Bundy, trading as Jackson Sales Co., Birmingham, Ala., dismissed the petition for review filed in this case. This court also unanimously affirmed the Commission order in the case involving Joe B. Hill and C. O. McAfee, trading as McAfee Candy Co. and Liberty Candy Co., Macon, Ga. (124 F. 2d 104). The petitioners contended that the order should be set aside on the ground that it was not based on evidence, but only upon their answer to the complaint. Rejecting this argument, the court observed that "facts judicially admitted are facts established not only beyond the need of evidence to prove them, but beyond the power of evidence to controvert them."

The Eighth Circuit (St. Louis), on motion of the petitioner, dismissed the petition for review filed by Candymasters, Inc., Minneapolis (126 F. 2d 466), it appearing that the petitioner had discontinued the practices forbidden by the order. This court also affirmed without dissent the Commission order in the proceeding instituted by the Douglas Candy Co., St. Joseph, Mo. (125 F. 2d 1665).

The Court of Appeals for the District of Columbia on its own motion dismissed the petition for review filed by Samuel Nitke, New York, for failure to prosecute the case.

The Ninth Circuit (San Francisco) modified one of the four paragraphs of the order directed against Lee Boyer's Candy, Portland, Oreg., and affirmed the order as modified. (128 F. 2d 261).

Caroline R. Macher and Robert J. Macher, trading as Macher Watch & Jewelry Co. and Wholesale Watch & Jewelry Co., New York.--The Second Circuit (New York), without dissent, affirmed the Commission order which proscribed what it found to be false claims as to the respondents' status as wholesalers of jewelry (126 F. 2d 420).

Moretrench Corporation, Rockaway, N. J.--The Second Circuit (New York) unanimously affirmed the order in this case, after modifying it in certain particulars. The practice forbidden was disparagement of competitive products, such as well points, pumps, and

³ Petition for certiorari was denied November 23, 1942.

equipment used in drawing water from wet Soil during excavation work. Concerning certain advertising matter used by the petitioner, which was banned by the Commission order, the court said: "In such matters we understand that we are to insist upon the most literal truthfulness. *Federal Trade Commission v. Standard Education Society*, 302 U. S. 112, 116. Nor is it an excuse for a statement after it is known to be false, that it is put forward as a quotation."

Perfume cases--New York, Boston, and Wilmington, Del.--Three cases involving false and misleading advertising in the sale of perfumes and kindred products were disposed of during the year. The Commission orders forbade representations by the petitioners that their products, compounded in the United States from imported and domestic ingredients, were made in France. The cases were: Second Circuit (New York), *Establishments Rigaud, Inc.*, and others, New York, in which the order was modified and affirmed (125 F. 2d 590); First Circuit (Boston), *Normandie et Cie*, Boston, in which a consent decree was entered affirming the order and commanding obedience thereto; and Third Circuit (Philadelphia), *Coty, Inc.*, Wilmington, Del., and others, which was dismissed on stipulation, the petitioners having filed a report showing changes in labels and advertisements in compliance with the order.

The Rabhor Co., Inc., New York.--This case was disposed of by the entry of a consent decree by the Second Circuit (New York) modifying the Commission order by striking one of the five paragraphs therefrom, and affirming and enforcing it as modified. The order prohibited what the Commission found to be misleading advertising with respect to the nature and quality of fabrics from which men's wearing apparel was made.

Raladam Co., Detroit.--The Commission order, which was directed against what were found to be unwarranted claims with respect to a desiccated thyroid preparation known as "Marmola," advertised extensively as a weight-reducing agent, was set aside by the Sixth Circuit (Cincinnati) (123 F. 2d 34). The Supreme Court (316 U. S. 149), in turn, by an undivided Court, reversed the judgment of the lower court, "with directions that the order of the Federal Trade Commission be affirmed." It held that the Commission's findings had been made "with meticulous particularity," that they constituted "an adequate basis for the Commission's order" and that they "should have been sustained [by the lower court] against the attack made upon them." The Supreme Court stated:

It is not necessary that the evidence show specifically that losses to any particular trader or traders arise from Raladam's success in capturing part of the market. One of the objects of the Act creating the Federal Trade Commission was to prevent potential injury by stopping unfair methods of competition in their incipiency. And when the Commission finds as it did here that misleading and deceptive statements were made with reference to the quality of

merchandise in active competition with other merchandise it is also authorized to infer that trade will be diverted from competitors who do not engage in such "unfair methods."

Scientific Manufacturing Co., Scranton, Pa.--The Third Circuit (Philadelphia) set aside the order in this case (124 F. 2d 640). The Commission had found that the petitioner corporation and its president and owner published pamphlets devoted to an exposition of the claimed dangers attendant upon the use of aluminum utensils for the preparation and storage of foods, such as the causing of cancer, Bright's disease, diabetes, and liver trouble. The court held that while it was true that the effect of the Wheeler-Lea amendment to the Federal Trade Commission Act was "to so broaden the Commission's jurisdiction as to enable it to act where only the public interest was adversely affected by the unfair practices," nevertheless "the Commission's intervention is limited to acts or practices in the affected trade" and "the present petitioners not being engaged or materially interested in the cooking utensil trade, the Commission was without power to enjoin their sale and distribution of the pamphlets."

The Stevenson Corporation, and others, New York.--An order was entered by the Second Circuit (New York) withdrawing the petition for review and dismissing the proceedings, this action being based upon stipulation of the parties. The Commission had directed the petitioners to cease and desist, in connection with the sale and distribution of wooden containers used in the packaging of fruit and vegetables, from entering into, carrying out, or aiding or abetting the carrying out of agreements, understandings, combinations, or conspiracies for the purpose or with the effect of restraining or eliminating competition in the purchase or sale of such products.

Tubular Rivet & Stud. Co., Wollaston, Mass.--This concern instituted injunction proceedings against the Commission in the District Court of the United States for the District of Columbia, the object of the suit being to stop the trial of the case before a Commission trial examiner and to require the Commission to furnish a bill of particulars of its charges. The complaint had charged the company with entering into exclusive-dealing contracts in violation of section 3 of the Clayton Act. The court granted the Commission's motion to dismiss the suit. The company noted an appeal to the court of Appeals for the District of Columbia, which it subsequently withdrew.

Von Schrader Manufacturing Co., Racine, Wis.--The petition for review filed in this case was dismissed by the Seventh Circuit (Chicago) on stipulation of the parties. The Commission order proscribed misrepresentations concerning the efficiency of the petitioner's electrical rug-washing machine as a destroyer of germs and

exaggerated statements relative to the earning power of the purchasers of the machines. Subsequent to the petition for review, the company modified its advertising so as to comply with the order.

CIVIL PENALTIES UNDER THE FEDERAL TRADE COMMISSION ACT

Five cases which had been certified to the Attorney General during preceding years under section 16 of the Federal Trade Commission Act were disposed of and civil penalties in the sum of \$6,500 were collected or were in the process of collection at the end of the year, as follows:

U. S. v. Oppenheim, Collins & Co., Inc., New York.--District Court for the Southern District of New York; judgment for \$1,500.

U. S. v. Levore Co., Chicago.--District Court for the Northern District of Illinois; judgment for \$500.

U. S. v. Gynex Corporation, New York.--District Court for the Southern District of New York; judgment for \$500.

U. S. v. Carl E. Koch and others (American Beauty Products Co.), Chicago.--District Court for the Northern District of Illinois; judgment for \$2,500.

U.S. v. Midwest Studios, inc., Portland, Oreg.--District Court for the District of Oregon; judgment for \$1,500.

The Ninth Circuit (San Francisco) (126 F. 2d 601) unanimously affirmed the judgment of the district court imposing penalties of \$3,250 upon Joseph A. Piuma for violation of the Commission's order. (See Annual Report 1941, p.105.)

CASES PENDING IN THE COURTS

Adolph Kastor & Bros., Inc., New York.--Second Circuit (New York), passing-off of name, Boy Scout knives.

American Medicinal Products, Inc., and others, Los Angeles.--Ninth Circuit (San Francisco), nondisclosure of harmful potentialities of flesh-reducing compound.

Earl Aronberg, trading as Positive Products Co. and Rex Products Co., Chicago.--Seventh Circuit (Chicago), nondisclosure of dangerous character of emmenagogue.

Associated News Photographic Service, Inc., and others, New York.--Second Circuit (New York), misleading use of "News" in name of photographers without newspaper connections.

Benton Announcements, Inc., Buffalo.--Second Circuit (New York), misrepresentation of embossed printing as "engraving." 5

Charles of the Ritz Distributors Corporation, New York.--Second Circuit (New York), unwarranted claims for benefits to be derived from cosmetics.

4 Petition for certiorari was denied October 12, 1942.

5 Order unanimously affirmed July 6, 1942, 130 F. 2d 254.

De Forest's Training, Inc., Chicago.--Seventh Circuit (Chicago), exaggeration of opportunities for employment for graduates of correspondence courses in television, etc.

John J. Fulton Co., San Francisco.--Ninth Circuit (San Francisco), misrepresentation of "Uvursin" as remedy for diabetes.

Joan Clair Gelb, now known as Joan C. Vauglian, California; Leon A. Spilo, Stamford, Conn., and Morris Gelb, New York.--Second Circuit (New York), misrepresentation of hair dyes.

General Motors Corporation and General Motors Sales Corporation. Detroit.--Sixth Circuit (Cincinnati), coercive and monopolistic practices in relations with dealers.

Hiram Carter, hic., and others, Elmhurst, Long Island, N. Y.--Court of Appeals for the District of Columbia, misrepresentation of efficacy of proprietary medicines.

International Parts Corporation, Chicago.--Seventh Circuit (Chicago), exaggeration of efficiency of automobile mufflers, etc.

Jergens Woodbury Sales Corporation, Cincinnati.--Sixth Circuit (Cincinnati), misrepresentation of germicidal properties of cold cream and soap.

William F. Koch, Louis G. Koch, and Koch Laboratories, Inc., Detroit.--District Court for the Eastern District of Michigan (Detroit), injunction suit involving false advertisements of medicinal preparations.

Albert Lane, Berkeley, Calif.--Ninth Circuit (San Francisco), false claims as to status as consumers' research organization.

J. B. Lippincott Co., Philadelphia.--Third Circuit (Philadelphia), restraint of trade in medical books.

Lottery Cases, Chicago.--Seventh Circuit (Chicago) : Louis Keller and William Carsky, trading as Casey Concession Co.; Alvin B. Wolf, trading as De Luxe Products Co. and Delco Novelty Co.; and Boulevard Candy Co.

E. B. Muller & Co., Port Huron, Mich., and Heinr. Franck Sons, Inc., Flushing, N. Y.--Sixth Circuit (Cincinnati), restraint of trade in chicory.

Philip R. Park, Inc., Los Angeles.--Ninth Circuit (San Francisco), false claims for curative properties of "Parkelp Tablets."

Parke, Austin & Lipscomb, Inc., and Smithsonian Institute Series, Inc., New York.--Second Circuit (New York), misrepresentation of relationship with Smithsonian Institution, of Washington, D. C.

Perfect Voice Institute, Chicago.--Seventh Circuit (Chicago), false and misleading advertising of course in voice training.

Perfume case-Houbigant, Inc., and others, New York.--Second Circuit (New York), misrepresentation of domestically compounded products as imported.

Pond's Extract Co., New York.--Second Circuit (New York), misrepresentation of curative properties of cosmetics.

Post Institute Sales Corporation, New York.--Second Circuit (New York), false and misleading advertising, hair and scalp preparations.

Salt Producers Association., Detroit, and others --Seventh Circuit (Chicago), conspiracy in restraint of trade.

Surveying-Drafting-Coaters Section of Scientific Apparatus Makers of America, Philadelphia, and others.--Seventh Circuit (Chicago), combination in restraint of trade in various products used by surveyors, engineers, etc.

The Sebrone Co., and others, Chicago.--Seventh Circuit (Chicago), misrepresentations, dandruff "cures" and deodorants.

Segal Optical Co., New York.--Second Circuit (New York), misrepresentation of imported (Japanese) optical goods as domestic.

Signode Steel Strapping Co., Baltimore.--Fourth Circuit (Richmond), exclusive-dealing contracts in violation of section 3 of Clayton Act.

Stanley Laboratories, Inc., and others, Portland, Oreg.--Ninth Circuit (San Francisco), misleading advertisements of "M. D. Medicated Douche Powder."

Clara Stanton, Druggist to Women, Denver.--Tenth Circuit (Denver), misrepresentations concerning weight-reducing preparation.

Stephen Rug Mills, New York.--Second Circuit (New York), misleading use of "Mills" in trade name.

United States Steel Corporation, American Bridge Co., Carnegie-Illinois Steel Corporation, American Steel & Wire Co. of New Jersey, and Tennessee Coal, Iron & Railroad Co.--Third Circuit (Philadelphia) and Fifth Circuit (New Orleans), "Pittsburgh plus" prices. for rolled-steel products in violation of the Clayton and Federal Trade Commission Acts.

Warner's Renowned Remedies Co., Minneapolis.--Court of Appeals for the District of Columbia, misleading advertising of products sold for feminine hygiene.

Wholesale Dry Goods Institute, Inc., New York, and others.--Second Circuit (New York), restraint of trade.

TABLES SUMMARIZING WORK OF THE LEGAL DIVISIONS AND COURT PROCEEDINGS, 1915-42

TABLE 1.--*Preliminary inquiries*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	121	Inquiries instituted	28,788
Instituted during year	236	Consolidated with other proceedings	34
Total for disposition	357	Closed after investigation	20,653
		Docketed as applications for	
Consolidated with other proceedings	8	complaint	8,016
Closed after investigation	230		
Docketed as applications for complaints	34	Total disposition	28,703
Total disposition during year	272	Pending June 30, 1942	85
Pending end of year	85		

TABLE 2.--*Applications for complaints*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	1,421	Applications docketed	17,590
Applications docketed	872	Rescissions:	
Rescissions:		To complaints	10
To complaints	0	Settled by stipulations to cease and desist	218
Settled by stipulation to cease and desist	0	Settled by acceptance of	
Settled by acceptance of TPC rules	0	TPC rules	6
Consolidated with other proceedings	0	Consolidated with other proceedings	0
Dismissed for lack of merit	0	Dismissed for lack of merit	81
Closed for other reasons	3	Closed for other reasons	40
Total for disposition	2,296	Total for disposition	17,945
		To complaints	4,373
To complaints	233	Settled by stipulations to	
Settled by stipulation to cease and desist	508	cease and desist	5,682
Settled by acceptance of TPC rules	0	Settled by acceptance of TPC rules	97
Consolidated with other proceedings	21	Consolidated with other proceedings	105
Dismissed for lack of merit	0	Dismissed for lack of merit	3,863
Closed for other reasons ¹	502	Closed for other reasons ¹	2,793
Total disposition during year	1,264	Total disposition	16,913
Pending end of year	1,032	Pending June 30, 1942	1,032

¹ This classification includes such reasons as death, business or practices discontinued, private controversy, controlling court decisions, etc.

TABLES SUMMARIZING WORK OF THE LEGAL DIVISIONS 65

TABLE 3.--*Complaints*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	410	Complaints	4,778
Complaints docketed	249	Rescissions:	
Rescissions :		Orders to cease and desist	60
Orders to cease and desist	8	Settled by stipulations to cease and desist	1
Settled by stipulations to cease and desist	1	Settled by acceptance of TPC rules	0
Settled by TPC rules	0	Dismissed for lack of merit	10
Dismissed for lack of merit	0	Closed for other reasons 1	1
Closed for other reasons 1	0	Total for disposition	4,850
Total for disposition	668	Complaints rescinded	12
Complaints rescinded	0	Orders to cease and desist	3,317
Orders to cease and desist	250	Settled by stipulations to case and desist	56
Settled by stipulations to cease and desist	2	Settled by acceptance of TPC rules	23
Settled by acceptance of TPC rules	0	Dismissed for lack of merit	899
Dismissed for lack of merit	22	Closed for other reasons 1	172
Closed for other reasons 1	23	Total disposition	4,479
Total disposition during year	297	Pending June 30, 1942	371
Pending end of year	37		

1 This classification includes such reasons as death, business or practices discontinued, private controversy, controlling court decisions, etc.

TABLE 4.--*Court proceedings--orders to cease and desist--petitions for review--lower courts*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	23	Appealed	800
Appealed	42	Decisions for Commission	122
		Decisions for Others 1	94
Total for disposition	65	Petitions withdrawn	47
Decisions for Commission	15	Total disposition	288
Decisions for others	2		
Petitions withdrawn	11	Pending June 30, 1942	37
Total disposition during year	28		
Pending end of year	37		

1 This table lists a cumulative total of 94 decisions in favor of the respondents in Commission cases before the United States Circuit Courts of Appeals. However, the Grand Rapids furniture (veneer) group (with 25 different docket numbers) was in reality 1 case, with 25 different subdivisions. It was tried, briefed, and argued as 1 case and was so decided by the court of appeals. The same held true of the curb-pump group (with 12 different subdivisions), the Royal Milling Co. group (with 6 different subdivisions), and the white Pine cases (12 subdivisions). In reality, therefore, these 55 docket numbers mean but 4 cases; and, if cases and not docket numbers are counted, the total of decisions in favor of the respondents would be 43.

NOTE.--During the period 1919-1938, inclusive, 58 petitions by the Commission for enforcement of orders to cease and desist were passed upon by courts. Of these proceedings, 54 were decided in favor of the Commission; 4 in favor of adversaries. Petitions for enforcement were subsequently made unnecessary by amendment of the Federal Trade Commission Act making orders finally effective unless review is sought by respondents within 60 days after service of an order.

TABLE 5.--*Court proceedings--orders to cease and desist--petitions for review--
Supreme Court of the United States*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	1	Appealed by Commission	46
Appealed by Commission	1	Appealed by others	35
Appealed by others	1		
		Total appealed	81
Total for disposition	3	Decisions for Commission	27
Decisions for Commission	1	Decisions for others	13
Decisions for others	0	Petitions withdrawn by Commis-	
Petitions withdrawn by Commission	0	sion	2
Certiorari denied Commission	0	Certiorari denied Commission	9
Certiorari denied others	2	Certiorari denied others	30
Total disposition during year	3	Total disposition	81
Pending end of year	0	Pending June 30, 1942	0

TABLE 6.--*Court proceedings-mandamus, injunction, etc.--lower courts*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	0	Instituted by Commission	70
Instituted by Commission	2	Instituted by others	32
Instituted by others	2		
		Total Instituted	102
Total for disposition	4	Decisions for Commission	75
Decisions for Commission	2	Decisions for others	17
Decisions for others	1	Petitions withdrawn by Commis-	
Petitions withdrawn by Commission	0	sion	4
Petitions withdrawn by others	0	Petitions withdrawn by others	5
Total disposition during year	3	Total disposition	101
Pending end of year	1	Pending June 30, 1942	1

TABLE 7.--*Court proceedings--mandamus, injunction, etc.--Supreme Court of the
United States*

FISCAL YEAR ENDED JUNE 30, 1942		CUMULATIVE SUMMARY, 1915 TO JUNE 30, 1942	
Pending beginning of year	0	Appealed by Commission	8
Appealed by Commission	0	Appealed by others	2
Appealed by others	0		
		Total appealed	10
Total for disposition	0	Decisions for Commission	2
		Decisions for others	5
Decisions for Commission	0	Certiorari denied Commission	1
Decisions for others	0	Certiorari denied others	2
Certiorari denied Commission	0		
Certiorari denied others	0	Total disposition	10
Total disposition during year	0	Pending June 30, 1942	0
Pending end of year	0		

PART III. TRADE PRACTICE CONFERENCES

RULES OF FAIR COMPETITION ESTABLISHED

The trade practice conference procedure has for its purpose the establishment, by the Commission, of trade practice rules for the protection of industry, trade, and the purchasing public against unfair competitive practices. Under this procedure, conferences are conducted for industries and effective means are made available for such groups or other interested or affected parties to participate voluntarily with the Commission in making provision for the elimination of trade abuses. Thus, cooperative action among business competitors within the law and with the aid of Commission Supervision may properly be taken to end unfair trade practices. Representatives of consumer groups are likewise afforded means under the procedure for participating in the establishment and carrying out of rules in the interest of the public.

The different competitive practices or methods, which under the statutes and the various decisions of the courts or the Commission are considered to fall within the inhibitions of the law, are clarified and listed in the form of specific rules applicable to the particular conditions existing in the industry concerned. Such clarification and codification of legal requirements and the organization of cooperative endeavor under supervision of the Commission in the elimination of undesirable practices and the maintenance of fair competitive conditions are vastly important to industry, to the public, and to the Government. It leads to the wholesale elimination and abandonment of unfair and illegal methods of competition, thereby bringing to legitimate business and the purchasing and consuming public relief and protection from harmful exploitation and the waste and burdens of such methods. Such voluntary cooperation in the elimination of harmful practices also results in substantial saving to the Government and to business in the expense which otherwise might necessarily be incurred in instituting a multiplicity of compulsory legal proceedings against individual offenders to require cessation of the practices in question.

Rules appropriate for the Commission's approval or sanction may include not only provisions for the elimination of practices which are illegal per se, or are contrary to the general public interest, but also provisions for fostering and promoting practices which are designed to aid fair competition and to elevate the standards of business ethics in harmony with public policy.

Procedure for establishing industry rules.--The procedural steps and requirements applicable to industry proceedings for the establishment of trade practice rules, including the filing of application, the holding of industry conferences and public hearings, and the promulgation of industry rules, are covered in the Commission's Rules of Practice. (See Rule XXVII, p.114.)

Trade Practice Conference Division.--This division is charged with the duty of conducting the various activities relative to the formulation and approval of trade practice rules, the holding of industry conferences in such matters, the administration and observance of promulgated rules, and all other staff duties incident to the trade practice conference procedure. The division is also charged with the various duties relating to administration of the Wool Products Labeling Act and the rules and regulations promulgated thereunder. (See p.75.)

GROUP I AND GROUP II RULES DEFINED

Trade practice rules as finally promulgated are classified by the Commission as Group I and Group II rules, respectively:

Group I rules.--The unfair trade practices which are embraced in Group I rules are considered to be unfair methods of competition, unfair or deceptive acts or practices, or other illegal practices, prohibited under laws administered by the Federal Trade Commission, as construed in the decisions of the Commission or the courts; and appropriate proceedings in the public interest will be taken by the Commission to prevent the use, by any person, partnership, corporation, or other organization subject to its jurisdiction, of such unlawful practices in commerce.

Group II rules.--These rules embrace the wholly Voluntary or recommended industry practices as distinguished from compulsory requirements. No such industry rule is received by the Commission unless the provision is in harmony with law and the public interest, and is constructively in support of the maintenance of fair competitive conditions in the industry.

TRADE PRACTICE CONFERENCE ACTIVITIES DURING THE YEAR

The trade practice conference work of the Commission is divided into two general divisions: (1) activities pertaining to the establishment and promulgation of new rules for various industries and (2) administration of existing rules promulgated during the current and previous years.

New rules promulgated during Fiscal year.--Trade practice rules for the following industries were promulgated during the fiscal year: (1) beauty and barber equipment and supplies; (2) luggage and related products; (3) rayon and silk dyeing, printing, and finishing;

(4) sun glass; and (5) ribbon. Rules promulgated for the ribbon industry represent an extension of the rules previously promulgated. The industries named have an estimated annual volume of business of \$250,000,000 in the aggregate.

In accordance with the usual procedure and prior to promulgation of rules for the industries, drafts of the proposed rules were made available to all interested or affected parties, affording them opportunity to present, for the consideration of the Commission, such pertinent views as they might desire to offer and to be heard in the premises.

The extent of the business operations of a number of the industries for which rules are in effect is shown by the fact that some 35 of the last 50 odd industries receiving rules have an estimated annual sales volume of approximately 5 ½ billion dollars.

Pending trade practice proceedings.--Trade practice proceedings, in addition to those for which rules were promulgated, were under way for other industries and were pending in various stages of progress at the close of the fiscal year. Respecting some of these, the general industry conferences had been assembled and held for the purpose of considering and formulating proposed rules. In several instances the proposed rules had been released by the Commission and public hearings thereon held. In other cases where the proceedings were less advanced, the necessary preliminary study and consideration had been undertaken preparatory to further action.

Besides the various industries for which the Commission had approved trade practice rules, or for which proceedings had been instituted and were pending at the close of the fiscal year, other groups also contacted the Commission to explore the possibilities of establishing rules for their respective industries.

INDUSTRY RULES IN EFFECT AND THEIR ADMINISTRATION

Administration of rules.--This work covers the necessary compliance activities, interpretation of rules, and their application to specific situations arising in different industries. It concerns not only those rules promulgated during the fiscal year but also those issued in prior years and remaining in effect.¹ These number many hundred of rules and cover scores of industries. For example, the last 55 industries for which trade practice proceedings had been held have a total of 955 rules of which 838 are in Group I, and 117 in Group II.

¹ Rules when promulgated for an industry are Issued in pamphlet form and are available to interested parties upon application to the Commission. A 1-volume compilation of the various sets of rules promulgated for different industries from September 19 1935, to August 31, 1939, may be purchased from the superintendent of Documents, Government Printing office, Washington, D. C. (287 pp.), for 30 cents a copy.

The necessary correspondence was conducted throughout the year in regard to existing rules, particularly as affecting compliance with the provisions and in general affording assistance to industry members in the proper application and observance of rules in order to promote the use of fair practices and protection of the public interest. Likewise, members of industries and other interested parties or groups frequently conferred with representatives of the Commission where necessary or desirable in connection with the operation of the rules. In cases of alleged objectionable practices in conflict with the rules, correction or adjustment was effected through cooperative effort in nearly all instances. Results obtained demonstrated a primary objective of the trade practice rules, namely, the wholesale elimination of unfair competitive methods without the expense of litigation. However, in the few cases where compulsory proceedings were necessary to effect correction, appropriate action to that end was taken.

Constructive and widespread compliance with approved rules on the part of members of industry was indicated throughout the year, with increasing benefit to the public and to business.

INFORMATIVE LABELING OF CONSUMER GOODS

Informative labeling enters extensively into the work of the Commission under the trade practice conference rules. It is also a primary objective of the Wool Products Labeling Act, approved October 14, 1940, which is administered by the Commission. (See pt. IV of this report.) Fiber identification, or what is generally referred to as "Truth in Fabrics," forms a large part of such informative labeling work. While consumer goods containing, or purporting to contain wool, are subject to such Wool Act labeling, similar fiber identification of other textiles, and informative labeling of various lines of merchandise outside the field of textiles, are covered by trade practice conference rules.

Informative labeling may be said to have a twofold purpose: (1) to aid intelligent purchasing and to prevent deception by informing consumers as to what they are to receive for their money, thus enabling them to be in a better position to judge quality and to buy according to their needs or preferences; and (2) to protect business from the unfair commercial practices attendant upon the sale of competing articles under conditions of misleading representations or deceptive concealment of the facts.

Informative labeling rules established under trade practice conference procedure and their administration are proceeding with constructive results of far-reaching character.

Products containing rayon in whole or in part are covered by the trade practice rules for the rayon industry, promulgated October

26, 1937. Those containing silk in whole or in part are covered by the trade practice rules for the silk industry, promulgated November 4, 1938. Corresponding rules for linen and part linen merchandise were promulgated February 1, 1941.

Informative labeling for all types of hosiery is the subject of the trade practice rules for the hosiery industry, issued by the Commission on May 15, 1941. Similar rules covering fur garments and fur products generally were promulgated June 17, 1938. Informative labeling provisions on the subject of shrinkage of woven cotton merchandise were put into effect June 30, 1938. Other textile provisions are found in the rules promulgated for the infants' and children's knitted outerwear industry, June 28, 1939; uniform industry, May 18, 1940, and ribbon industry, June 28, 1939, and June 30, 1942.

Established informative labeling provisions also are found in the different sets of trade practice rules promulgated for the following industries on the dates mentioned:

Putty manufacturing, June 30, 1939; mirror manufacturing, July 19, 1939; luggage and related products, September 17, 1941; paint and varnish brush manufacturing, January 14, 1939; wholesale jewelry, March 18, 1938; curled hair, January 12, 1940; toilet brush manufacturing, December 31, 1937; rubber tire, October 17, 1936, and sun glass, December 23, 1941.

Rules providing for informative disclosure in advertising and selling methods have also been issued for such industries as tomato paste manufacturing, September 3, 1938; sardine, March 5, 1940; tuna fish, August 27, 1940, and macaroni, noodles, and related products, July 7, 1938.

TYPES OF PRACTICES COVERED IN APPROVED RULES

Following are illustrations of the variety of subjects covered under trade practice rules now in effect:

Misbranding; misrepresentation in various forms, including false or misleading advertising; deceptive packaging; defamation of competitors or disparagement of their products; impersonation or misrepresentation to obtain competitors' trade secrets; harassment of competitors by circulation, in bad faith, of threats of infringement suits; price discriminations to injure, prevent, or destroy competition; discriminations and harmful practices in matters of rebates, refunds, discounts, credits, brokerage, commissions, services, etc.; commercial bribery; inducing breach of competitor's contract; false invoicing; imitation of competitor's trade-marks, trade names, brands, etc.; substitution and "passing off"; deceptive use of so-called "free goods" deals; lottery schemes; use of consignment distribution to close competitors' trade outlets; use of deceptive types of containers simulating standard and generally recognized types; use of deceptive depic-

tions (photographs, engravings, cuts, etc.) in describing industry products; selling below cost with the purpose and effect of suppressing competition, restraining trade, or creating a monopoly; and use of "loss leaders" as a deceptive or monopolistic practice.

Other subjects embraced in the rules are: enticing away employees of a competitor; use of misleading guarantees, price quotations, price lists, terms of sale, etc.; full-line forcing as a monopolistic weapon; combinations or conspiracies to fix prices, suppress competition, or restrain trade; unfair bidding methods; misrepresentation as to possible earnings or opportunities afforded on completion of correspondence school courses or as to Government connection with, or endorsement of, any school, or respecting any training or services offered by such school; falsely representing offers as "special" or "limited"; deceptive sales of regular lines as "close-outs" to induce belief bargains are available; representing products as conforming to recognized industry standards when such is not the fact; misuse of such words or terms as "perfect", "perfect cut", "commercially perfect", "real", "genuine", "natural", etc., in describing precious stones or their imitations; misuse of term "Crookes" as applied to sun glasses; misrepresenting kind, quality, thickness, or backing of mirrors; use of fictitious animal designations in description of furs; misrepresenting character, extent, or type of business engaged in; representing retail prices as wholesale; use of false or deceptive testimonials; misuse of terms "pullorum tested", "blood tested", etc., as applied to baby chicks; deceptive use of the terms "waterproof", "water repellent", "dustproof" or "warp-proof", as applied to luggage or related products; false representations respecting tube capacity of radio sets and their range or receptivity; misuse of such terms as "all-wave" "world-wave", "world-wide wave", etc.; misuse of words or terms "bristle", "pure bristle", etc., in sale of toilet brushes; deceptive use of "help wanted" or other employment columns in publications; interfering with competitors' right of purchase or sale; representing domestic products as imported, or imported products as domestic; use of misleading or deceptive representations in procuring sales representatives; use of deceptive titles or names in selling books under the subscription plan; misusing terms relating to types of construction or weave of textiles; misuse of terms "extra fancy", "extra select", "extra quality", "de luxe", "choice", etc., to describe tuna fish products; misuse of the words or terms "lisle cotton", "cotton lisle", "crepe", etc., to describe hosiery products; deceptive use of terms "hand spun" "hand woven", "hand loomed", "hand printed", and "hand embroidered", in describing linen products; and various other forms of misrepresentation, including false or misleading advertising and deceptive labeling respecting the quantity, quality, grade, size, material,

content, composition, on origin, use, manufacture, preparation, distribution of any industry product; and aiding or abetting another in the use of an unfair trade practice.

Various other rules provide for disclosure of fiber content and proper marking of textile merchandise made of rayon, silk, or linen, or of two or more fibers containing either rayon, silk, or linen; disclosure as to remaining shrinkage in so-called preshrunk merchandise; disclosure of fact that apparently new products are not new, but are second-hand, rebuilt, or renovated; disclosure that products are artificial or imitations and not real or genuine; disclosure of country of origin of imported products; prevention of marketing of substandard or imitation products as and for the standard or genuine, and the specification of minimum requirements for standard or genuine products; proper nomenclature for industry products; disclosure as to true composition of paint and varnish brushes; as to imperfect or defective merchandise; as to use of adulterant or substitute for linseed oil in respect to putty products; as to presence of metallic weighting in silk or silk products; as to minimum yardage of ribbons; as to true functions of radio parts and accessories; and as to quality, quantity, and size of ripe olives packed in cans and other opaque containers.

PART IV. WOOL PRODUCTS LABELING ACT

INFORMATIVE LABELING OF WOOLEN PRODUCTS BRINGS BENEFITS TO PUBLIC AND BUSINESS

The Wool Products Labeling Act of 1939, approved by the President on October 14, 1940, became effective July 14, 1941, after the lapse of the preparatory period of 9 months permitted under the statute. Subject to certain exceptions, it provides for the labeling of products which contain, purport to contain, or are represented as containing "wool," "reprocessed wool," or "reused wool" and manufactured for or introduced in "commerce" as defined in section 2.

As stated in its title, it is an act to protect producers, manufacturers, distributors, and consumers from the unrevealed presence of substitutes and mixtures in spun, woven, knitted, felted, or otherwise manufactured wool products. Provision is made for disclosure of the kind and percentages of the different fibers of which the article is made, including the respective percentages of "wool," "reprocessed wool," and "reused wool" as defined in the statute. The label required to be affixed to the product is to be identified with the name of the manufacturer or other qualified name of seller. In addition to disclosure of fiber content, the label is to reveal the percentages of loading and adulterating material which are present in the goods if any have been used. The required label or mark, or a proper substitute, is to remain on the merchandise until it reaches the ultimate purchaser.

Protection of the consumer and the safeguarding of fair practices in merchandising are primary objectives of the law. It is directed against the evils of nondisclosure of fiber content, of misinformation and misbranding, of irresponsible labeling, and the like, with the purpose of eliminating the economic waste, the harmful exploitation, and the unfair competitive effects of such evils. In this regard the Statute supplies a long-felt need to scrupulous business and to the purchasing public. In short, the act brings to the public, to business, and to all concerned the benefits of informative labeling, or what is commonly referred to as "Truth in Fabrics." Woolen clothing, and woolen products generally, to which the act applies, are essentials affecting the entire population. That honesty and fair dealing in the distribution of these commodities should obtain is necessarily a matter of importance to the general welfare.

Wool Act rules and regulations.--The Wool Products Labeling Act authorized and directed the Commission to make such rules and regulations as might be necessary and proper for its administration and enforcement. The Commission adopted a procedure whereby industry members and other interested parties were afforded opportunity to contribute their views and suggestions in arriving at rules which would be of the maximum assistance to industry and trade and be in consonance with the law, and also afford full protection of the public interest. Accordingly, the Commission promulgated rules and regulations, effective July 15 1941, which afford instructions and guidance as to how those subject to the act may proceed in various situations and assure themselves of being within the requirements of the law.

Manufacturers' registered identification numbers.--Rule 4 of the rules and regulations provides for the assignment by the Commission of registered identification numbers upon application by manufacturers of wool products residing in the United States. The number is provided for use on the label as a means of identifying the respective manufacturer when the name of the dealer or reseller appears and not the name of the manufacturer of the wool product who affixed the label. At the close of the fiscal year and pursuant to applications duly filed under this rule, 4,354 manufacturers had been registered and assigned identification numbers.

Continuing guaranties.--As a means of protecting distributors, dealers, and other resellers from the charge of misbranding when relying in good faith upon the manufacturer's statement of content, provision is made in section 9 of the act whereby such protection may be afforded by a guaranty on the part of the manufacturer. Such guaranty may be either (1) a separate guaranty specifically designating the wool product guaranteed, or (2) a continuing guaranty filed with the Commission applicable to all products handled by a guarantor and in such form as the Commission may prescribe. The form prescribed by the Commission is set forth in rule 33 of the rules and regulations. To date four volumes of publicly recorded continuing guaranties have been placed of record.

Enforcement.--In the enforcement of this statute the Commission has, in general, employed its usual procedure, long established and repeatedly sanctioned by the courts, which is primarily preventive rather than punitive. Under the terms of the act and the rules of the Commission there is assured fair and impartial treatment, with full opportunity for hearing and court review.

Administrative compliance work involves inspection, examination, and correction of labeling practices of specific concerns. During the fiscal year, several thousand of such compliance matters involving

consideration of the labeling of respective Concerns received attention and, where correction appeared required, necessary steps were taken to effect complete compliance with the act and the regulations.

Cooperation displayed generally in support of the requirements by concerns subject to the act was highly gratifying. In the great majority of corrective instances thus far concluded, the necessary remedial action was brought about through voluntary effort without the need of resorting to compulsory action to protect the public interest. The work so far has uncovered relatively few cases in which such voluntary action has not been sufficient to effect correction and where it was necessary to invoke mandatory relief.

Other duties covered in the administration of the statute during the fiscal year concerned consideration and disposition of a large number of questions respecting interpretation and statutory construction; also questions arising through the Bureau of Customs relating to the clearance of importation of wool products for sale within this country; and consideration and disposition of applications for rulings in cases of wool products having, or claimed to have, inconsequential or insignificant textile content under the provisions of section 4 (d).

PART V. RADIO AND PERIODICAL ADVERTISING

SPECIAL PROCEDURE PROVIDES CONTINUOUS SURVEY OF PUBLISHED AND BROADCAST MATTER

The Commission maintains its Radio and Periodical Division to provide a direct and expeditious handling of certain cases involving false and misleading advertising, violative of the provisions of the Federal Trade Commission Act.

Advertisers, publishers, broadcasting stations, and advertising agencies are accorded the privilege of dealing directly with the Director of the Division, with a view to reaching an agreement in such cases as are appropriate for negotiating a stipulation, thereby disposing of the issues involved and obviating the necessity of formal trial.

The survey of advertising was inaugurated by the Commission in 1929 and was limited to advertising appearing in magazines and newspapers. Expanded in 1934 to cover commercial continuities broadcast by radio, the survey since 1939 also has included mail order catalogs, almanacs, and foreign language newspapers. Questioned advertisements noted in these surveys form the bases of prospective cases not previously investigated and also provide a means of determining whether advertisers who have been ordered by, or have stipulated with, the Commission to discontinue false and misleading representations are complying with such orders or stipulations.

In cases where the advertising is determined by the Commission to be false or misleading and circumstances so warrant, the advertisers are extended the privilege of disposing of the matters through an informal procedure, more fully explained on page 117, which permits their executing stipulations to cease and desist from the use of the acts and practices involved. A large majority of the cases are adjusted in this manner.

In certain cases involving drugs, devices, and cosmetics, the Commission negotiates stipulations inhibiting the publication of advertisements which do not disclose the possible harmful effects which may be experienced from the use of the products. In lieu of the publication in the advertising of a full statement of such harmful effects, these stipulations permit the publication of the statement, "Caution: Use Only As Directed," if and when the directions for use which appear on the label or in the labeling carry an adequate

disclosure of the possible harm. This applies only to products that are potentially dangerous and not to those inherently dangerous or where injury is probable.

Stipulations are negotiated with advertising agencies which have prepared or participated in the preparation of advertisements for food, drugs, devices, or cosmetics, as well as with the advertisers on whose behalf the agencies acted.

In this phase of its activity, the Commission's only object is to prevent false and misleading advertisements. It does not undertake to dictate what an advertiser shall say, but merely indicates what he may not say under the law. The Commission believes its work in this field contributes substantially to the improvement that has been evident in recent years in the character of all advertising.

Newspaper and magazine advertising.--In examining advertisements in current publications, it has been found advisable to call for some newspapers and magazines on a continuous basis, due to the persistently questionable character of the advertisements published. However, as to publications generally, of which there are some 21,500, it is physically impossible to survey continuously all advertisements of a doubtful nature; also, it has been found unnecessary to examine all the issues of publications of recognized high ethical standard whose publishers carefully censor all copy before acceptance.

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

Through such systematic calls during this fiscal year ended June 30, 1942, the Commission procured 2,231 editions of representative newspapers of established general circulation and 1,706 editions of magazines and farm and trade journals of interstate distribution representing a combined reported circulation of 129,991,631.

Among these periodicals were included 258 issues of farm journals having a combined circulation of 17,638,036; 168 issues of trade journals and specialty publications with a combined circulation of 2,539,704; and 78 issues of foreign-language publications having a combined circulation of 1,891,890.

In these newspapers, magazines, and farm and trade journals, 362,827 advertisements were examined, of which 18,221 were noted as containing representations that appeared to be false or misleading.

Almanac advertising.--The Commission examines almanacs of wide distribution which are used as advertising media by distributors of drugs, devices, and other commodities sold for the treatment of various ailments. This survey during the fiscal year covered the examination of 1,768 advertisements, 392 being set aside as warranting further investigation.

Mail-order advertising.--During the fiscal year the Commission procured mail-order catalogs and circulars containing an aggregate of 10,858 pages, examination of which resulted in 399 advertisements being marked as containing possibly false and misleading representations. Of the 69 mail-order houses included in the survey, 5 had combined annual sales in excess of \$1,640,474,632.

Radio advertising.--The Commission, in its systematic review of radio advertising, issues calls to individual radio stations, generally at the rate of four times yearly for each station. National and regional networks respond on a continuous weekly basis, submitting copies of commercial continuities for all programs wherein linked hook-ups are used involving two or more stations. Producers of electrical transcription recordings each month submit typed copies of the commercial portions of all recordings produced by them for radio broadcast. This material is supplemented by periodic reports from individual stations listing the programs of recorded commercial transcriptions and other data.

During the fiscal year the Commission received copies of 1,053,875 commercial radio broadcast continuities and examined 1,001,450 such continuities. The continuities received amounted to 2,032,417 pages of typewritten script and those examined totaled 1,912,725 pages, consisting of 483,000 pages of network script, 1,416,606 pages of individual station script, and 13,119 pages of script representing the built-in commercial portions of transcription recording productions destined for radio broadcast through distribution of multiple pressings of such recordings to individual stations. An average of 6,230 pages of radio script was read each working day. From this material, 17,925 commercial broadcasts were marked for further study as containing representations that might be false or misleading.

Cooperation of radio and publishing industries.--In general, the Commission has received the cooperation of the 3 Nation-wide network chains, 20 regional network groups, and transcription producers engaged in preparing commercial radio recordings, in addition to that of 841 commercial radio stations, 491 newspaper publishers, and 535 publishers of magazines, farm journals, and trade publications, and has observed a desire on the part of these broadcasters and publishers to aid in the elimination of false and misleading advertising.

Sources of radio and periodical cases.--During the fiscal year, 86.5 percent of the radio and periodical cases resulted from the route survey of advertising material as described above and 13.5 percent resulted from complaints by or information received from other Government agencies, competitors, and other members of the public.

Analysis of questioned advertising.--An analysis of the questioned advertisements, which were assembled by cases and given legal review,

discloses that they pertained to 2,638 commodities in the proportions indicated below:

CLASSIFICATION OF PRODUCTS	
<i>Commodity</i>	<i>Percent</i>
Food, drugs, devices, and cosmetics:	
Food (human)	10.6
Food (animal)	2.9
Drugs	44.3
Cosmetics	15.4
Devices	2.4
	75.6
Other products:	
Specialty and novelty goods	5.4
Automobile, radio, refrigerator, and other equipment	1.3
Home study courses	1.6
Tobacco products	1.0
Gasoline and lubricants	.9
Poultry and livestock supplies and equipment	.2
Miscellaneous, including apparel, fuels, house furnishings, and building materials	14.0
	24.4
Total	100.0

Number of cases handled.--The Commission during the fiscal year 'sent questionnaires to advertisers in 432, cases and to advertising agencies in 36 cases, and accepted 219 stipulations involving radio and periodical advertising, of which 27 were amended, substitute or supplemental stipulations.

A total of 451 cases was disposed of by the various methods of procedure. Of this number, 207 cases were considered settled upon receipt of reports showing compliance with previously negotiated stipulations. In 17 cases the Commission waived compliance reports. Of the remaining 227 cases, 208 were closed without prejudice to the right of the Commission to reopen if warranted by the facts: 99 of them for lack of jurisdiction or lack of evidence sufficient to establish a violation of law, 94 because of discontinued business and practices or insufficient public interest, 15 because corrective action by the Post Office Department made further action by the Commission unnecessary, and 19 supplemental investigations were filed without action for various reasons.

In addition, the Commission in 42 cases directed issuance of complaints, 31 because advertisers failed to stipulate and 11 because of violations of previous stipulations. Field investigations were ordered in 28 cases.

Seven hundred seventy-nine radio and periodical cases were pending on July 1, 1941, as against 726 on June 30, 1942.

Procedure in advertising cases.--If it appears to the Commission that a published or broadcast advertisement may be misleading, a questionnaire is sent to the advertiser and request is made for a sample of the product advertised, if this is practicable, and the quantitative formula, if the product is a compound. Copies of all advertisements published or commercial continuities broadcast during a specific period are also requested, together with copies of all booklets, folders, circulars, form letters, and other advertising literature used.

Upon receipt of these data, the sample and formula are referred to the Medical Advisory Division of the Commission or to an appropriate technical agency of the Government for a scientific opinion. Upon receipt of the opinion, a list of such claims as then appear to be false or misleading is sent to the advertiser, with pertinent portions of the opinion. The advertiser is extended the privilege of submitting evidence in support of his claims. He may answer by letter or, upon request, may confer with the Radio and Periodical Division in person or through counsel.

If, after a consideration of all available evidence at hand, including that furnished by the advertiser, the questioned claims appear to be justified, the division reports the matter to the Commission with the recommendation that the case be closed. If it appears from the weight of the evidence that the advertising is false or misleading, the matter is referred to the Commission with recommendation either that complaint issue or that the case be stipulated, provided it is one appropriate for stipulation procedure and the advertiser desires to dispose of it by such voluntary agreement to cease and desist from the use of the acts and practices involved.

If the Commission so authorizes, a stipulation is prepared and forwarded to the advertiser for execution. Should he object to any of its provisions, he may discuss them by mail or in person. If and when he agrees to the terms of the stipulation and signs and returns it, the matter is again reported to the Commission with recommendation that the stipulation be accepted and the case closed without prejudice to the right of the Commission to reopen the matter at any time the facts so warrant. If the Commission accepts and approves the stipulation, the advertiser is required to submit within 60 days from the date of acceptance a report in writing showing the manner and form in which he is complying with the provisions of his agreement.

PART VI. MEDICAL ADVISORY DIVISION

FURNISHES MEDICAL AND SCIENTIFIC OPINIONS IN CASES INVOLVING ADVERTISEMENT OF FOOD, DRUGS, DEVICES, AND COSMETICS

The Medical Advisory Division provides scientific information and opinions with respect to the medical sciences in connection with cases before the Commission. The most important phase of this work is supplying opinions in matters involving the validity of advertising claims made for food, drugs, devices, and cosmetics. A substantial part of the division's work is devoted to assisting the Commission's legal staff at hearings in which the nature of the scientific problems involved makes technical help necessary.

During the fiscal year, an experienced biochemist was appointed by the Commission and assigned to the division to facilitate the handling of chemical and nutritional problems.

Because of the extensive and direct influence of advertising on the public health, many outstanding experts in the medical sciences are interested in the advertising claims made for food, drugs, devices, and cosmetics, and they frequently serve without compensation as expert witnesses at Commission hearings, their testimony being essential to a determination of the facts.

Through its Medical Advisory Division, the Commission maintains contact with other Government agencies concerned with food, drugs, devices, and cosmetics. These include the Food and Drug Administration, the National Bureau of Standards, the United States Public Health Service, the Bureau of Animal Industry, and the Agricultural Marketing Administration.

The division's responsibilities in connection with the Commission's wartime activities are discussed on page 24.

PART VII. FOREIGN TRADE WORK

ADVANTAGES OF ORGANIZATION UNDER EXPORT TRADE ACT

Foreign trade work of the Commission includes administration of the Export Trade Act (Webb-Pomerene law) and inquiries conducted under section 6 (h) of the Federal Trade Commission Act.

The Export Trade Act, in operation since 1918, provides for the organization of export associations or cooperative groups engaged solely in export trade and requires them to file with the Commission copies of their organization papers and agreements, annual reports, and such other information as the Commission shall require concerning their operation.

Associations report that a Webb law organization is particularly valuable when conditions throughout the world are changing as rapidly as they are today. A central organization trained to follow world events can judge far more quickly the possibility of selling American products in countries which have been cut off by the war from their former sources of supply than can individual producers engrossed chiefly in their own production and domestic market problems. By acting for a number of members, the association may make arrangements for supplying such markets and filling orders that individual producers are not equipped to handle. Economies are effected by centralized selling, and it is possible to divide large orders among the various member companies in accordance with their ability to ship the goods. Operation as an association also has facilitated speedy negotiation of export permits and navicerts, as well as arrangements for ocean tonnage. Efficient pooling of shipments has prevented delays en route and at seaport.

FORTY-NINE ASSOCIATIONS OPERATE UNDER THE ACT

During the fiscal year, 8 new associations were formed,¹ bringing to 49 the number on file with the Commission as of June 30, 1942. The associations on file, comprising about 500 member companies whose total exports in 1941 had an approximate value of \$240,000,000, are:

American Box Shook Export Association, 308 Barr Building, Washington, D. C.

American Hardwood Exporters, Inc., 602 Carondelet Building, New Orleans.

² Scrap Export Associates, Inc., filed in September 1941 but later withdrew from operation because of conditions due to the war.

- American Provisions Export Co., 80 East Jackson Boulevard, Chicago.
- American Pulp Export Corporation, C/O Philip S. Ehrlich, 2002 Russ Building, San Francisco.¹
- American Soda Pulp Export Association, 230 Park Avenue, New York
- American Spring Manufacturers Export Association, 30 Church Street, New York.
- American Tire Manufacturers Export Association, 30 Church Street, New York.
- California Alkali Export Association, 609 South Grand Avenue, Los Angeles.
- California Dried Fruit Export Association, 1 Drumm Street, San Francisco.
- California Prune Export Association, 1 Drumm Street, San Francisco.
- California Raisin Export Association, 1 Drumm Street, San Francisco.
- Carbon Black Export, Inc., 500 5th Avenue, New York.
- Cement Export Co., Inc., The, c/o M. S. Ackerman, Treasurer, 150 Broadway, New York.
- Copper Exporters, Inc., 50 Broadway, New York.
- Douglas Fir Export Co., 530 Henry Building, Seattle.
- Durex Abrasives Corporation, 63 Wall Street, New York.
- Easco Lumber Association, 216 Pine Street, San Francisco.²
- Electrical Apparatus Export Association, 70 Pine Street, New York.-
- Electrical Export Corporation, 122 East 51st Street, New York.
- Export Screw Association of the United States, 23 Acorn Street, Providence, R.I.
- Flints Export Agency, 46 Center Street, Newark, N. J.
- Florida Hard Rock Phosphate Export Association, 1403 Savannah Bank & Trust Building, Savannah, Ga.
- General Milk Co., Inc., 19 Rector Street, New York.
- Goodyear Tire & Rubber Export Co., The, 1144 East Market Street, Akron, Ohio.
- Metal Lath Export Association, The, 55 West 42d Street, New York.
- Northwest Dried Fruit Export Association, 303 Title & Trust Building, Portland, Oreg.
- Pacific Forest Industries, Washington Building, Tacoma, Wash.
- Pacific Fresh, Fruit Export Association, 333 Pine Street, San Francisco.
- Pencil Industry Export Association, 37 Greenpoint Avenue, Brooklyn.
- Phosphate Export Association, 393 Seventh Avenue, New York.
- Pipe Fittings & Valve Export Association, The, 1421 Chestnut Street, Philadelphia.
- Plate Glass Export Corporation, 2000 Grant Building, Pittsburgh.
- Potash Export Association, Inc., c/o Maj. Fred N. Oliver, Secretary, 110 East 42d Street, New York.
- Redwood Export Co., 405 Montgomery Street, San Francisco.
- Rice Export Association, 1103 Queen & Crescent Building, New Orleans.
- Rubber Export Association, The, 19 Goodyear Avenue, Akron, Ohio.
- Signal Export Association, 420 Lexington Avenue, New York.
- Steel Export Association of America, Inc., 75 West Street, New York.
- Sulphur Export Corporation, 420 Lexington Avenue, New York.-
- Textile Export Association of the United States, 40 Worth Street, New York.
- Typewriter Manufacturers Export Association, 1611 44th Street NW., Washington, D. C.
- United States Alkali Export Association, Inc., 11 Broadway, New York.
- United States Export Wallboard Association, 55 West 42d Street, New York.²

² Formed during the fiscal year.

United States Insulation Board Export Association, 55 West 42d Street, New York.²

Walnut Export Sales Co., Inc., 12th Street & Kaw River, Kansas City, Kans.

Walworth International Co., 60 East 42d Street, New York.

Washington Evaporated Apple Export Association, 709 North First Avenue, Yakima, Wash.

Wesco Lumber Association, 2 Pine Street, San Francisco.²

Wine and Brandy Export Association of California, 85 2d Street, San Francisco.²

REGULATION OF TRADE AND INDUSTRY ABROAD

Under the authority granted in section 6 (h) of the Federal Trade Commission Act, the Commission follows developments in trust laws and regulation of competition abroad. Foreign measures for regulation of trade and industry during the fiscal year have been largely in the form of wartime or defense acts, some of which are briefly noted for the following countries or dominions:

Algeria.--A broad program was authorized in an order dated April 7, 1941, for creation of an organization committee in each branch of industrial and commercial activity to order programs of production, manufacture and trade, plan for purchase and distribution of goods, regulate the activity of enterprises, propose prices, and improve working conditions.

Argentina.--Strict enforcement of the Anti-Speculation Law of 1939 was ordered in 1942, involving heavy fines for quoting prices on food, clothing, and housing in excess of the Government fixed maximum. The Government purchased the entire crops of wheat, corn, cotton, flaxseed, rice, and sunflower seed, which were to be marketed by the Grain Board.

Australia.--After war began in the Pacific, drastic steps were taken to put Australia on a total war basis. Regulations on February 20, 1942, and thereafter, include control of manpower, prices, interest, and profits; ban on sale of property; stabilization of wages; and control of manufacture to insure production of essentials. Wages, prices and services were pegged at levels obtaining on February 10, 1942.

Belgian Congo.--Under a Price-Fixing Ordinance effective in May 1941, profits were to be limited and penalties imposed for causing abnormal increase or decrease in domestic prices by fraudulent means. A list of items was named for which maximum wholesale and retail prices were to be fixed.

Brazil.--An Export-Import Bureau was established by decree on May 21, 1941, to promote exports and imports, lend financial assistance, and to purchase and store products for exportation or imported products indispensable to the national economy. A decree

² Formed during the fiscal year.

law of June 30, 1941, reserved the rice supply for internal consumption, prohibited exports, and authorized the National Economy Defense Commission to suppress illegal speculations or monopoly in this product. A decree of September 18, 1941, created a Regulating Board for the Orange Trade.

Bulgaria.--The Law on Fruit Growing, April 4, 1941, included provisions for preservation of nut trees and prohibited their cutting. Under a law to ensure the supply of commodities, a regulation in April 1941 established price control on leaf tobacco under the Agricultural and Cooperative Bank.

Canada.--After more than 2 years of price fixing under the Wartime Prices and Trade Act of 1939, "Maximum Prices Regulations" published in November 1941 fixed an "over-all ceiling price," requiring that manufacturers, importers, wholesalers, and retailers must not sell, after December 1, 1941, at prices higher than the maximum price charged for the same or similar products during a basic period, September 15 to October 11, 1941. In order to relieve the so-called "squeeze" between the cost of raw material and the retail selling price, subsidies may be given, under administration of a Commodity Prices Stabilization Corporation. The ceiling applies to imports, with provision for reduction in tariff or compensating subsidy; and to wage rates, with provision for payment of a cost-of-living bonus if necessary. It does not apply to exports or to prices paid to farmers, although it applies to agricultural products as sold by dealers, processors and retail merchants. A Maximum Rentals Regulation froze rents as of October 11, 1941; and wages have been frozen since November 15, 1941, by an order which placed extensive control of wages under the National War Labor Board. Under the Combines Investigation Act, tobacco manufacturers and wholesalers were convicted and fined in July 1941; and manufacturers of shipping containers, also charged with illegal monopoly, were convicted and fined in February 1942.

Chile.--The Commissariat General of Subsistence and Prices issued decrees, in June 1941 insuring priority of transport for articles of prime necessity.

Cuba.--Emergency legislation in December 1941 and January 1942 included a Law of Production and Supply authorizing regulation of commerce, industry, and production of agricultural and mining products, the fixing of prices, and expropriation if necessary for the national welfare and maintenance of defense. A decree of May 13, 1942, provided for an Office of Price Regulation and Supply, and some prices were fixed at the levels of March 1942.

Dominican Republic.--Under decrees on May 18 and June 2, 1942, a Rice Comptroller was appointed and a Commission for Financing Rice Producers was formed to promote and regulate the rice industry. The Minerals Act of March 27, 1942, restated the principle that all

subsoil rights belong to the State, and exploitation can be undertaken only on the basis of concessions granted by the Government.

Ecuador.--Steps were taken in 1941 to control prices of foodstuffs, medical supplies, and other articles of prime necessity.

Egypt.--A Price Control Board was established by proclamation of September 24, 1941, to inventory stocks, control imports and exports, fix prices, and control supplies.

Finland.--A law on May 6, 1941, extended Government price-fixing authority and provided for regulation of production, consumption, trade, transportation, imports and exports, prices, materials, fees and charges, and labor, with power to requisition goods and property.

France.--All trade unions were abolished in October 1941, strikes and lockouts were prohibited, and workers were required to join newly created "corporations" under Government control.

Germany.--A Decree on the Guiding of Purchase Power, issued on October 30, 1941, provided for "plant equipment accounts" for business houses and "iron savings accounts" for workers, into which a part of the income of firms and workers shall be paid and frozen until after the war. No interest will be paid. Deductions are made by the employer before wages are paid, to cover the wage tax, social insurance, and iron savings. Further price control was provided in a decree by the Price Commissioner on February 2, 1942, intended to equalize profits and eliminate firms unable to produce at low cost.

Great Britain.--The Goods and Services (Price Control) Act passed on July 22, 1941, extended governmental authority under the Prices of Goods Act of 1939, to include services, and amended price fixing provisions. The Location of Industry (Restriction) Order, effective July 25, 1941, prohibited removal of a business from one location to another without Government permission; and the Location of Retail Businesses Order, 1941, effective January 1, 1942, prohibited opening of new shops and sale in existing shops of goods not previously sold there. In 1942, the British Board of Trade appointed a Central Committee of Export Groups to consider post war plans, including some form of coordinated export trade planning among nations.

Guatemala.--An Anti-Monopoly Decree passed on April 24, 1942, prohibited exclusive distribution or exclusive sales contracts by manufacturers, importers and merchants. An Anti-Profiteering Decree, April 24, 1942, limited profits on imports to the maximum percentage of profit made on each class of merchandise during the year 1939, with severe penalties for violation.

Mexico.--The Law of Chambers of Commerce published on August 26, 1941, required all business men and industrialists to register and

become members of Chambers of Commerce created to represent their members in dealing with Government offices, act as consulting bodies for the State, serve as arbitrators in business disputes, discharge the duties of a referee in bankruptcy, and undertake other authorized functions. A decree published on February 6, 1942, created an Office of Control and Supply to issue certificates of necessity for products subject to allocation and licensing in the United States.

Netherlands.--A Commission for Economy in the Use of Raw materials was created by Nazi authorities to ensue that Dutch industries work exclusively for the German war machine.

Newfoundland.--Under the Defense (Prices of Goods) Regulations, 1941, and the Food (Current Prices) Order, effective May 30, 1942, the sale or offering for sale of a list of food products at prices exceeding those in effect on May 2, 1942, was prohibited.

New Zealand.--Emergency measures included the fixing of prices on 38 essential commodities, effective September 1, 1941.

Nicaragua.--Wide emergency powers granted to the President in 1939 were continued and extended in 1941.

Norway.--As in other German occupied areas, a German Reich Commissioner was appointed, this official declaring the King and Royal House deposed, the prior Government abolished, and all political parties disbanded. Production and trade are under German direction, employers and employees under rigid regulation, and labor and youth service are at the service of the German Government. Foodstuffs, clothing, mineral oils, and industrial supplies are strictly rationed.

Paraguay.--A decree on November 1, 1941, provided for local price control commissioners, under the Bureau of Industry and Commerce, to fix maximum prices on articles of "general necessity."

Salvador.--A newly created Committee on Economic Coordination was given authority to control industry and trade, and all branches of business, industry, and agriculture were required to cooperate.

South Africa.--Under the War Measures Act, 1940, "controllers" were appointed in 1941 and 1942 to regulate production, sale and supplies in a number of industries.

Spain.--A National Institute for Industry was created by a law on September 25, 1941, to promote and finance the creation and development of Spanish industries; Government-owned factories and all participation of the Government in industrial enterprises were to be transferred to the Institute.

Sweden.--Under a Price Regulation Law effective June 16, 1941, superseding the Law on Maximum Prices, 1939, the Government may now fix a "normal" price on "articles of necessity," which may not be exceeded without a permit. Trade in these products may be lim-

ited to certain business firms that are organized into trade associations or that have been trading in the products for a specified period of time. The Government may require sale of private stocks at fixed prices.

Switzerland.--Under the basic Law for Assurance of the Country's Supply of Essential Commodities, a number of War Economy Syndicates were formed to which the Government transferred its functions pertaining to exports, imports, warehousing, transportation, production, distribution, and utilization of goods. The syndicates are usually in the form of cooperatives and operate under supervision and control of the Federal Department of Economy.

Turkey.--War measures in 1941 extended Government control over practically all branches of trade, industry, and agriculture, including fixing of prices and profits.

Uruguay.--The Price Control Law passed in 1939 was extended in 1941, and a decree dated October 23, 1941, authorized the Executive to fix prices on articles of prime necessity, for producers, wholesalers, middlemen, and retailers, taking into consideration the cost of each article and allowing a reasonable margin of profit; and to control the supply of such products, limit exports, regulate storage, and prevent hoarding.

PART VIII. FISCAL AFFAIRS

APPROPRIATION ACT PROVIDING FUNDS FOR COMMISSION WORK

The Independent Offices Appropriation Act, 1942 (Public Law 28, 77th Congress), approved April 5, 1941, provided funds for the fiscal year 1942 for the Federal Trade Commission as follows:

FEDERAL TRADE COMMISSION

For five Commissioners, and for all other authorized expenditures of the Federal Trade Commission in performing the duties imposed by law or in pursuance of law, including secretary to the Commission and other personal services, contract steno-graphic reporting services; supplies and equipment, law books, books of reference, periodicals, garage rentals, traveling expenses, including not to exceed \$900 for expenses of attendance, when specifically authorized by the Commission, at meetings concerned with the work of the Federal Trade Commission, for newspapers not to exceed \$500, foreign postage, and witness fees and mileage in accordance with section 9 of the Federal Trade Commission Act; \$2,300,000: *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.

For all printing and binding for the Federal Trade Commission, \$60,000.

Total, Federal Trade Commission, \$2,360,000.

APPROPRIATIONS FOR FISCAL YEAR

Appropriations available to the Commission for the fiscal year ended June 30, 1942, under the Independent Offices Appropriation Act approved April 5, 1941, amounted to \$2,360,000. This sum is made up of three separate items: (1) \$50,000 for salaries of the Commissioners, (2) \$2,250,000 for the general work of the Commission, and (3) \$60,000 for printing and binding.

WAR WORK

Expenditures by the Commission for studies connected with the war effort amounted to a total of \$340,694 during the fiscal year, of which amount \$176,709 represented expenditures by the Legal Division of the Commission and \$163,985 represented expenditures by the Division of Accounts, Statistics, and Economic Investigations.

*Appropriations, allotments, expenditures, liabilities, and balances for the fiscal year
ended June 30, 1942*

	Amount available	Amount expended	Liabili- ties	Expendi- tures and liabilities	Balances
Federal Trade Commission 1942-- salaries, Commissioners and all other authorized expenses	\$2,300,000.00	\$2,214,273.18	\$47,133.81	\$2,261,406.99	\$38,593.01
Printing and binding, Federal Trade Commission, 1942	60,000.00	6,898.11	35,101.89	42,000.00	18,000.00
Working fund, Federal Trade Commission (emergency management), 1942-43	73,822.00	32,402.56	3,111.58	35,514.14	38,307.86
Total fiscal year 1942	2,433,822.00	2,253,573.85	85,347.28	2,338,921.13	94,900.87
Unexpended balances:					
Federal Trade Commission 1941	120,732.07	49,130.58	1,186.15	50,316.73	70,415.34
Printing and binding, Federal Trade Commission 1941	44,578.13	35,759.61	7,818.52	43,578.13	1,006.60
Federal Trade Commission 1940	72,101.27	1,001.66		1,001.66	71,099.61
Federal Trade Commission 1939	1 20.60	1 20.60		1 20.60	
Federal Trade Commission 1937	1.26				1.26
Total	2,671,214.13	2,339,445.10	94,351.95	2,433,797.05	237,417.08

1 Denotes red figures.

Detailed statement of costs for the fiscal year ending June 30, 1942

	Salary	Travel ex- pense	Other	Total
Commissioners	\$49,999.20	\$101.41	\$50, 100.61	
Office of the Secretary	37,049.72		37,049.72	
Attorneys to Commissioners	41,732.92		41,732.92	
Clerks to Commissioners	14,633.17		14,633.17	
Messengers to Commissioners	6,329.28		6,329.28	
Total	149,744.29	101.41	149,845.70	
Administration:				
Budget and Finance Section	18,302.43		18,302.43	
Docket Section	48,776.52		48,776.52	
Hospital	1,921.86		1,921.86	
Information Service	16,956.78		16,956.78	
Labor	3,360.77		3,360.77	
Legal Research and Compiling	12,811.08		12,811.08	
Library Section	20,864.85		20,864.85	
Mail and Files Section	17,824.39		17,824.39	
Messengers	17,707.67		17,707.67	
Personnel Section	15,950.83		15,950.83	
Publications Section	47,963.13		47,963.13	
Stenographic Section.	105,171.49		105,171.49	
Supply and Service Section	18,068.72		18,068.72	
Communications			\$13,054.86	13,054.86
Contract Service			4,324.54	4,324.54
Equipment			38,865.34	38,865.34
Supplies			24,444.06	24,444.06
Transportation of things			539.75	539.75
Travel Expense			113.10	113.10
Total	347,733.08	113.10	81,228.55	429,074.73
Legal:				
Applications for complaints	295,073.70	29,970.94	11,202.14	336,246.78
Complaints	607,793.30	51,653.26	7,415.86	666,862.42
Export trade	8,342.42	32.73		8,375.15
Preliminary Inquiries	140,763.63	7,452.23	393.18	148,600.54
Trade practice conferences	113,114.05	258.66	19.50	113,392.21
Total	1,165,087.10	89,367.82	19,010.68	1,273,485.60
General investigations				
Accounting methods and practices	306.31			306.31
Industrial corporation financial reports	79,249.60	490.02		79,739.62
Methods and costs of distribution	11,836.58	494.05		12,330.63
Motor vehicle investigation	218.36			218.36
Production cost accounting methods	894.99			894.99
Resale price maintenance investigation (1939)	10,216.33	1 19.15		10,197.18

Total	102,722.17	964.92	103,687.09
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Detailed statement of Costs for the fiscal year ending June 30, 1942--Continued

	Salary	Travel ex- pense	Other	Total
War work	\$290, 275. 22	\$50,358.17	\$60.87	\$340,694.26
Printing and binding			42,657.72	42,657.72
Summary:				
Commissioners and Secretary	149,744.29	101.41		149,845.70
Administration	347,733.08	113.10	81,228.55	429,074.73
General Investigation	102,722.17	964.92		103,687.09
Legal	1,165,087.10	89,367.82	19,030.08	1,273,485.60
Printing and binding	42,657.72			42,657.72
War work	290,275.22	50,358.17	60.87	340,694.26
Total	2,055,561.86	140,905.42	142,977.82	2,339,445.10

Recapitulation of costs by divisions

Commissioners and Secretary	\$151,964.17	\$101.41	\$152,065.58
Administrative	357,697.08	113.10	\$81, 228.55
Chief Counsel	382,572.85	30,185.57	16,830.36
Chief Examiner	377,285.14	44,533.85	1,756.43
Accounts, Statistics, and Economic			
Investigations	122,691.86	964.92	
Medical Advisory	22,718.60	1,163.75	162.00
Radio and Periodical	139,361.70		18.39
Trade Practice Conferences	99,084.68	255.50	4.75
Trial Examiner	111,910.56	13,229.15	258.75
Total	1,765, 286.64	90,547.25	100,259.23

1 Denotes red figures.

APPROPRIATIONS AND EXPENDITURES, 1915-42

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

1928	Printing and binding	17,000.00	17,000.00	0
	Lump sum	967,850.00	951,965.15	15,884.85
	Printing and binding	16,500.00	16,500.90	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

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Year	Nature of appropriations	Appropriations and liabilities	Expenditures	Balance
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	1,808,463.35	
124,454.46				
	Printing and binding	39,858.73	39,858.73	0
1932	Lump sum	1,808,097.19	1,749,484.00	
58,612.59				
	Printing and binding	30,000.00	30,000.00	
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	1,273,006.38	1571
	Printing and binding	40,250.00	40,250.00	0
1935	Lump sum	2,063,398.01	1,922,313.34	
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	54,480.53
	Printing and binding	46,000.00	46,000.00	0
1939	Lump sum	2,236,795.00	2,150,474.40	86,320.60
	Printing and binding	46,700.00	46,709.00	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				

APPENDIXES

FEDERAL TRADE COMMISSION

(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. No commissioner shall engage in any other business, vocation, or employment. Any commissioner may be removed by the President for Inefficiency, neglect of duty, or malfeasance in office. A vacancy in the Commission shall not impair the right of the remaining commissioners to exercise all the powers of the Commission.

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

SEC. 2. That each commissioner shall receive a salary of \$10,000 a year, payable in the same manner as the salaries of the judges of the courts of the United States. The commission shall appoint secretary who shall receive a salary of \$5,000 a year, 1 payable in like manner, and it shall have authority to employ and fix the compensation of such attorneys, special experts, examiners, clerks, and other employees as it may from time to time find necessary for the proper performance of its duties and as may be from time to time appropriated for by Congress.

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 find necessary for the conduct of its work, all employees of the commission shall be a part of the classified civil service, and shall enter the service under such rules and regulations as may be prescribed by the Commission and by the Civil Service Commission.

All of the expenses of the Commission, including all necessary expenses for transportation incurred by the commissioners or by their employees under their orders,

in making any investigation, or upon official business in any other places than in the city of Washington, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the Commission.

Until otherwise provided by law, the commission may rent suitable offices for its use.

The Auditor for the State and Other Departments shall receive and examine all accounts of expenditures of the Commission. ²

¹ The salary of the secretary is controlled by the provisions of the Classification Act of 1923, approved March 4, 1923, 42 Stat. 1488.

² Auditing of accounts was made a duty of the General Accounting Office by the Act of June 10, 1921, 42 Stat. 24.

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SEC. 3. That upon the organization of the Commission and election of its chairman, the Bureau of Corporations and the offices of Commissioner and Deputy Commissioner of Corporations shall cease to exist; and all pending investigations and proceedings of the Bureau of Corporations shall be continued by the Commission.

All clerks and employees of the said bureau shall be transferred to and become clerks and employees of the Commission at their present grades and salaries. All records, papers, and property of the said bureau shall become records, papers, and property of the Commission, and all unexpended funds and appropriations for the use and maintenance of the said bureau, including any allotment already made to it by the Secretary of Commerce from the contingent appropriation for the Department of Commerce for the fiscal year nineteen hundred and fifteen, or from the departmental printing fund for the fiscal year nineteen hundred and fifteen, shall become funds and appropriations available to be expended by the Commission in the exercise of the powers, authority, and duties conferred on it by this Act.

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

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

“Commerce” means commerce among the several States or with foreign nations, or in any Territory of the United States or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation.

“Corporation” shall be deemed to Include any company, trust, so-called Massachusetts trust, or association, incorporated or unincorporated, which is organized to carry on business for its own profit or that of its members, and has shares of capital or capital stock or certificates of interest, and any company, trust, so-called Massachusetts trust, or association, incorporated or unincorporated, without shares of capital or capital stock or certificates of interest, except partnerships, which Is organized to carry on business for its own profit or that of its members.

“Documentary evidence” includes all documents, papers, correspondence, books of

account, and financial and corporate records.

“Acts to regulate commerce” means the Act entitled “An Act to regulate commerce,” approved February 14, 1887, and all Acts amendatory thereof and supplementary thereto and the Communications Act of 1934 and all Acts amendatory thereof and supplementary thereto.

“Antitrust Acts” means the Act entitled “An Act to protect trade and commerce against unlawful restraints and monopolies,” approved July 2, 1890; also sections 73 to 77, inclusive, of an Act entitled “An Act to reduce taxation, to provide revenue for the Government, and for other purposes,” approved August 27, 1894; also the Act entitled “An Act to amend sections 73 and 76 of the Act of August 27, 1894, entitled ‘An Act to reduce taxation, to provide revenue for the Government, and for other purposes,’” approved February 12, 1913; and also the Act entitled “An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes,” approved October 15, 1914.

Sec. 5. (a) Unfair methods of competition in commerce, and unfair or deceptive acts or practices in commerce, are hereby declared unlawful.

The Commission Is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, common carriers, subject to the Acts to regulate commerce, air carriers and foreign air carriers subject to the Civil Aeronautics Act of 1938, ³ and persons, partnerships, or corporations subject to the Packers and Stockyards Act, 1921, except as provided in section 406 (b) of said Act, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

(b) Whenever the Commission shall have reason to believe that any such person, partnership, or corporation has been or is using any unfair method of com-

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

petition or unfair or deceptive act or practice in commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such person, partnership, or corporation a complaint stating its charges in that respect and containing a notice of a hearing upon a day and at a place therein fixed at least thirty days after the service of said complaint. The person, partnership, or corporation so complained of shall have the right to appear at the place and time so fixed and show cause why an order should not be entered by the Commission requiring such person, partnership, or corporation to cease and desist from the violation of the law so charged in said complaint. Any person, partnership, or corporation may make application, and upon good cause shown may be allowed by the Commission to intervene and appear in said proceeding by counsel or in person. The testimony in any such proceeding shall be reduced to writing and filed in the office of the Commission. If upon such hearing the Commission shall be of the opinion that the method of competition or the act or practice in question is prohibited by this Act, it shall make a report in writing in which it shall state its findings as to the facts and shall issue and cause to be served on such person, partnership, or corporation an order requiring such person, partnership, or corporation to cease and desist from using such method of competition or such act or practice. Until the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, or, if a petition for review has been filed within such time then until the transcript of the record in the proceeding has been filed in a circuit court of appeals of the United States, as hereinafter provided, the Commission may at any time, upon such notice and in such manner as it shall deem proper, modify or set aside, in whole or in part, any report or any order made or issued by it under this section. After the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time, the Commission may at any time, after notice and opportunity for hearing, reopen and alter, modify, or set aside, in whole or in part, any report or order made or issued by it under this section, whenever in the opinion of the Commission conditions of fact or of law have so changed as to require such action or if the public interest shall so require :

Provided, however, That the said person, partnership, or corporation may, within sixty days after service upon him or it of said report or order entered after such a reopening, obtain a review thereof in the appropriate circuit court of appeals of the United States, in the manner provided in subsection (c) of this section.

(c) Any person, partnership, or corporation required by an order of the Commission to cease and desist from using any method of competition or act or practice may obtain a review of such order in the circuit court of appeals of the United States, within any circuit where the method of competition or the act or practice in question was used or where such person, partnership, or corporation resides or carries on business, by filing in the court, within sixty days⁴ from the date of the service of such order, a written petition praying that the order of the Commission be set aside. A copy of such petition shall be forthwith served upon the Commission, and thereupon the Commission forthwith shall certify and file in the court a transcript of the entire record in the proceeding, including all the evidence taken and the report and order of the Commission. Upon such filing of the petition and transcript the court shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, evidence, and proceedings set forth in

such transcript a decree affirming, modifying, or setting aside the order of the Commission, and enforcing the same to the extent that such order is affirmed, and to issue such writs as are ancillary to its jurisdiction or are necessary in its judgment to prevent injury to the public or to competitors pendente lite. The findings of the Commission as to the facts, if supported by evidence, shall be conclusive. To the extent that the order of the Commission is affirmed, the court shall thereupon issue its own order commanding obedience to the terms of such order of the Commission. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Commission, the court may

4 Section 5 (a) of the amending Act of 1938 provides :

SEC. 5. (a) In case of an order by the Federal Trade Commission to cease and desist, served on or before the date of enactment of this Act, the sixty-day period referred to In section 5 (c) of the Federal Trade Commission Act, as amended by this Act, shall begin on the date of the enactment of this Act.

order such additional evidence to be taken before the Commission and to be adduced upon the hearing in such manner and upon such terms and conditions as to the court may seem proper. The Commission may modify its findings as to the facts, or make new findings, by reason of the additional evidence so taken, and it shall file such modified or new findings, which, if supported by evidence, shall be conclusive, and its recommendation, if any, for the modification or setting aside of its original order, with the return of such additional evidence. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 240 of the Judicial Code.

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

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

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

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

(1) Upon the expiration of the time allowed for filing a petition for review, if no such petition has been duly filed within such time; but the Commission may thereafter modify or set aside its order to the extent provided in the last sentence of subsection (b); or

(2) Upon the expiration of the time allowed for filing a petition for certiorari, if the order of the Commission has been affirmed, or the petition for review dismissed by the circuit court of appeals, and no petition for certiorari has been duly filed; or

(3) Upon the denial of a petition for certiorari, if the order of the Commission has been affirmed or the petition for review dismissed by the circuit court of appeals; or

(4) Upon the expiration of thirty days from the date of issuance of the mandate of the Supreme Court, if such Court directs that the order of the Commission be affirmed or the petition for review dismissed.

(h) If the Supreme Court directs that the order of the Commission be modified or set aside, the order of the Commission rendered in accordance with the mandate of the Supreme Court shall become final upon the expiration of thirty days from the time it was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected to accord with the mandate, in which event the order of the Commission shall become final when so corrected.

(I) If the order of the Commission is modified or set aside by the circuit court of appeals, 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 in accordance with the mandate of the circuit court of appeals shall become final on the expiration 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.

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

(l) Any person, partnership, or corporation who violates an order of 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.

Sec. 6. That the commission shall also have power--

(a) To gather and compile information concerning, and to investigate ⁵ from time to time the organization, business, conduct, practices, and management of any corporation engaged in commerce, excepting banks and common carriers subject to the Act to regulate commerce, and its relation to other corporations and to individuals, associations, and partnerships.

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

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

(d) Upon the direction of the President or either ⁶ 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 the information obtained by it hereunder, except trade secrets and names of customers, as it shall deem expedient in the public interest ; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use.

(g) From time to time to classify corporations and to make rules and regulations for the purpose of carrying out the provisions of this Act.

(h) To investigate, from time to time, trade conditions in and with foreign countries where associations, combinations, or practices of manufacturers, merchants, or traders, or other conditions, may affect the foreign trade of the United States, and to report to Congress thereon, with such recommendations as it deems advisable.

SEC. 7. That in any suit in equity brought by or under the direction of the Attorney General as provided in the antitrust Acts, the court may, upon the conclusion of the testimony therein, if it shall be then of opinion that the complainant is entitled to relief, refer said suit to the commission, as a master in chancery, to ascertain and report an appropriate form of decree therein. The Commission

⁵ See footnote on p. 2.

⁶ See footnote on p. 2.

shall proceed upon such notice to the parties and under such rules of procedure as the court may prescribe, and upon the coming in of such report such exceptions may be filed and such proceedings had in relation thereto as upon the report of a master in other equity causes, but the court may adopt or reject such report, in whole or in part, and enter such decree as the nature of the case may in its judgment require.

SEC. 8. That the several departments and bureaus of the Government when directed by the President shall furnish the commission, upon its request, all records, papers, and information in their possession relating to any corporation subject to any of the provisions of this Act, and shall detail from time to time such officials and employees to the commission as he may direct.

SEC. 9. That for the purposes of this Act the commission, or its duly authorized agent or agents, shall at all reasonable times have access to, for the purpose of examination, and the right to copy any documentary evidence of any corporation being investigated or proceeded against; and the commission shall have power to require by subpoena the attendance and testimony of witnesses and the production of all such documentary evidence relating to any matter under investigation. Any member of the commission may sign subpoenas, and members and examiners of the commission may administer oaths and affirmations, examine witnesses, and receive evidence.

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 person to appear before the commission, or to produce documentary evidence if so ordered, or to give evidence touching the matter in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

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

The commission may order testimony to be taken by deposition in any proceeding or investigation pending under this Act at any stage of such proceeding or investigation. Such depositions may be taken before any person designated by the commission and having power to administer oaths. Such testimony shall be reduced to writing by the person taking the deposition, or under his direction, and shall then be subscribed by the deponent. Any person may be compelled to appear and depose and to produce documentary evidence in the same manner as witnesses may be compelled to appear and testify and produce documentary evidence before the commission as hereinbefore provided.

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

No person shall be excused from attending and testifying or from producing documentary evidence before the commission or in obedience to the subpoena of the commission on the ground or for the reason that the testimony or evidence,

documentary or otherwise, required of him may tend to criminate him or subject him to a penalty or forfeiture. But no natural person shall be prosecuted or subjected to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he may testify, or produce evidence, documentary or otherwise, before the commission in obedience to a subpoena issued by it ; *Provided*, That no natural person so testifying shall be exempt from prosecution and punishment for perjury committed in so testifying.

Sec. 10. That any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce documentary evidence, if in his power to do so, in obedience to the subpoena or lawful requirement of the commission, shall be guilty of an offense and upon conviction thereof by a court of competent jurisdiction shall be punished by a fine of not less than \$1,000 nor

more than \$5,000, or by imprisonment for not more than one year, or by both such fine and imprisonment.

Any person who shall willfully make, or cause to be made, any false entry or statement of fact in any report required to be made under this Act, or who shall willfully make, or cause to be made, any false entry in any account, record, or memorandum kept by any corporation subject to this Act, or who shall willfully neglect or fail to make, or cause to be made, full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions appertaining to the business of such corporation, or who shall willfully remove out of the jurisdiction of the United States, or willfully mutilate, alter, or by any other means falsify any documentary evidence of such corporation, or who shall willfully refuse to submit to the commission or to any of its authorized agents, for the purpose of inspection and taking copies, any documentary evidence of such corporation in his possession or within his control, shall be deemed guilty of an offense against the United States, and shall be subject, upon conviction in any court of the United States of competent jurisdiction, to a fine of not less than \$1,000 nor more than \$5,000 or to imprisonment for a term of not more than three years, or to both such fine and imprisonment.

If any corporation required by this Act to file any annual or special report shall fail so to do within the time fixed by the commission for filing the same, and such failure shall continue for thirty days after notice of such default, the corporation shall forfeit to the United States the sum of \$100 for each and every day of the continuance of such failure, which forfeiture shall be payable into the Treasury of the United States, and shall be recoverable in a civil suit in the name of the United States brought in the district where the corporation has its principal office or in any district in which it shall do business. It shall be the duty of the various district attorneys, under the direction of the Attorney General of the United States, to prosecute for the recovery of forfeitures. The costs and expenses of such prosecution shall be paid out of the appropriation for the expenses of the courts of the United States.

Any officer or employee of the commission who shall make public any information obtained by the commission without its authority, unless directed by a court, shall be deemed guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine not exceeding \$5,000, or by imprisonment not exceeding one year, or by fine and imprisonment, in the discretion of the court.

SEC. 11. Nothing contained in this Act shall be construed to prevent or interfere with the enforcement of the provisions of the antitrust Acts or the Acts to regulate commerce, nor shall anything contained in the Act be construed to alter, modify, or repeal the said antitrust Acts or the Acts to regulate commerce or any part or parts thereof.

SEC. 12. (a) It shall be unlawful for any person, partnership, or corporation to disseminate, or cause to be disseminated, any false advertisement--

(1) By United States mails, or in commerce by any means, for the purpose of inducing, or which is likely to induce, directly or indirectly, the purchase of food, drugs, devices, or cosmetics ; or

(2) By any means, for the purposes of inducing, or which is likely to induce directly or indirectly, the purchase in commerce of food, drugs, devices, or cosmetics.

(b) The dissemination or the causing to be disseminated of any false advertisement within the provisions of subsection (a) of this section shall be an unfair or deceptive act or practice in commerce within the meaning of section 5.

SEC. 13. (a) Whenever the Commission has reason to believe--

(1) that any person, partnership, or corporation is engaged in, or is about to engage in, the dissemination or the causing of the dissemination of any advertisement in violation of section 12, and

(2) that the enjoining thereof pending the issuance of a complaint by the Commission under section 5, and until such complaint is dismissed by the Commission or set aside by the court on review, or the order of the Commission to cease and desist made thereon has become final within the meaning of section 5, would be to the interest of the public, the Commission by any of its attorneys designated by it for such purpose may bring suit in a district court of the United States or In the United States court of any Territory, to enjoin the dissemination or the causing of the dissemination of such advertisement. Upon proper showing a temporary injunction or restraining

order shall be granted without bond. Any such suit shall be brought in the district in which such person, partnership, or corporation resides or transacts business.

(b) Whenever it appears to the satisfaction of the court in the case of a newspaper, magazine, periodical, or other publication, published at regular intervals--

(1) that restraining the dissemination of a false advertisement in any particular issue of such publication would delay the delivery of such issue after the regular time therefor, and

(2) that such delay would be due to the method by which the manufacture and distribution of such publication is customarily conducted by the publisher in accordance with sound business practice, and not to any method or device adopted for the evasion of this section or to prevent or delay the issuance of an injunction or restraining order with respect to such false advertisement or any other advertisement, the court shall exclude such Issue from the operation of the restraining order or injunction.

Sec. 14.⁷ (a) Any person, partnership, or corporation who violates any provision of section 12 (a) shall, if the use of the commodity advertised may be injurious to health because of results from such use under the conditions pre-scribed in the advertisement thereof, or under such conditions as are customary or usual, or if such violation is with intent to defraud or mislead, be guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than six months, or by both such fine and imprisonment; except that if the conviction is for a violation committed after a first conviction of such person, partnership, or corporation, for any violation of such section, punishment shall be by a fine of not more than \$10,000 or by imprisonment for not more than one year, or by both such fine and imprisonment : *Provided*, That for the purposes of this section meats and meat food products duly inspected, marked, and labeled In accordance with rules and regulations issued under the Meat Inspection Act approved March 4, 1907, as amended, shall be conclusively presumed not injurious to health at the time the same leave official "establishments."

(b) No publisher, radio-broadcast licensee, or agency or medium for the dissemination of advertising, except the manufacturer, packer, distributor, or seller of the commodity to which the false advertisement relates, shall be liable under this section by reason of the dissemination by him of any false advertisement, unless he has refused on the request of the Commission, to furnish the Commission the name and post-office address of the manufacturer, packer, distributor, seller, or advertising agency, residing in the United States, who caused him to disseminate 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 post-office 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 purposes of section 12, 13, and 14--

(a) The term "false advertisement" means an advertisement, other than labeling, which is misleading in a material respect ; and In determining whether any advertisement Is misleading, there shall be taken into account (among other things) not only representations made or suggested by statement, word, design, device, sound, or any combination thereof, but also the extent to which the advertisement fails to reveal

facts material in the light of such representations or material with respect to consequences which may result from the use of the commodity to which the advertisement relates under the conditions prescribed in said advertisement or, under such conditions as are customary or usual. No advertisement of a drug shall be deemed to be false if it is disseminated only to members of the medical profession, contains no false representations of a material fact, and includes, or is accompanied in each instance by truthful disclosure of, the formula showing quantitatively each ingredient of such drug.

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

⁷ Section 5 (b) of the amending Act of 1938 provides :

Sec. 5 (b) Section 14 of the Federal Trade Commission Act, added to such Act by section 4 of this Act, shall take effect on the expiration of sixty days after the date of the enactment of this Act.

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

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

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

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

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

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

Original act approved September 26, 1914.

Amended act approved March 21, 1938.

OTHER ACTS ADMINISTERED BY THE COMMISSION

In addition to the Federal Trade Commission Act, the Commission also administers section 2 of the Clayton Act (15 U.S. C., sec. 13), as amended by the Robinson-Patman Anti-discrimination Act, and sections 3, 7, and 8 of the Clayton Act (15 U.S. C., secs. 14, 18, and 19); the Export Trade Act (15 U.S. C., secs. 61-65) ; the Wool Products Labeling Act (15 U. S. C., sec. 68).

RULES OF PRACTICE

RULE I. THE COMMISSION

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

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

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

Their addresses are : Federal Trade Commission, Room 509, 45 Broadway, New York, N. Y.; Federal Trade Commission, 1118 New Post Office Building, 433 West

Van Buren Street, Chicago, Ill.; Federal Trade Commission, Federal Office Building, 55 New Montgomery Street, San Francisco, Calif.; Federal Trade Commission, 801 Federal Building Seattle, Wash.; Federal Trade Commission, 1107 Pere Marquette Building, New Orleans, La.

Hours.--Offices are open on each business day, except Saturday from 8: 30 a. m. to 5:15 p. m., and on Saturdays from 8:30 a.m. to 12:30 p.m. ¹

Sessions.--The Commission may meet and exercise all its powers at any place, and may, by one or more of its members, or by such examiners as it may designate, prosecute any inquiry necessary to its duties in any part of the United States.

Sessions of the Commission for hearings will be held as ordered by the Commission.

Sessions of the Commission for the purpose of making orders and for transaction of other business unless otherwise ordered will be held at the principal

¹ The Chicago office is open week days, 9 a.m. to 5:45 p.m.; Saturdays, 9 a.m. to 1 p.m.

office of the Commission at Pennsylvania Avenue at Sixth Street, Washington, D. C., on each business day at 10 a. m.

Quorum.--A majority of the members of the Commission shall constitute a quorum for the transaction of business.

RULE II. THE SECRETARY

The Secretary is the executive officer of the Commission and shall have the legal custody of its seal, papers, records, and property; and all orders of the Commission shall be signed by the Secretary or such other person as may be authorized by the Commission.

RULE III. SERVICE

Complaints, orders, and other processes of the Commission, and briefs in support of the Complaint, will be served by the secretary of the Commission by registered mail, except when service by other method shall be specifically ordered by the Commission, by registering and mailing a copy thereof addressed to the person, partnership, or corporation to be served at his or its principal office or place of business. When proceeding under the Federal Trade Commission 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 place of business of such person, partnership, or corporation. When proceeding under the Federal Trade Commission Act service may also be made at the residence of the person, partnership, or corporation to be served.

The return post-office receipt for said complaint, order, or other process or brief registered and mailed as aforesaid, or the verified return by the person serving such complaint, order, or other process or brief, setting forth the manner of said service, shall be proof of the service of the document.

RULE IV. APPEARANCE

Any individual or member of a partnership which is a party to any proceeding before the Commission may appear for himself, or such partnership upon adequate identification, and a corporation or association may be represented by a bona fide officer of such corporation or association upon a showing of adequate authorization therefor.

A party may also appear by an attorney at law possessing the requisite qualifications, as hereinafter set forth, to practice before the Commission.

Attorneys at law who are admitted to practice before the Supreme Court of the United States, or the highest court of any State or Territory of the United States, or the United States Court of Appeals for the District of Columbia, or the District Court of the United States for the District of Columbia, may practice before the Commission.

No register of attorneys who may practice before the Commission is maintained. No

application for admission to practice before the Commission is required. A written notice of appearance on behalf of a specific party or parties in the particular proceeding should be submitted by attorneys desiring to appear for such specific party or parties, which notice shall contain a statement that the attorney is eligible under the provisions of this rule. Any attorney practicing before the Commission or desiring so to practice may, for good cause shown, be disbarred or suspended from practicing before the Commission, but only after he has been afforded an opportunity to be heard in the matter.

No former officer, examiner, attorney, clerk, or other former employee of this Commission shall appear as attorney or counsel for or represent any party in any proceeding resulting from any investigation, the files of which came to the personal attention of such former officer, examiner, attorney, clerk, or other former employee during the term of his service or employment with the Commission.

RULE V. INTERVENTION

Any person, partnership, corporation, or association desiring to intervene in a contested proceeding shall make application in writing, setting out the grounds on which lie or it claims to be interested

The Commission may, by order, permit intervention by counsel or in person to such extent and upon such terms as it shall deem proper.

RULE VI. DOCUMENTS

Filing.--All documents required to be filed with the Commission in any proceeding 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 (10 ½) inches; left margin, one and one-half (1 1/2) 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.

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

RULE VII. 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 VIII. 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.

RULE IX. ANSWERS

In case of desire to contest the proceeding the respondent shall, within twenty (20) days from the service of the complaint, file with the Commission an answer to the complaint. Such answer shall contain a concise statement of the facts which constitute the ground of defense. Respondent shall specifically admit or deny or explain each of the facts alleged in the complaint, unless respondent is without knowledge, in which case respondent shall so state.

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

Failure of the respondent to file answer within the time above provided and failure to appear at the time and place fixed for hearing shall be deemed to authorize the Commission, without further notice to respondent, to proceed in regular course on the charges set forth in the complaint.

If respondent desires to waive hearing on the allegations of fact set forth in the complaint and not to contest the facts, the answer may consist of a statement that respondent admits all the material allegations of fact charged in the complaint to be true. Respondent by such answer shall be deemed to have waived a hearing on the allegations of fact set forth in said complaint and to have authorized the Commission, without further evidence, or other intervening procedure, to find such facts to be true.

Contemporaneously with the filing of such answer the respondent may give notice in writing that he desires to be heard on the question may give notice in writing that he desires to be heard on the question as to whether the admitted facts constitute the violation of law charged in the complaint. Pursuant to such notice, the respondent may file a brief, directed solely to that question, in accordance with the rule XXIII.

RULE X. MOTIONS

Motions before the Commission or the trial examiner shall state briefly the purpose thereof and all supporting affidavits, records, and other papers, except such as have been previously filed, shall be filed with such motions and clearly referred to therein.

Motions in any proceeding before a trial examiner which relate to the introduction or striking of evidence, to matters of procedure, or to any other matters coming within the scope of the trial examiner's authority shall be made to the trial examiner and shall be ruled on by him. All other motions in any proceeding, except as otherwise provided in these rules, shall be addressed to and shall be ruled on by the Commission, but in the case of motions to dismiss for alleged failure of proof based upon testimony taken before a trial examiner, the motion will be referred to the trial examiner for report and recommendation before a ruling is made by the Commission.

RULE XI. CONTINUANCE AND EXTENSION OF TIME

Except as otherwise expressly provided by law, the Commission, for cause shown, may extend any time limits prescribed for filing any papers, and may continue or adjourn any hearings. A hearing before a trial examiner shall begin at the time and place ordered by the Commission, but thereafter may be adjourned from time to time by the trial examiner or the Commission.

Applications for continuances and extensions of time should be made prior to the expiration of time prescribed by these rules.

RULE XII. HEARINGS ON COMPLAINTS

All hearings before the Commission or trial examiners on complaints issued by the Commission shall be public, unless otherwise ordered by the Commission.

Hearings shall be stenographically reported by the official reporter of the

Commission and a transcript thereof shall be made which shall be a part of the record of the proceeding. The record so made shall be the sole official record. Transcripts will be supplied to a respondent or respondents and to the public by the official reporter at rates not to exceed the maximum rates fixed by contract between the Commission and the reporter.

Upon the joining of issue in a proceeding upon complaint issued by the Commission, the taking of evidence therein shall proceed with all reasonable diligence and with the least practicable delay.

Not less than five (5) days' notice of the time and place of the initial hearing before the Commission, a Commissioner, or a trial examiner, shall be given by the Commission to counsel of record or to parties.

RULE XIII. HEARINGS ON INVESTIGATIONS

When a matter for investigation is referred to a single Commissioner, or examiner, for examination or report, such Commissioner, or examiner, if authorized by the Commission, may conduct or hold conferences or hearings thereon, and reasonable notice of the time and place of such hearings shall be given to parties in interest and posted.

The chief counsel, or such attorney as shall be designated by him, or by the Commissioner, or by the Commission, shall attend such hearings and prosecute

the investigation, which shall be public, unless otherwise ordered by the Commission.

RULE XIV. TRIAL EXAMINERS

When evidence is to be taken in a proceeding upon complaint issued by the Commission, a trial examiner may be designated for that purpose by the Commission.

It shall be the duty of the trial examiner to complete the taking of evidence with all due dispatch.

The trial examiner shall state the place, day, and hour to which the taking of evidence may from time to time be adjourned.

The trial examiner is charged with the duty of conducting a fair and impartial hearing and of maintaining order in form and manner consistent with the dignity of the Commission. He will note on the record any disregard by counsel of his rulings on matters of order and procedure and where he deems it necessary shall make special written report thereof to the Commission. In the event that counsel supporting the complaint or counsel for any respondent shall be guilty of disrespectful, disorderly, or contumacious language or conduct In connection with any hearing, the trial examiner may suspend the proceeding and submit to the Commission his report thereon, together with his recommendations as to whether any rule should be issued to show cause why such counsel should not be suspended or disbarred pursuant to Rule VII or subjected to other appropriate action in respect thereto. A copy of such trial examiner's report shall be furnished to any counsel upon whose language or conduct such report Is made, and the Commission will take disciplinary action only after an opportunity for hearing has been accorded such counsel.

RULE XV. SUBPOENAS

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

Subpoenas for the production of the documentary evidence will be issued only upon application in writing to the Commission. The application must specify, as exactly as possible the documents desired, and show their competence, relevancy, and materiality. The application by a respondent shall be verified by oath or affirmation.

RULE XVI. WITNESSES

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

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

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

RULE XVII. EVIDENCE

Documentary.--Where relevant and material matter offered in evidence is embraced

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

Objections.--Objections to evidence before a trial examiner, a Commissioner, or the Commission, shall be in short form, stating the grounds of objections relied upon, and the transcript shall not include argument or debate thereon except as ordered by the trial examiner, a Commissioner, or the Commission. Rulings on such objections shall be part of the transcript.

RULE XIX. DEPOSITIONS

The Commission may order evidence to be taken by deposition in any proceeding or investigation pending at any stage of such proceeding or investigation. Such depositions may be taken before any person designated by the Commission and having power to administer oaths.

Unless notice be waived, no deposition shall be taken except after at least five (5) days' notice to the parties within the United States, and fifteen (15) days' notice when deposition is to be taken elsewhere.

Any party desiring to take the deposition of a witness shall make application in writing, setting out the reasons why such deposition should be taken, and stating the time when, the place where and the name and post-office address of the person before whom it is desired the deposition be taken, the name and post-office address of the witness, and the subject matter or matters concerning which the witness is expected to testify. If good cause be shown, the Commission will make and serve upon the parties, or their attorneys, an order wherein the Commission shall name the witness whose deposition is to be taken and specify the time when, the place where, and the person before whom the witness is to testify, but such time and place, and the person before whom the deposition is to be taken, so specified in the Commission's order, may or may not be the same as those named in said application to the Commission.

The testimony of the witness shall be reduced to writing by the officer before whom the deposition is taken, or under his direction after which the deposition shall be subscribed by the witness and certified in usual form by the officer. After the deposition has been so certified, it shall, together with three additional copies thereof made by such officer or under his direction, be forwarded by such officer under seal in an envelope addressed to the Commission at its office in Washington, D. C. Such deposition, unless otherwise ordered by the Commission for good cause shown, shall be filed in the record in said proceeding and a copy thereof supplied to the party upon whose application said deposition was taken, or his attorney.

Depositions shall be typewritten, on one side of paper only; letter size, eight (8) inches by ten and one-half (10 ½) inches; left margin, one and one-half (1 ½) inches; right margin, one (1) inch.

Depositions shall be bound at *left side only*.

RULE XIX. ADMISSION OF FACTS AND OF GENUINENESS OF 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 attorney, 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.

RULE XX. TRIAL EXAMINER'S REPORT

The trial examiner shall, within fifteen (15) days after receipt by him of the complete stenographic transcript of all testimony in a proceeding, make his report upon the evidence.

A copy of such report shall forthwith be served upon each attorney for the Commission, upon each attorney for respondents, and upon each respondent not represented by counsel.

The trial examiners' reports is not a report or finding of the Commission. Such report is advisory only and is not binding upon the Commission.

RULE XXI. EXCEPTIONS

Attorneys or other persons served with a copy of the report of the trial examiner, within ten (10) days after receipt of such copy of report, file, in writing, their exception, if any, to the report.

They shall specify the particular part of the report to which exception is made, and the exceptions shall include any additional facts which the person filing the exception may deem proper.

Citations to the record shall be made in support of the exceptions.

Seven (7) copies of the exceptions, signed, in ink, shall be filed.

A copy of such exceptions shall forthwith be served upon each of the other attorneys and respondents who were served with a copy of the trial examiner's report.

If exceptions are to be argued, they shall be argued at the time of final argument upon the merits.

RULE XXII. STATEMENTS OF FACTS

When, in the opinion of the trial examiner engaged in taking evidence in any proceeding upon complaint issued by the Commission, the size of the transcript, or complication or importance of the issues involved warrants, he may, of his own motion, or at the request of counsel, at the close of taking of evidence, announce to attorneys for the Commission and for respondents that the trial examiner will receive within such time as he shall fix, a statement in writing from attorneys for the Commission and attorneys for respondents setting forth, in concise outline, the contentions of each as to the facts proved in the proceeding. The time so fixed shall not change the times limited in Rule XX for filing report by the trial examiner or Rule XXIII for the filing of briefs.

Copy of any such statements shall be furnished to opposing counsel by the party filing the statement, but such statements are not to be argued before the trial examiner, and are not a part of the record of the proceeding.

RULE XXIII. BRIEFS

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

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

Appearance of additional counsel in a case will not constitute grounds for extending time for filing briefs.

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

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

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

Reply briefs in support of the complaint, if any, shall be filed within ten (10) days after filing of brief on behalf of respondent.

Number.--Twenty (20) copies of each brief shall be filed.

Contents.--Briefs, except the reply brief in support of the complaint, shall contain, in the following order:

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

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

(c) The exceptions, if any, to the report of the trial examiner.

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

Reply briefs.--Reply brief in support of the complaint shall be filed only with permission of the Commission, and shall be strictly in answer to brief on behalf of respondent.

No further reply brief on behalf of respondent shall be filed.

Form.--Briefs shall be printed, multigraphed, or otherwise neatly processed on good unglazed white paper in type not smaller than ten (10) point double leaded, citations and quotations single leaded; footnotes not less than eight (8) point leaded. Type page shall not be more than twenty-nine: (29) picas wide by approximately forty-eight (48) picas deep and trimmed page shall

be seven (7) inches by ten (10) inches, with an inside margin of not less than one (1) inch.

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

RULE XXIV. ORAL ARGUMENTS

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

Appearance of additional counsel in a case will not constitute grounds for enlarging time for oral argument.

RULE XXV. REPORTS SHOWING COMPLIANCE WITH ORDERS AND WITH STIPULATIONS

In every case where an order to cease and desist is issued by the Commission for the purpose of preventing violations of law and in every instance where the Commission approves and accepts a stipulation in which a party agrees to cease and desist from the unlawful methods, acts, or practices involved, the respondents named in such orders and the parties so stipulating shall file with the Commission, within sixty days of the service of such order and within sixty days of the 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 (00) 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 days.

Within its sound discretion, the Commission may require any respondent upon whom such order has been served may 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 with said stipulation.

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

RULE XXVI. REOPENING PROCEEDINGS

In any case where an order to cease and desist or an order dismissing a proceeding has been issued by the Commission, the Commission may (a) in the case of an order to cease and desist, at anytime until the transcript of the record in the proceeding has been filed in a circuit court of appeals of the United States upon a petition for review or enforcement, or after the expiration of the statutory time for filing of a petition for review where no such petition has been filed, or (b) in the case of an order dismissing a proceeding at any time thereafter, give reasonable notice to all respondents and to

all intervenors, if any, of a hearing as to whether the said proceeding should be reopened. If after said hearing the Commission shall have reason to believe that conditions of fact or of law have so changed since the said order was made as to require, or that the public interest requires, the reopening of such proceeding, the Commission will issue an order for the reopening of the same.

RULE XXVII. 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 by industry groups or other interested parties in the formulation of rules to provide for elimination or prevention of unfair methods of competition, unfair or deceptive acts or practices and other illegal trade practices. They may also include provisions to foster and promote fair competitive conditions and to establish standards of ethical business practices in harmony with public policy. No provision or rule, however, may be approved by the Commission

which sanctions a practice contrary to law or which may aid or abet a practice contrary to law.

(b) *When authorized.*--Trade practice conference proceedings may be authorized by the Commission upon its own motion or upon application therefor whenever such proceedings appear to the Commission to be in the interest of the public. In authorizing proceedings, the Commission may consider whether such proceedings appear to have possibilities (1) of constructively advancing the best interests of industry on sound competitive principles in consonance with public policy, or (2) of bringing about more adequate or equitable observance of laws under which the Commission has jurisdiction, or (3) of otherwise protecting or advancing the public interest.

(c) *Application.*--Application for a trade practice conference may be filed with the Commission by any interested person, party or group. Such application shall be in writing and be signed by the applicant or the duly authorized representative of the applicant or group desiring such conference. The following information, to the extent known to the applicant, shall be furnished with such application or in a supplement thereto:

- (1) A brief description of the industry, trade, or subject to be treated.
- (2) The kind and character of the products involved.
- (3) The size or extent and the divisions of the industry or trade groups concerned.
- (4) The estimated total annual volume of production or sales of the commodities involved.
- (5) List of membership of the industry or trade groups concerned in the matter.
- (6) A brief statement of the acts, practices, methods of competition or other trade practices desired to be considered, or drafts of suggested trade practice rules.
- (7) Evidence of authority to so act, where the application is signed by a person or organization acting in behalf of others.

(d) *Informal discussions with members of the Commission's staff.*--Any interested person or group may, upon request, be granted opportunity to confer in respect to any proposed trade practice conference with the Commission's trade practice conference division, either prior or subsequent to the filing of any such application. They may also submit any pertinent data or information which they desire to have considered. Such submission shall be made during such period of time as the Commission or its duly authorized official may designate.

(e) *Industry conferences.*--Reasonable 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 such reasonable public notice as to the Commission seems appropriate, 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.

RULE XXVIII. CONFIDENTIAL RECORDS AND INFORMATION

The records and files of the Commission, and all documents, memoranda, correspondence, exhibits, and information of whatever nature, other than the documentary matters above described, coming into the possession or within the knowledge of the Commission or any of its officers or employees in the discharge of their official duties, are confidential, and none of such material or information may be disclosed, divulged; or produced for inspection or copying except under the following circumstances:

1. 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.

2. 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.

3. 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.

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

- (a) Application by a member of the public for such disclosure shall be in writing, under oath, setting forth (1) the interest of the applicant in the subject matter; (2) a description of the specific information, files, documents, or other material inspection of which is requested; (3) whether copies are desired; and (4) the purpose for which the information or material, or copies, will be used if the application is granted. Upon receipt of such an application the Commission will take such action thereupon as it shall deem expedient in the public interest.

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

In cases in which an officer or employee of the Commission has been lawfully served with a subpoena duces tecum, material designated herein as confidential shall be produced only when and as authorized, by the Commission. Services of such a subpoena shall immediately be reported to the Commission with a statement of all relevant facts. The Commission will thereupon enter such order or give such instructions as it shall deem advisable in the premises. If the officer or employee so served has not received instructions from the Commission prior to the return date of the subpoena, he shall appear in response thereto and respectfully decline to produce the

documents or records subpoenaed (pointing out that he is not permitted to do so under this rule), and request a continuance pending action by or instructions from the Commission. If, notwithstanding, the court or other body orders the production of any of the material subpoenaed, the officer or employee shall immediately report the facts to the Commission.

STATEMENT OF POLICY

STATUS OF APPLICANT OR COMPLAINANT

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

POLICY AS TO PRIVATE CONTROVERSIES

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

SETTLEMENT OF CASES BY STIPULATION

Whenever the Commission Shall have reason to believe that any person has been or is using unfair methods of competition or unfair or deceptive acts or practices in commerce, and that the interest of the public will be served by so doing, it may withhold Service of complaint and extend to the person opportunity to execute a stipulation satisfactory to the Commission, in which the person, after admitting the material facts, promises and agrees to cease and desist from and not to resume such unfair methods of competition or unfair or deceptive acts or practices. All such stipulations shall be matters of public record, and shall be admissible as evidence of prior use of the unfair methods of competition or unfair or deceptive acts or practices involved in any subsequent proceeding against such person before the Commission. It is not the policy of the Commission to thus dispose of matters involving intent to defraud or mislead; false advertisement of food, drugs, devices, or cosmetics which are inherently dangerous or where injury is probable; suppression or restraint of competition through conspiracy or monopolistic practices; violations of the Clayton Act; violations of the Wool Products Labeling Act of 1939 or the rules promulgated thereunder; or where the Commission is of the opinion that such procedure will not be effective in preventing continued use of the unlawful method, act, or practice. The Commission reserves the right in all cases, for any reasons which it regards as sufficient, to withhold this privilege.

REPORTS OF TRIAL EXAMINERS

The policy of the Commission is that reports of trial examiners shall not be open to public inspection or to publication until after the publication of the Commission's decisions in the cases in which such reports are made. During this time they are open only to the Commission, to counsel and to parties respondent in such cases.

WOOL PRODUCTS LABELING ACT

In the handling of cases before the Commission arising under this act, the practice and procedure of the Commission, insofar as applicable, will be as provided in cases arising under the Federal Trade Commission Act.

INVESTIGATIONS BY THE COMMISSION, 1915-45

DESCRIPTIONS OF INQUIRIES INCLUDING TITLES OF PUBLISHED REPORTS

Since its establishment in 1915, the Federal Trade Commission has conducted numerous general inquiries which are alphabetically listed and briefly described in the

following pages under more than 125 different headings.¹ They were made at the request of the President, the Congress, the Attorney General, establishments such as the War Production Board, the Office of Price Administration, or other Government agencies, or on motion of the Commission pursuant to the Federal Trade Commission Act.

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

Agencies initiating or requesting investigations are indicated in parentheses in the headings below. For wartime inquiries, 1917-18 and 1941-45, see paragraphs headed "Wartime."

¹ The wartime cost-finding inquiries, 1917-1918 (p. 109), include approximately 370 separate investigations.

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

Accounting Systems (F. T. C.).--Pointing the way to a general improvement in accounting practices, the Commission published *Fundamentals of a Cost System for Manufacturers* (H. Doc. 1356, 64th, 31 p., 7/1/10) and *A System of Accounts for Retail Merchants* (19 p., o. p., 7/15/16).

Accounting Systems.--See Distribution Cost Accounting, and Production Cost Accounting.

Agricultural Implements.--See Farm Implements.

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

Agricultural Income (Congress).--Investigating a decline in agricultural income and Increases or decreases in the income of corporations manufacturing and distributing wheat, cotton, tobacco, livestock, milk, and potato products (Public Res. 61, 74th, 8/27/25), and table and juice grapes, fresh fruits and vegetables (Public Res. 112, 74th, 6/20/36), the Commission made recommendations concerning, among other things, the marketing of commodities covered by the inquiry; corporate consolidations and mergers;⁵ unbalanced agricultural-industrial relations; cooperative associations; production financing; transportation; and terminal markets. Its recommendations for improvement of the Perishable Agricultural Commodities Act were adopted by Congress in amending that act (Public 828, 75th) in 1937. [*Report of the F. T. C. on Agricultural Income Inquiry, Part I, Principal Farm Products*, 1,134 p., 3/2/37 (summary, conclusions and recommendation, S. Doc. 54, 75th, 40 p.); *Part II, Fruits, Vegetables and Grapes*, 906 p., 6/10/37; *Part III, Supplementary Report*, 154 p., 11/8/37; and interim reports of 12/26/35 (H. Doc. 380, 74th, 6 p.), and 2/1/37 (S. Doc. 17, 75th, 16 p.)]

Agricultural Prices.--See Price Deflation.

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

Bakeries and Bread.--See Food.

Beet Sugar.--See Food--Sugar.

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

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 ⁶ 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., 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,

3 Inquiries desired by either House of Congress are now undertaken by the Commission as a result of concurrent resolutions of both Houses. For further explanation, see footnote on p.2.

4 F. T. C. recommendations that section 7 of the Clayton Act be amended to declare unlawful the acquisition of corporate assets under the same conditions that acquisition of corporate stock has been unlawful since 1914, are discussed in *Chain Stores--Final Report on the Chain Store Investigation* (S. Doc. 4, 74th, 12/14/34), p.96; *Summary Report on Conditions- With Respect to the Sale and Distribution of Milk and Dairy Products* (H. Doc. 94, 75th 1/4/37), p.38; *Report of the F. T. C. on Agricultural Income Inquiry, Part I* (3/2/37), p.26; *Agricultural Implement and Machinery Industry* (H. Doc. 702, 75th. 6/6/39), p.1038; and F. T. C. Annual Reports: 1938, pp. 19 and 29; 1939, p. 14; 1940, p. 12; 1941, p. 19; 1942, p.9; 1943, p.9; 1944, p.7.

5 See footnote 4, above.

6 Basing-point systems are also discussed in the published reports listed under “Price Bases,” “Steel Code.” and “Steel Sheet Piling” herein.

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. O. 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.⁷ The Commission's recommendations pointed the way to subsequent enactment of the Robinson-Patman Act (1936) prohibiting price and other discriminations, and the Wheeler-Lea Act (1938) which amended the Federal Trade Commission Act so as to broaden the prohibition of unfair methods of competition in section 5 to include unfair or deceptive acts or practices in interstate commerce.

Coal (Congress and F. T. C.), Wartime, 1917-18, Etc.--From 1916 through the first World War period and afterward, the Commission at different times investigated anthracite and bituminous coal prices and the coal Industry's financial condition. Resulting cost and price reports are believed to have substantially benefited the consumer. Among the published reports were: *Anthracite Coal Prices*, preliminary (S. Doc. 19, 65th, 4 p., o. p., 5/4/17); *Preliminary Report by the F. T. C. on the Production and Distribution of Bituminous Coal* (H. Doc. 152, 65th, 8 p., o. p., 5/19/17); *Anthracite and Bituminous Coal Situation*, summary (H. Doc. 193, 65th, 29 p., o. p., 6/19/17); and *Anthracite and Bituminous Coal* (S. Doc. 50, 65th, 420 p., o. p., 6/19/17)--pursuant to S. Res. 217, 64th, 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., S. Doc. 207, 67th)--pursuant to F. T. C. motion; and *Report of the F. T. C. on Premium Prices of Anthracite* (97 p., 7/0/25)--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.; (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.; (6) Maryland, West Virginia, and Virginia, bituminous 286 p.; and (7) trans-Mississippi States, bituminous, 459 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).

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, 202p., 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).

⁷ See footnote 4, p. 107.

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

Corporation Reports.--See Industrial Corporation Reports.

Cost Accounting.--See Accounting Systems.

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

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., 6/23/41).

Distribution.--See Foods-Mass Foods Distributors.

Distribution.--See Millinery Distribution.

Distribution Methods and Costs (F. T. C. and O. P. A.), Wartime, 1941-42.--Involving methods and costs of interstate distribution of certain commodities, this inquiry (F. T. C. Res., 6/27/40) was completed and will be reports in published form, although special reports of the 1941 a study of distribution of some 20 commodity groups were made for the confidential use of O. P. A. and other war agencies. (See p. 19.)

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 acquisitions 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.

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.--See Agricultural Implements and Machinery, and Independent Harvester Co.

Feeds (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 law violations (*Report of the F. T. C. on Commercial Feeds*, 206 p., 3/29/21).

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

⁸ 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 (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).

Fertilizer and Chemicals (O. P. A.), Wartime, 1941-42.--A study of costs, prices and profits in the fertilizer and related products industries (O. P. A. request, June 1942) was undertaken in connection with nine important companies in the phosphate rock mining industry. The study will also embrace costs, profits, and prices in the production and sale of superphosphates, organic nitrates, sulphuric acid, and mixed fertilizers. (See p. 17.)

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

Flour Milling.--See Food, below.

Food (President), Wartime, 1917-18.--President Wilson, as a wartime emergency measure (2/7/17), directed the Commission "to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs" and "to ascertain the facts bearing on alleged violations of the antitrust acts." Two major series of reports related to meat packing and the grain trade with separate inquiries into flour milling, canned vegetables and fruits, canned salmon, and related matters, as listed below.

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

The reports first led to antitrust proceedings against the Big Five Packers, resulting in a consent decree (Supreme Court of the D C., 2/27/20),⁹ which had substantially the effect of Federal legislation in restricting their future operations to certain lines of activity. As a further result of the investigation, Congress enacted] the Packers and] Stockyards Act (1921), adopting the Commission's recommendation that the packers be divorced from control of the stockyards. (The meat-packing industry is further referred to under Meat Packing Profit Limitations, p.112).

Food (President) Continued-Grain Trade.--Covering the industry from country elevator to central market, the *Report of the F. T. C. on the Grain Trade* was published in seven parts: *I. Country Grain Marketing* (9/15/20, 350 p., o. p.); *II. Terminal Grain Markets and Exchanges* (9/15/20, 333 p., o. p.); *III. Terminal Grain Marketing* (12/21/21, 332 p., o. p.); *IV. Middlemen's Profits and Margins* (9/26/23, 215 p., o. p.); *V. Future Trading Operations in Grain* (9/15/20, 347 p., o. p.); *VI. Prices of Grain and Grain Futures* (9/10/24, 374 p.); and] *VII. Effects of Future Trading* (6/25/26, 419 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, p. 112; Grain Exporters, p.112; and Grain Wheat Prices, p.112.)

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., 11/3/17.) 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.).

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

Food (President) Continued--Canned Foods,¹⁰ 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 Vegetables 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. Provisions in accordance with these recommendations were incorporated] in the Perishable Agricultural Commodities Act (1930).

Food--Biscuits and Crackers (O. P. A.), Wartime, 1941-42.--In the interest of the low income consumer, for whom it was deemed necessary the price of bread should be held at a minimum, the Commission investigated costs, prices and profits of 60 representative bread-making companies, conveying its findings to O. P. A. (Jan. 1942) in an unpublished report. (See p. 16.)

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

Food--Flour Milling (Senate).--This study of costs, profits, and other factors (S. Res. 212, 67th, 1/18/22) was reported] in *Wheat Flour Milling Industry* (S. Doc. 130, 68th, 130 p., o. p., 5/16/24).

Food--Grain Elevators (F. T. C.), Wartime, 1917-18.--In view of certain bills pending before Congress with reference to regulation of the grain trade, the 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 (see p. 111).

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

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

Food--Mass Foods Distributors (F. T. C.).--The system of delivering foods to large chain store warehouses and the older system of delivery to individual retail stores were compared from an economic viewpoint (F. T. C., Res., 4/20/41).

Food--Meat Packing Profit Limitations (Senate), Wartime, 1917-18.--Following an inquiry. (S. Res. 177, 66th, 9/3/19) involving the wartime control of this business

as established by the U. S. Food Administration in 1917-18, the Commission recommended greater control and lower maximum profits (*Maximum Profit Limitation on Meat Packing Industry*, S. Doc. 110, 66th, 179 p., o. p., 9/25/19).

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

Food--Milk and Dairy Products (House).--Competitive conditions in different milk-producing areas were investigated (H. Con. Res. 32, 73d, 6/15/34). Results of the inquiry were published in seven volumes: *Report of the F. T. C. on the Sale and Distribution of Milk Products, Connecticut and Philadelphia Milk-sheds* (H. Doc. 152, 74th, 901 p., 4/5/35); *Report of the F. T. C. on the Sale and Distribution of Milk and Milk Products* (Connecticut and Philadelphia milksheds,

¹⁰ In connection with its wartime cost finding inquiries, 1917-18. p.109 herein, the Commission published *Report of the F. T. C. on Canned Foods*) 1918--*Corn, Peas, String Beans, Tomatoes, and Salmon* (86 p., 11/21/21).

interim report, H. Doc. 387, 74th, 125 p., 12/31/35); *Chicago Sales Area* (H. Doc. 451, 74th, 103 p., o. p. 4/15/36); *Boston, Baltimore, Cincinnati, St. Louis* (H. Doc. 501, 74th, 243 p., 6/74/36); *Twin City Sales Area* (H. Doc. 506, 74th, 71 p., 6/13/36); and *New York Milk Sales Area* (H. Doc. 95, 75th, 138 p., o. p., 9/30/36).--The Commission reported that many of the industry's problems could only be dealt with by the States and recommended certain legislation and procedure, both State and Federal (*Summary Report on Conditions With Respect to the Sale and Distribution of Milk and Dairy Products*, H. Doc. 94, 75th, 39 p., o. p., 1/4/37). Legislation has been enacted in a number of States carrying into effect all or a portion of the Commission's recommendations.

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

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

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

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

Food--Sugar, Beet (F. T. C.).--Initiated by the Commissioner of Corporation,¹¹ but completed by the F. T. C., this inquiry dealt with the cost of growing beets and the cost of beet-sugar manufacture (*Report on the Beet Sugar Industry in the U. S.*, H. Doc. 158, 65th, 164 p., 6. p., 5/24/17).

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

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

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

Gasoline.--See Petroleum.

Grain.--See Food.

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 Inquiry of the F. T. C. Relative to the Practice of Giving Guarantee Against Price Decline* (68 p., 5/27/20).

House Furnishings (Senate).--This inquiry (S. Res. 127, 67th, 1/4/22) resulted in three volumes showing concerted efforts to effect uniformity of prices

¹¹ See footnote 8, p. 120.

in some lines (*Report of the F. T. C. on House Furnishing Industries*, 1018 p., 1/17/23, 10/1/23, and 10/6/24).

Household Furniture (O. P. A.), Wartime, 1941-42.--Costs, prices, and profits of 67 representative furniture companies were studied to determine whether, and to what extent, price increases were justified.- A study was also made to determine whether price-fixing agreements existed and whether wholesale price increases resulted from understandings in restraint of trade. Confidential reports were transmitted to O. P. A. in Sept. 1941.

Independent Harvester Co. (Senate), Wartime, 1917-18.--After investigation (S. Res. 212, 65th, 3/11/18) of the organization and methods of operation of the company which had been formed several years before to compete with the "harvester trust," but which had passed into receivership, the *F. T. C. Report to the Senate on the Independent Harvester Co.* (5 p., release, processed, o. p., 5/15/18) showed the company's failure was due to mismanagement and insufficient capital.

Industrial Corporation Reports (F. T. C.), Wartime, 1941-42.--The Commission obtained corporation financial reports for 1939 and 1940. It published in combined form significant economic facts developed in the 1939 series relating to 76 industries which embraced 780 corporations (*Industrial Corporation Reports*, 77 vols., incl. summary, 10/15/40 to 6/30/41, approximately 1,500 pp., processed; titles listed in F. T. C. Annual Report, 1941, p. 24). In 1939 these corporations had an average total investment (after deduction of reported appreciation of assets) of more than \$28,000,000,000. The 1940 series, coordinated with wartime work for other Government agencies, was expanded to cover 4,500 corporations representing consolidated operations of more than 7,000 corporations operating in 86 principal strategic materials industries and to provide O. P. A. with approximately 12,000 annual reports of earlier years and quarterly reports of subsequent operations. The 1940 series was prepared for the confidential use of war and other agencies of the Government. (See p. 12.)

Leather and Shoes (F. T. C. and House), Wartime, 1917-18.--General complaint regarding high prices of shoes led to this inquiry, which is reported in *Hide and Leather Situation*, preliminary report (H. Doc. 857, 65th, 5 p., o. p., 1/23/18), and *Report on Leather and Shoe Industries* (180 p., 8/21/19). A further study (H. Res. 217, 66th, 8/19/19) resulted in the *Report of the F.- T. C. on Shoe and Leather Costs and Prices* (212 p., 6/10/21).

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

Lumber Trade Associations (Attorney General).--The Commission's extensive survey of lumber manufacturers' associations (referred to F. T. C. 9/4/19) resulted in Department of Justice proceedings against certain associations for alleged antitrust law violations. Documents published were: *Report of the F. T. C. on Lumber Manufacturers' Trade Associations*, incorporating regional reports of 1/10/21, 2/18/21, 6/9/21, and 2/15/22 (150 p., o. p.); *Report of the F. T. C. on Western Red Cedar Association, Lifetime Post Association, and Western Red Cedarmen's Information Bureau* (22 p., 1/24/23), also known as *Activities of Trade Associations and Manufacturers of Posts and Poles in the Rocky Mountain and Mississippi Valley Territory* (S. Doc. 293, 67th, o. p.-); and *Report of the F. T. C. on Northern Hemlock and Hardwood Manufacturers Association* (52 p., 5/7/23).

Lumber Trade Associations (F. T. C.).--Activities of five large associations were investigated in connection with the Open-Price Associations inquiry (p.104) to bring

down to date the 1919 lumber association inquiry (Chap. VIII of *Open-Price Trade Associations*, S. Doc. 226, 70th, 516 p., 2/13/29).

Mass Foods Distributors.--See Food.

Meat--Packing Profit Limitations.--See Food.

Metal-Working Machines, Invoicing and Distribution of (W. P. B.), Wartime, 1941-42.--A comprehensive picture of this industry at work during a representative period was furnished WPB for its use as a result of a survey (referred to F.T.C., May 1942) of 406 manufacturers' operations. Among detailed data obtained was a breakdown to show the number of machines shipped for use of the United Nations armed forces and for other foreign and domestic uses. (See p. 12.)

Milk.--See Food.

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

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 of the Commission's recommendations as company policies.

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

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

Packer Consent Decree.--See Food (President) Continued--Meat Packing.

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

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

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

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

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

Peanut Prices.--See Food.

Petroleum and Petroleum Products, Prices (President and Congress).--At different times the Commission has studied prices of petroleum and petroleum products and issued reports thereon as follows: *Investigation of the Price of Gasoline*, preliminary (S. Doc. 403, 64th, 15 p., o. p., 4/10/16) and *Report on the Price of Gasoline in 1915* (H. Doc. 74, 65th, 224 p., o. p., 4/11/17)--both pursuant to S. Res. 109, 63d, 6/18/13¹² and S. Res. 457, 63d, 9/28/14, which reports discussed high prices and the Standard Oil companies' division of marketing territory among themselves, the Commission suggesting several plans for restoring effective competition; *Advance in the Prices of Petroleum Products* (H. Doc. 801, 66th, 57 p., 6/1/20)--pursuant to H. Res. 501, 66th, 4/5/20, in which report the Commission made constructive proposals to conserve the oil supply; *Letter of Submittal and Summary of Report on Gasoline Prices in 1924* (24 p. processed, 6/4/24, and Cong. Record, 2/28/25, p. 5158)--pursuant to request of President Coolidge, 2/7/24; *Petroleum Industry--Prices, Profits and Competition*

¹² See footnote 8, p. 120.

(S. Doc. 61, 70th, 360 p., 12/12/27)--pursuant to S. Res. 31, 69th, 6/3/36; *Importation of Foreign Gasoline at Detroit, Mich.* (S. Doc. 206, 72d, 3 p., o. p., 2/27/33)--pursuant to S. Res. 274 72d, 7/16/32; and *Gasoline Prices* (S. Doc. 178, 73d, 22 p., 5/10/34)--pursuant to S. Res. 166, 73d, 2/2/34.

Petroleum Decree (Attorney General).--The Commission investigated (inquiry referred to F. T. C. 4/16/36) the manner in which a consent decree entered (9/15/30) against Standard Oil Co. of California, Inc., and others, restraining them from monopolistic practices, was being observed, and reported (4/2/37) to the Attorney General.

Petroleum--Foreign Ownership (Senate).--Inquiry was made (S. Res. 311, 67th, 6/29/22) into acquisition of extensive oil interests in the U. S. by the Dutch-Shell organization, and into discrimination allegedly practiced in foreign countries against American interests (*Report of the F. T. C. on Foreign Ownership in the Petroleum Industry* 152 p., o. p., 2/12/23).

Petroleum Pipe Lines (Senate).--Begun by the Bureau of Corporations, ¹³ this inquiry (S. Res. 109, 63d, 6/18/13) showed the dominating importance of the pipe lines of the great midcontinent oil fields and reported practices of the pipe-line companies which were unfair to small producers (*Report on Pipe-Line Transportation of Petroleum*, 467 p., o. p., 2/28/16), some of which practices were later remedied by the Interstate Commerce Commission.

Petroleum--Regional Studies (Senate and F. T. C.).--Reports published were: *Pacific Coast Petroleum Industry* (two parts, 4/7/21 and 11/28/21, 538 p.)--pursuant to S. Res. 138, 66th, 7/31/19; *Reports of the F. T. C. on the Petroleum Industry of Wyoming* (54 p., o. p., 1/3/21)--pursuant to F. T. C. motion; *Petroleum Trade in Wyoming and Montana* (S. Doc. 233, 67th, 4 p., 7/13/22)--pursuant to F. T. C. motion, in which report legislation to remedy existing conditions was recommended; and *Report of the F. T. C. on Panhandle Crude Petroleum (Texas)* (19 p. 2/8/28)--pursuant to F. T. C. motion, 10/6/26 (in response to requests of producers of crude petroleum).

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

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

Power--Utility Corporations (Electric and Gas Utilities) (Senate).--This extensive inquiry (S. Res. 83, 70th, 2/15/28; Public Res. 46, 73d, 6/1/34; and F. T. C. Act, Sec. 6) embraced the financial set-up of electric and gas utility companies operating in interstate commerce and of their holding companies and other companies controlled by the holding companies. The inquiry also dealt with the utilities' efforts to influence public opinion with respect to municipal ownership of electric utilities.

The Commission's reports and recommendations, focusing Congressional attention upon certain unfair financial practices in connection with the organization of holding companies and the sale of securities, were among the influences which brought about enactment of such remedial legislation as the Securities Act of 1933, the Public Utility Holding Company Act of 1935, the Federal Power Act (1935), and the Natural Gas Act (1938).

Public hearings were held on all phases of the inquiry and monthly interim reports presented hundreds of detailed studies by the commission's economists, attorneys, accountants and other experts, based on examination of 29 holding companies having \$6,108,128,713 total assets; 70 subholding companies with \$5,685,463,201 total assets; and 278 operating companies with \$7,245,-

¹³ See footnote 8, p. 99. Conditions in one of the midcontinent fields were discussed by the Bureau of Corporations in *Conditions in the Healdton Oil Field* (Oklahoma) (116 p., 3/15/15).

106,464 total assets. The testimony, exhibits and final reports (*Utility Corporations*, S. Doc. 92, 70th) included 95 volumes. ¹⁴

Price Bases (F. T. C.).--More than 3,500 manufacturers representing practically every industrial segment furnished data for this study (F. T. C. motion, 7/27/27) of methods used for computing delivered prices on industrial products and of the actual and potential influence of such methods on competitive markets and price levels. In the cement industry the basing-point method ¹⁵ was found to have a tendency to establish unhealthy uniformity of delivered prices and cross-haul 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., 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, 1941-42.--Compliance by certain basic industries with WPB orders relative to allocation of supply and priority of delivery of war materials, is being investigated by the Commission (Executive orders, Jan. 1942). Recent inquiries, national in scope, embraced 1,110 companies in the steel, copper fabricating, copper ingots, jewel bearings, silverware, and chromium and nickel industries, and 947 aluminum foundries. (See p. 11.)

Production Cost Accounting (F. T. C.), Wartime, 1941-42.--This investigation covered production cost accounting methods and systems used in the bread baking, paperboard, steel and other industries during wartime.

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

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

Rags, Woolen.--See Textiles.

Raisin Combination.--See Food.

Range Boilers.--See Price Bases.

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).

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.¹⁶ The facts developed focused the attention of Congress on the necessity of requiring listed corporations to report their salaries.

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

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

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

Sisal Hemp (Senate).--The Commission assisted the Senate Committee on Agriculture and Forestry in an inquiry (S. Res. 170, 64th, 4/17/16) and advised how certain quantities of hemp, promised by the Mexican sisal trust, might be fairly distributed among American distributors of binder twine (*Mexican Sisal Hemp*, S. Doc. 440, 64th, 8 p., o. p., 5/9/16). The Commission's distribution plan was adopted.

Southern Livestock Prices.--See Food.

Steel Code and Steel Code as Amended (Senate and President).--The Commission investigated (S. Res. 166, 73d, 2/2/34) price fixing, price increases, and other matters (*Practices of the Steel Industry Under the Code*, S. Doc. 159, 73d, 79 p., 3/19/34) and the Commission and N. R. A. studied the effect of the multiple basing-point system under the amended code (*Report of the F. T. C. to the President in Response to Executive Order of May 30, 1934, With Respect to the Basing-Point System in the Steel Industry*, 125 p., 11/30/34).¹⁷ The Commission recommended important code revisions.

Steel Companies, Proposed Merger (Senate).--An inquiry (S. Res. 286, 67th, 5/12/22) into a proposed merger of Bethlehem Steel Corp.- and Lackawanna Steel Co., and of Midvale Steel & Ordnance Co., Republic Iron & Steel Co., and Inland Steel Co., resulted in a two-volume report, *Merger of Steel and Iron Companies* (S. Doc. 208, 67th, 11 p., o. p., 6/5/22 and 9/7/22).

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

Steel Costs and Profits (O. P. A.), Wartime, 1941-42.--Costs, prices, and profits covering 30 major steel producing companies comprise this study now in progress. The inquiry embraces costs for about 90 percent of the country's total steel production. (See p. 17.)

Steel Sheet Piling--Collusive Bidding (President).--Steel sheet piling prices on certain Government contracts in New York, North Carolina, and Florida were investigated (inquiry referred to F. T. C. 11/20/35). The *F. T. C. Report to the President on Steel Sheet Piling* (42 p., processed, 6/10/36) demonstrated the existence of collusive bidding because of a continued adherence to the basing-point system¹⁸ and provisions of the steel industry's code.

Stock Dividends (Senate).--The Senate requested (S. Res. 304, 69th, 12/22/26) the names and capitalizations of corporations which had issued stock dividends, and the amounts thereof, since the Supreme Court decision (3/8/20) holding that such dividends were not taxable. The same information for an equal period prior to the decision was also requested. The Commission submitted a list of 10,245 corporations, pointing out that declaration of stock dividends at the rate prevailing did not appear to be a result of controlling necessity and seemed questionable as a business policy (*Stock Dividends*, S. Doc. 26, 70th, 273 p., 12/5/27).

Sugar.--See Food.

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

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

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

financial tabulations, processed, 42 p., o. p.); *Report of the F. T. C. on the Textile Industries in 1933 and 1934*, Parts I to IV, 8/1/35 to 12/5/35, 129 p.; Parts II and III, o. p. (Part IV, processed, 21 p.; accompanying tables, processed, 72 p., o. p.); *Cotton Spinning Companies Grouped by Types of Yarn Manufactured During 1933 and 1934*, 1/31/36, 20 p., processed, o.p.; *Cotton Weaving Companies Grouped by Types of Woven Goods Manufactured During 1933 and 1934*, 3/24/36, 48 p., processed, o. p.; *Textile Industries in the First Half of 1935*, Parts I to III, 5/22/36 to 8/22/36, 119 p., processed; *Textile Industries in the Last Half of 1935*, Parts I to III, 11/20/36 to 1/6/37, 155 p., processed; and *Textile Industries in the First Half of 1936*, Parts I to III, 1/21/37 to 2/11/37, 163 p., processed.

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

¹⁸ See footnote 17, p. 98.

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

Textiles--Cotton Growing Corporation.--See Foreign Trade.

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

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

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

Tobacco (Senate).--Inquiry (S. Res. 329, 68th, 2/9/25) into activities of two well-known companies disclosed that alleged illegal agreements or conspiracies did not appear to exist (*The American Tobacco Co. and the Imperial Tobacco Co.*, S. Doc. 34, 69th, 129 p., o. p., 12/23/25).

Tobacco Marketing--Leaf (F. T. C.).--Although representative tobacco farmers in 1929 alleged existence of territorial and price agreements among larger manufacturers to control cured leaf tobacco prices, the Commission found no evidence of price agreements and recommended production curtailment and improvement of marketing processes and cooperative relations (*Report on Marketing of Leaf Tobacco in the Flue-Cured Districts of the States of North Carolina and Georgia*. 54 p., processed, 5/23/31).

Tobacco Prices (Congress).--Inquiries with respect to a decline of loose-leaf tobacco prices following the 1919 harvest (H. Res. 533, 66th, 6/3/20) and low tobacco prices as compared with high prices of manufactured tobacco products (S. Res. 129, 67th, 8/9/21) resulted in the Commission recommending modification of the 1911 decree (dissolving the old tobacco trust) to prohibit permanently the use of common purchasing agencies by certain companies and to bar their purchasing tobacco under any but their own names (*Report of the F. T. C. on the Tobacco Industry*, 162 p., o. p., 12/11/20, and *Prices of Tobacco Products*, S. Doc. 121, 67th, 109 p., o. p., 1/17/22).

Trade and Tariffs in South America (President).--Growing out of the First Pan-American Financial Conference held in Washington, May 29, 1915, this inquiry (referred to F. T. C. 7/22/15) was for the purpose of furnishing necessary information to the American branch of the International high Commission appointed as a result of the conference. Customs administration and tariff policy were among subjects discussed in the *Report on Trade and Tariffs in Brazil, Uruguay-Argentina, Chile,*

Bolivia, and Peru (246 p., o. p., 6/30/16).

Twine.--See Sisal Hemp and Textiles.

Utilities.--See Power.

War Material Contracts (House), Wartime, 1941-42.--At the request of the House Committee on Naval Affairs, the Commission assigned economic and legal examiners to assist in the Committee's inquiry into progress of the national defense program (H. Res. 162, 77th, 4/2/41). The Commission's examiners were active in field investigations covering aircraft manufacturers' cost records and operation, naval air station construction, materials purchased for use on Government contracts, and industry expansion financing programs.

Wartime Cost Finding (President) 1917-18.--President Wilson directed the Commission (7/25/17) to find the costs of production of numerous raw materials and manufactured products. The inquiry resulted in approximately 370 wartime cost investigations. At later dates reports on a few of them were published,¹⁹ including: *Cost Reports of the F. T. C--Copper* (26 p., o. p., 6/30/19);

¹⁹ See footnote 10, p.122

Report of the F. T. C. on Wartime Costs and Profits of Southern Pine Lumber Companies (94 p., o. p., 5/1/22); and *Report of the F. T. C. on Wartime Profits and Costs of the Steel Industry* (138 p., 2/18/25). The unpublished reports ²⁰ cover a wide variety of subjects. On the basis of the costs as found, prices were fixed, or controlled in various degrees, by Government agencies such as the War and Navy Departments, War Industries Board, Price Fixing Committee, Fuel Administration, Food Administration, and Department of Agriculture. The Commission 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 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 Corporation Reports; Metal-Working Machines; Paperboard; Priorities; Production Cost Accounting; Steel Costs and Profits; and War Material Contracts.

²⁰ Approximately 260 of the wartime cost inquiries are listed in the F. T. C. Annual Reports, 1918, pp.29-30, and 1919, pp. 38-42, and in *World War Activities of the F. T. C., 1917-18* (69 p., processed, 7/15/40).

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