

Annual
Report
of the **FEDERAL
TRADE
COMMISSION**

For the Fiscal Year Ended
June 30, 1966

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ERRATUM

FEDERAL TRADE COMMISSION
1966 ANNUAL REPORT

PAGE 41, LINE 20 should read:

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

EXECUTIVE OFFICES OF THE FEDERAL TRADE COMMISSION

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Letter of Transmittal

FEDERAL TRADE COMMISSION,
Washington, D.C.

To the Congress of the United States:

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

By direction of the Commission.

PAUL RAND DIXON,
Chairman

THE PRESIDENT OF THE SENATE.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

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INTRODUCTION

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

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

One of the year's highlights was the adoption of Tire Advertising and Labeling Guides, which provide, among other things, that tire marketers and automobile manufacturers should inform consumers concerning tire load-carrying capacity and related inflation pressures to assist them in selecting the proper and safe tire for the use intended. They also contain specific provisions on the subject of plies and ply ratings, cord materials, and racing claims. Further, the guides cover various types of deceptive advertising claims for price reductions and savings, as well as deceptive guarantee representations. They further provide that guarantee adjustments be made on the basis of a price which realistically reflects the actual selling price of the tire, instead of an artificial, inflated price that, in the past, has given a purchaser less than the represented value of his guarantee.

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

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

In the important field of food and drug advertising where false or misleading claims exact a particularly heavy toll on the infirm and the elderly and on families trying to live within tight budgets, the FTC handled approximately 1,200 applications for complaint during the year and initiated 180 investigations. Among the special targets were questionable claims for vitamin and iron preparations, medicated lozenges, hemorrhoid preparations, analgesics, arthritis and rheumatism preparations, weight reducers, and meat products and freezer plans.

Another area of concentrated effort was the correction of false advertising and improper selling practices in the \$15 billion home improvement field. Some 60 investigations were initiated during the fiscal year, aimed at such evils as misrepresentation of the cost and character of residential siding, roofing, windows, paint, etc., and false assurances that benefits can be gained by permitting use of homes as "models."

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

The year produced a sharp increase over fiscal 1965—from 1,790 to 2,614—in informal assurances of voluntary compliance that instances of improper labeling, invoicing and advertising of textiles and furs would be corrected. Significantly, a lower percentage of deficiencies in relation to products inspected was noted; this reflects the effectiveness of FTC's educational efforts. It was necessary, however, to initiate 160 new investigations looking to the issuance of formal cease and desist orders. Fifty such orders were issued, as well as 51 formal complaints. And for the first time, more formal cases (79) were opened under the comparatively new Textile Act than under the Wool, the Fur, or the Flammable Fabrics Acts—a pattern very likely to continue.

In enforcing the Fur Act, emphasis was laid on halting deceptive pricing and recordkeeping, and by the year's end, violations appeared to have decreased. Attention also was paid to manufacturers of fur-trim coats and suits inadequately labeled.

More dramatic action came during the spring of 1966 when the FTC moved with speed and force to stop the sale of highly flammable sweaters, certain imported rayon and metallic cloth intended for use in ladies' skirts, and silk dress material found to be dangerously flammable.

Important as was the Commission's direct protection of consumers by halting business practices that would dupe them, an even greater effort in terms of money and manpower was made to stop monopolistic schemes which would deprive the American people of the benefits of fair competition in the marketplace.

With increasing effectiveness, FTC continued to encourage the business community to comply with the antimonopoly laws while persuading those businesses already violating them to halt the vio-

lations immediately and without litigation. Thus was the FTC better able to concentrate its fire on the indifferent and the defiant.

During fiscal 1966, the FTC received 1,450 applications for complaint from businessmen and the public, and 249 formal investigations involving trade restraints were initiated. Nearly 500 investigations were completed. The FTC issued 94 antimonopoly complaints and 94 orders to cease and desist.

The principal area of difficulty involved discriminatory practices prohibited by the Robinson-Patman Amendment to the Clayton Act. A total of 375 such cases were disposed of by informal action during the year, while 72 formal complaints were issued. Sixty-seven cases were concluded by consent orders, and seven more were issued in contested cases. Significant, too, is the fact that 39 cases were disposed of on the basis of the proposed respondent's assurance of voluntary compliance with the law, thus eliminating the need for costly and time-consuming investigations and proceedings.

A milestone was passed when 55 additional wearing apparel manufacturers signed consent cease and desist orders. These, together with previously issued consent orders to become effective on the same date, resulted in over 300 manufacturers of men's, women's, and children's wearing apparel being henceforth required to make their advertising and promotional allowances available to all competing customers on proportionally equal terms.

Another significant action was the Commission's launching of an educational and advisory program looking toward proper cooperative advertising and promotional allowance programs in the hardback and soft prestige paperback book publishing industry. Reaction of the American Book Publishers Council was most favorable, and many publishers, after consultation with FTC staff members, adopted advertising and promotional allowance programs available to all customers on a nondiscriminatory basis. Voluntary compliance efforts will continue to be pressed, but if they fail, enforcement procedures will be undertaken.

In enforcing the general trade restraint provision of the FTC Act, the Commission launched 107 investigations during the fiscal year, bringing to 254 the number pending at the year's end. These represented active inquiries into the practices of 110 different industries and their segments. The illegalities challenged included refusal to

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

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

Continuing its efforts to halt concentration in the dairy industry, the Commission issued a divestiture order against Beatrice Foods Co. and prohibited future acquisitions by the company. And in the Commission's effort to arrest a trend toward vertical integration in the cement industry, it issued consent orders against three companies: Texas Industries, Inc., Lone Star Cement Corp., and Ideal Cement Co. Additional cases are pending.

In the food retailing industry, FTC found that certain acquisitions by National Tea Co. violated the antimerger law and prohibited the company from making any acquisitions in the food retailing field for 10 years without Commission approval. It also issued an order against Consolidated Foods Corp. requiring substantial divestiture of grocery store acquisitions. This order was unique in providing that divestiture could be by outright sale or the assets to be divested could be transferred to a new corporation the stock of which could be sold to the public through an underwriter.

Three consent orders were issued in a move to arrest a developing merger trend in the department store industry. The main thrust of the orders was to prohibit future acquisitions for a specified period of years without FTC approval.

In defending Commission decisions appealed to the courts by respondents, the General Counsel handled 112 cases. Litigation was completed in 46 of these, of which 20 were restraint of trade matters and 12 involved deceptive business practices. The others involved other matters, such as suits against the Commission for declaratory judgment or injunction.

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

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

A promising beginning was made by the newly established Office of Federal-State Cooperation. Not only were the States referring an increasing number of complaints of interstate character to it (about 1 a day), but the Commission referred 37 complaints to the States for their investigation and enforcement. The Office also proposed new uniform State laws dealing with three areas of unfair practice to the Council on State Governments Committee on Suggested State Legislation.

While the Commission's enforcement bureaus were tackling law violations on whatever scale was most appropriate to the problem, the Bureau of Industry Guidance was making a companion effort to obtain compliance with the law by illuminating its requirements. Through issuance of rules and guides, as well as advisory opinions, the Commission was able to take fullest advantage of the willingness of most businessmen to keep their practices fair not only to consumers but to competitors.

Revised trade practice rules for the \$3 billion cosmetic and toilet preparations industry also were promulgated, with particular attention given to the deceptive use of names suggesting foreign origin for preparations made wholly or in part in the United States. The revised rules also dealt with discriminatory and deceptive pricing.

Other rulemaking proceedings were being advanced as the fiscal year ended. These included revisions of rules for the watch case industry, and the beauty and barber equipment and supplies industry, and a public hearing on the practices of firms publishing toy catalogs.

Whether guidance was being ignored was a matter of deep concern to the Commission, hence compliance surveys were undertaken in several industries. The 400 rule and guidance compliance matters disposed of on the basis of assurances that the practices in question had been discontinued was an increase of 41 percent over fiscal 1965.

Important work was accomplished in promulgating Trade Regulation Rules. Of great public interest was one aimed at deception in describing the size of pictures shown by television receiving sets. The new rule provides that when size representations are made, they must be in terms of the actual size of the viewable picture area measured on a single plane basis. The rule, which becomes effective January 1, 1967, will affect size representations made for the 11 million TV sets sold annually.

A public hearing has been scheduled on a proposed rule of perhaps even greater significance inasmuch as it is the first Trade Regulation Rule proceeding dealing with advertising and promotional allowances under the Robinson-Patman Act. The proposed rule concerns these matters as they apply to the men's and boys' tailored clothing industry, involving 450 firms having annual sales exceeding \$1 billion.

In addition to preliminary work on several other possible rules, the Bureau of Industry Guidance also participated with other FTC bureaus in public hearings on alleged discriminatory pricing practices in the marketing of gasoline, and alleged unlawful mergers and acquisitions in the cement industry.

Surveys were nearly completed during fiscal 1966 to determine the extent of compliance with certain Trade Regulation Rules already issued. Results thus far indicate a high degree of compliance.

Businessmen continued to make ever greater use of advisory opinions. A total of 210 new requests for opinions were received during the year, of which 46 were provided formally by the Commission and 54 were handled satisfactorily at staff level. In all, 217 matters were disposed of, with 41 pending at the fiscal year's end. A useful service developed during the year was making public digests of these

advisory opinions whenever possible without disclosure of the identity of the requesting parties. Even more important, these digests have been instrumental in persuading many businessmen not to embark upon actions when it became plain the FTC regarded them as illegal.

The FTC's field staff played an increasingly important role during the fiscal year. Not only did it complete investigations in 1,079 matters, but it disposed of 124 of them through the use of voluntary compliance procedures at the investigative stage as soon as it became apparent that the law had been violated. In addition, 31 cases were settled through the initiation by field attorneys of consent procedures, thereby removing the need for protracted and expensive adversary proceedings. However, as this greater utility of the field staff became apparent, its reward was more work, with the result that its caseload holdover at the end of 1965 was 568 and the caseload holdover at the end of 1966 was 726 or an increase of 27 percent. This was due primarily to an increase of referrals and a decrease in the number of attorneys. Referrals to the field staff from the FTC bureaus increased from 1,013 cases in fiscal 1965 to 1,237 in fiscal 1966.

In addition, the field staff was called upon to conduct special inquiries, including one into the use of unfair and deceptive practices whereby the poorest financially were being subjected to excessive charges and credit terms. In this work, the staff cooperated with the Office of Economic Opportunity and its legal aid centers. Another major investigation sought information on whether certain mail order insurance companies were misrepresenting in advertising designed to reach parents of servicemen that their insurance had some connection with the insurance program of the armed services. Still another major investigation sought information on whether FTC's Guides Against Deceptive Advertising were being heeded. More than 200 reports were submitted by the field offices, and from these, 116 full-scale investigations were ordered.

The field staff also began a survey in 12 metropolitan centers to determine whether the advertising of reductions in price and savings claims in the sale of automobile tires complied with FTC's Tire Advertising Guides. This survey was begun during the last 60 days of the fiscal year and will be continued into fiscal 1967.

An important innovation in the work of the 155 attorneys assigned to field offices was their assignment to fill a much more active role

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

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

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

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

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

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

PHOTOGRAPH - -- SEE IMAGE

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

THE INDUSTRY GUIDANCE PROGRAM

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

Trade Practice Rules and Guides

Tire Advertising and Labeling Guides were adopted after public hearings were held before the full Commission. The guides are comprehensive and deal with a variety of tire marketing practices considered to be unfair or deceptive. Because of the nature of the practices involved and the large segment of the public affected, the Commission regards these guides as affording consumer protection in an area in which it is vitally needed.

In the area of tire safety the guides provide, among other things, that tire marketers and automobile manufacturers inform consumers concerning tire load-carrying capacity and related inflation pressures to assist them in selecting the proper and safe tire for the use intended. They also contain specific provisions on the subjects of plies and ply ratings, cord materials, and racing claims.

The guides also deal specifically with various types of deceptive advertising claims of price reductions and savings, as well as deceptive guarantee representations. They further provide that guarantee adjustments should be made on the basis of a price which realistically reflects the actual selling price of the tire. Adjustment of

guarantees on the basis of an artificial, inflated price had in the past resulted in the purchaser receiving less than the represented value of his guarantee.

The new Tire Guides are regarded as an important step in the long history of Commission actions directed at deceptive practices employed in the marketing of automobile tires.

Revised trade practice rules for the \$3 billion cosmetic and toilet preparations industry also were issued. In revising these rules particular attention was given to the problem concerning the deceptive use of names suggesting foreign origin for various cosmetic and toilet preparations wholly or in part of domestic manufacture. The new rule provides for these names to be accompanied by a clear disclosure that the product was made, compounded, mixed, blended, or diluted in the United States. Among other subjects dealt with in the revised rules are discriminatory and deceptive pricing, inducing breach of contract, and use of lottery schemes.

The trade practice rules for the optical products, and residential aluminum siding industries also underwent some revision to bring them into conformity with current legal requirements.

Other rulemaking proceedings looking toward the promulgation of new rules or the revision of old rules were advanced and in various stages of completion at the close of the fiscal period. Public hearings were held or scheduled on proposed revisions of the rules for the watchcase industry and the use of such terms as "waterproof," "shockproof," "nonmagnetic," and similar designations as applied to watches, watchcases, and watch movements, as well as a public hearing on the subject of failing to disclose the foreign origin of these and related products. A public hearing was also held on the practices of firms publishing toy catalogs. A trade practice conference was conducted for the iron pipe fittings and unions industry, and informal conferences held with representatives of several industries looking toward the initiation of new proceedings or the revision of existing rules or guides. The rules for the lime and multicolored printers of transparent and translucent materials were rescinded.

The compliance program to insure compliance with existing rules and guides continued to show increasingly effective results. New compliance surveys were initiated under the trade practice rules for the household furniture industry and the luggage and related

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

The number of rule and guide compliance matters disposed of on the basis of assurances that the practices in question had been discontinued increased by 41 percent over the preceding fiscal year. During the year the Bureau disposed of 400 matters in this manner as compared with 283 the preceding year. Many of these voluntary corrections resulted from the several compliance surveys previously initiated. For example, 202 matters involving practices questioned under the shoe guides were disposed of on the basis of appropriate assurances that the practices had been discontinued. At the close of the fiscal year, 389 matters were pending and receiving attention under the rule and guide compliance program.

More than 1,300 interpretations of rules and guides were given businessmen seeking advice as to the application of particular provisions to their business practices.

Trade Regulation Rules

A trade regulation rule dealing with deceptive representations as to the size of television pictures was promulgated. Based on information developed in this rulemaking proceeding the Commission concluded that the public was deceived when the size of the pictures shown by television receiving sets was represented in terms of the overall dimensions which are invariably larger than the dimensions of the actual picture. The rule provides that when size representations are made they must be in terms of the actual size of the viewable picture area measured on a single-plane basis. The rule, which becomes effective January 1, 1967, will affect size representations made for the 11 million television sets sold annually having an aggregate value of almost \$2 billion.

A public hearing has been scheduled on a proposed trade regulation rule concerning the granting of advertising and promotional allowances by members of the men's and boys' tailored clothing in-

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

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

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

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

lated articles worth \$40 million were sold to the public; 150 million gallons of reclaimed used oil worth \$20 million were distributed, and an estimated 5,200,000 binoculars and field glasses worth approximately \$16 million were sold through sporting goods stores, department stores, and similar establishments.

Advisory Opinions

The work of the Division of Advisory Opinions has shown a consistent pattern of year-to-year increase since its inception in June 1962. Fiscal 1966 saw a continuation of this pattern with a further increase both in the number of requests received and in work output. Two hundred ten new requests for opinions were received during the year, of which 46 were the subject of formal advisory opinions by the Commission and 54 were disposed of by staff level opinions where that method of treatment appeared to be more appropriate. In all, 217 matters were disposed of by Commission or staff action. Forty-one matters were pending for disposition at the close of the year.

The substance of the advisory opinions requested and rendered during the year continued to reflect the most sensitive areas of trade regulation enforcement as well as to raise complex and novel points of law. For instance, franchising is becoming an increasingly prevalent form of doing business and various forms of franchise agreements have been the subject of several lawsuits by the antitrust enforcement agencies. This has generated a number of requests for opinions concerning the legality of contemplated franchise agreements and has resulted in several Commission opinions where such did not conflict with pending litigation.

So-called tripartite promotional arrangements involving various forms of in-store promotions devised by independent middlemen and financed by large groups of suppliers continued to constitute the single largest category of opinions requested.

Questions involving the disclosure of the origin of products imported in whole or in part from foreign countries were the subject of several new opinions, as were a number of inquiries concerning the sale of merchandise by means of lotteries or games of chance. Additionally, the requests called upon the Commission to rule upon the legality of arrangements for advertising in toy catalogs, the payment of brokerage under the Robinson-Patman Act, the formation

and proposed operation of an agricultural cooperative, the formation of an export trade association and, as always in view of the continuing concern with the growing economic concentration in American industry, a number of premerger clearance requests.

One of the highlights during the year was the implementation of an earlier Commission decision to make public digests of its advisory opinions wherever possible without disclosure of the identity of the requesting parties. This step was taken in response to urgent requests from businessmen, the trade press and members of the bar and after the Commission had concluded that the legal guidance contained in its opinions should be made available to the business community in general rather than just to the individuals who had requested them.

Since this step entailed publication of all possible advisory opinions to date, the staff has been engaged not only in the preparation of digests of current opinions as they are prepared, but also in the publication of digests of earlier opinions rendered since the inception of the program. The total number of digests which had been made public by the end of the year reached 68 with the remainder scheduled for release early in fiscal 1967, at which time publication of these digests will be on a current basis.

Many businessmen have advised that the publication of these digests has been instrumental in persuading them not to embark upon proposed courses of action which they might otherwise have pursued had not they been made aware of the fact that the Commission regarded the practices as illegal.

COMBATING DECEPTION OF THE CONSUMER

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

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

During fiscal 1966, the Commission received 45 percent more complaints of deception from consumers and competitors than during the previous year. The reason is not certain; either there was an increase in deception, or, and more likely, consumers and businessmen, having become increasingly aware of FTC's purpose and capacity, turned to it for help.

For the Commission's limited staff to cope with the volume of deceptive practice work confronting it, requires careful planning so that sufficient effort will be expended on those matters reflecting the highest degree of public interest. After investigation establishes the character and extent of a problem, an attempt is first made to accomplish correction by informally educating an industry as to what is illegal and alerting the public on how to avoid being victimized.

The Bureau of Deceptive Practices backstops the guidance approach by searching out any who choose not to reform voluntarily, and seeks to enforce compliance by compulsory proceedings. For

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

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

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

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

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

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

siding, roofing, windows, etc. Experience indicates that there are always some entrepreneurs who engage in deceptive practices to induce homeowners to purchase their products. Therefore, the practices of the members of the industry require continuing consideration from fiscal year to fiscal year, particularly since the identity of the "members" keeps changing. Some of the deceptive practices relate to false savings claims, bait and switch tactics, deceptive guarantees and the use of the "model" home pitch by which the purchaser is to receive a bonus if the showing of his home results in a sale. This "bonus" potential does not materialize for the purchaser. In fiscal 1966, 60 investigations were initiated.

Economy-minded housewives sewing for themselves and their families deserve protection in making their once-in-a-lifetime purchase of a sewing machine. The Bureau of Deceptive Practices has observed highly questionable tactics being employed by some retailers. A cabinet is offered "free" with the purchase of a sewing machine to "selected" consumers, when it appears that the price for the machine is that usually charged for the combination. Representations that persons have been specially selected to receive such an offer frequently are false--anyone is welcome to buy on such terms. "Bait-and-switch" tactics are employed. A machine is advertised in glowing terms, at an attractive price. When the customer is disappointed in her examination of the machine, an effort is made to induce her to buy a model substantially more expensive.

The Commission has jurisdiction over mail order sales of health, accident and life insurance when the companies are not registered in the States where they are doing business so as to be regulated by that State. Practices by some of the companies include misrepresentation of the coverage provided, terms and conditions of sale and renewability, and a variety of others. Action to stop such practices was initiated in several cases during the year and the investigation is continuing.

Retailers located in the District of Columbia are subject to the Federal Trade Commission Act even though they do not do business across State lines, as is required elsewhere. An intensive pilot program has been initiated in Washington to eliminate consumer deception and demonstrate what can be accomplished by concerted effort in other cities. Several inquiries have been completed and a sub-

stantial number of others are being expedited. The charges under investigation include a wide range of deceptive practices and are expected to support numerous corrective actions.

Matters having an impact upon the public health are accorded high priority attention. The advertising of vitamin and mineral preparations to prevent and treat a variety of such common, vague symptoms as tiredness, fatigue, loss of energy and "feeling old," is especially attractive to a large share of the population, especially to older persons. It is to be expected that sales of such products are estimated to be in the neighborhood of \$200 million, and advertising expenditures \$15 million, annually.

The Commission has a dual role to play in connection with the advertising and sale of cigarettes. It is charged with responsibility for the prevention of unfair methods of competition and unfair and deceptive practices, as in the case of other products. Congress has also directed the submission of periodic reports concerning (a) the effectiveness of cigarette labeling, (b) current practices and methods of cigarette advertising and promotion, and (c) such recommendations for legislation as it may deem appropriate.

The Bureau of Deceptive Practices is maintaining liaison with the Department of Health, Education, and Welfare, and other knowledgeable agencies in and out of Government, in order to meet these responsibilities. All advertising and promotional practices are being carefully analyzed. To assist in developing additional highly important data, such as the tar and nicotine content, the Commission has authorized the establishment of a cigarette smoking laboratory.

During the fiscal year, a number of investigations (industrywide and covering national sales) were started relating to whether toys were being so packaged as to create a false impression of the size or quantity of the contents. After completion of this project, it is anticipated that the packaging of other commodities will be considered where there is information indicating "slack filling." This is not only misleading to consumers but is unfair to competitors who are not "slack filling" their packages.

Division of Compliance

This Division has the continuing responsibility of obtaining and maintaining compliance with cease and desist orders issued to prevent

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

Newly issued orders require each respondent to submit a written report supported by relevant documentary material demonstrating the manner and form of compliance with the order. Conferences with respondents and their attorneys are frequently required, together with considerable followup correspondence. In many cases the Commission, on the recommendation of the Division, directs that reports be augmented by supplemental reports or investigations.

Frequently, respondents request prior Commission clearance as to whether proposed advertising and other promotional programs accord with requirements of the Commission's orders. Under the Commission rule pertaining to compliance matters, any respondent subject to an order may request and receive advice from the Commission as to whether a proposed course of action will constitute compliance.

The following are examples of civil penalty cases concluded during fiscal 1966:

Vitasafe Corporation, et al.—The order in this case prohibits the respondents from falsely representing that merchandise is offered free; from shipping and attempting to collect for unordered merchandise, and for refusing to cancel orders for undelivered merchandise. Judgment in the amount of \$18,000 and a permanent injunction was entered in the U.S. District Court for the Southern District of New York. This is the first litigated penalty case where a permanent injunction commanding obedience to a Commission order was obtained.

Americana Corporation, et al. The order in this case prohibits respondents from fictitious pricing and engaging in other deceptive acts or practices in connection with the interstate sale of sets of encyclopedias. Judgment in the amount of \$100,000 was entered in the U.S. District Court for the District of Maryland.

Comparative Workload, Fiscal Years 1965 and 1966

A comparison of the statistics regarding the Division's caseload during fiscal 1965 and 1966 is as follows:

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

Division of Scientific Opinions

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

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

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

The subject matter of the written opinions was as follows:

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

THE FIGHT FOR FAIR BUSINESS COMPETITION

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

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

In the area of antimonopoly, the Commission's responsibilities arise from enforcement of section 5 of the Federal Trade Commission Act and four sections of the Clayton Act, including section 2, as amended by the Robinson-Patman Act. The basic idea behind both the FTC and Clayton Acts was to prevent the development of monopolistic empires founded upon unfair methods of competition and discriminatory pricing battles. Such a development would eventually exact a cruel price from consumers for the goods and services they need.

During fiscal 1966, the Commission's Bureau of Restraint of Trade received 1,450 applications for complaint from businessmen and the public. Those applications which appeared to have merit and over which the Commission had jurisdiction were entered for investigation. Two hundred and forty-nine formal investigations involving restraint of trade were initiated, and 492 formal investigations were completed. The Commission issued 94 antimonopoly complaints. The Commission issued 94 orders to cease and desist, 83 of which were consent settled and 11 obtained in contested cases. Three consent orders were obtained subsequent to issuance of formal complaints.

A substantial portion of the Commission's investigations and proceedings in the restraint of trade field involve discriminatory prac-

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

Informal cases:

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

Formal cases:

Complaints issued	72
Contested orders	7
Consent orders	67
Dismissed	4
Cases pending litigation, June 30, 1966	14

Continued emphasis was given to securing voluntary compliance with the Robinson-Patman Act in single and in group cases without resorting to costly and time-consuming investigations and proceedings. Disposition was made of a total of 39 cases involving violations of the act on the basis of the proposed respondent's assurance of voluntary compliance, i.e., that the illegal practices had been discontinued and will not be resumed in the future.

By means of a press release, the Commission inaugurated an educational and advisory program in a major attack on widespread violations of section 2(d) in the hardback and soft prestige paperback book publishing industry. To encourage industry cooperation in this endeavor, the Commission made the staff of this Division available to publishers for advice and guidance in the formulation of cooperative advertising and promotional allowance programs which meet the requirements of the act.

The Commission also promised that no action would be taken against the publishers for past violations. The American Book Publishers Council enthusiastically endorsed this program and under its auspices members of the staff explained to over 150 publishers the requirements of section 2(d) of the act. A large number of publishers, after consultation with members of the staff, adopted advertising and promotional allowance programs which are available to all customers on a nondiscriminatory basis. The Commission's efforts toward achieving industrywide compliance in the publishing

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

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

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

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

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

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

and receiving discriminatory prices from suppliers of merchandise in violation of section 2(f) of the act. In Beatrice Foods Co., Inc. (D-8663), respondent is charged with selling fluid milk and dairy products to the Kroger Company at lower discriminatory prices in violation of section 2(a) of the act, and the Kroger Company is charged with inducing and receiving discriminatory prices in connection with such purchases in violation of section 2(f) of the act.

In Best & Co., Inc. (D-8669), a large retailer of wearing apparel and accessories is charged with knowingly inducing and receiving discriminatory advertising and promotional allowances from suppliers in violation of section 5 of the Federal Trade Commission Act.

In Suburban Propane Gas Corporation (D-8672), the world's largest independent distributor of liquid petroleum gas is charged with inducing and receiving discriminatory prices in the purchase of this product from suppliers in violation of section 2(f) of the act.

In the enforcement of the general trade restraint provision contained in section 5 of the Federal Trade Commission Act, relating to unfair methods of competition or unfair acts or practices, the Commission's attainments not only included the prohibition of restrictive practices by enforcement procedures, but also added emphasis on securing assurances of voluntary compliance and amicable adjustment of incipient violations of section 5 of the Federal Trade Commission Act.

The extent of the Commission's enforcement activity in this area is reflected by the following summary of the Division of General Trade Restraint's casework in fiscal 1966.

Informal cases:

Initiated	107
Disposed of during year	78
Pending, June 30, 1966	254

Formal cases:

Complaints issued	9
Contested orders	1
Consent orders	7
Dismissed	2
Cases pending litigation, June 30, 1966	7

The 107 investigations initiated in the fiscal year, and the total of 254 investigations pending as of June 30, 1966, represented active inquiries in 110 different industries or segments thereof.

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

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

In furtherance of the Commission efforts at coping with violations in their incipiency, the Division of General Trade Restraints used its small business procedure in 111 new letters of complaints and arranged for satisfactory conclusions in approximately 45 of such matters.

On July 1, 1965, there were 37 small business matters pending, and on July 1, 1966, there were 31 matters pending.

Of the several matters involving the issuance of cease and desist orders, a consent agreement was obtained in Armstrong Cork Company (C-1010) together with an order requiring Armstrong to cease and desist from conspiring to fix the resale price of its flooring and from discriminating in price between and among its distributors. Another consent proceeding involving price fixing was Freeman Shoe Corp. (C-1007). The order precludes both vertical and horizontal price fixing.

In Powernail Company (C-1038), a manufacturer of floor nailing equipment was ordered to cease and desist from using a resale price maintenance scheme in the sale of its products. The respondent was further required to reinstate all dealers refused distribution of Powernail's product because of their failure to conform to the resale price maintenance plan. Similarly, in Nutri-Bio Corp. (C-1056) respondents were required to cease and desist from establishing and promoting a resale price maintenance plan.

In the complaint in Paillard, Inc. (C-914), the Commission charged violation of section 5 of the Federal Trade Commission Act through the use of illegal price fixing agreements in the sale of its Bolex still cameras to its franchised dealers throughout the United States. More specifically, the Commission charged that although

respondent's franchise agreements contained a disclaimer for non-fair-trade States, respondent had continued to enforce, or attempt to enforce, the price maintenance articles of the agreements in all States. Additionally, the Commission charged, inter alia, that respondent policed its dealers and distributors for price adherence, and cajoled or urged its dealers by letter in an effort to maintain the suggested list prices. An agreed-upon order now precludes these activities. Respondent in Fairchild Graphic Equipment, Inc. (C-1013), in leasing an engraving machine known as Scan-A-Graver was requiring the lessees to buy the unpatented plastic engraving plater from Fairchild. Respondent also used other techniques to force the purchase of its products and to discourage the use of competitors' products. An agreement was entered into whereby these practices were halted.

At the close of the year, three formal matters were in litigation. The first of these was the Sperry and Hutchinson Corp. (D. 8671). The complaint charged, essentially, that S. & H. individually and in conspiracy with others was fixing the rates at which trading stamps were being dispensed by retailers; and further that S. & H. was preventing trading stamp exchanges from openly redeeming stamps. The second such matter is Henderson Tobacco Market Board of Trade, Inc. (D. 8684). The complaint charged the Henderson Tobacco Market Board of Trade, Inc., and certain of its warehouse members with restricting competition in the purchase, sale and distribution of flue-cured tobacco in the Henderson, North Carolina market. The third formal matter involves Balfour Co. (D. 8435), wherein the respondent is charged with maintaining a monopoly in the fraternity jewelry field, attempting to monopolize in the high school ring field, and other unfair methods of competition.

In exercising its responsibilities for enforcement of the Celler-Kefauver Anti-Merger Act, the Commission has allocated a major portion of its resources to competitive and more sensitive industries. At the same time, it has sought to provide businessmen with guidance as to the requirements of the act so as to avoid, wherever possible, the necessity for litigation.

The extent of the Commission's enforcement activity in this area is

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

Informal cases:

Initiated	52
Disposed of during year	39
Pending, June 30, 1966	108

Formal cases:

Complaints issued	13
Contested orders	3
Consent orders	9
Dismissed	1
Cases pending litigation, June 30, 1966	13

In the dairy industry, a fourth major case, Beatrice Foods Co. (D. 6653), resulted in a Commission order of divestiture and a 10-year prohibition against future acquisitions, and is now on appeal in the Court of Appeals. A novel victory was gained in a new dairy case, Dean Foods Co. (D. 8674), when the Commission sought a preliminary injunction under the All Writs Act, 28 U.S.C. 1651. Although denied in the Court of Appeals, the Commission's right to seek such injunctions was upheld by the Supreme Court of the United States on June 13, 1966. This opens the door in appropriate instances where irreparable injury may result, for similar petitions in the future and overcomes a persistent weakness in the Commission's ability to effectively enforce the antimerger statute.

In dealing with the present trend toward vertical integration in the cement industry, the Commission accepted consent orders against Texas Industries, Inc. (D. 8656), Lone Star Cement Corp. (C-1075), and Ideal Cement Co. (D. 8678). The hearing examiner's dismissal of cases against National Portland Cement Co. (D. 8654) and U.S. Steel Corp. (D. 8655) have been appealed to the Commission. An active enforcement policy continues, with an additional two complaints being issued against Lehigh Portland Cement Company (D. 8680) and Marquette Cement Manufacturing CO. (D. 8685).

In the food retailing industry, the Commission determined that a series of acquisitions by National Tea Co. (D. 7453) violated section 7 of the Clayton Act, and the company was enjoined for 10 years from making any acquisitions in the food retailing field without prior Commission approval. In a second case, Consolidated Foods Corp. (C-1024), a consent order was entered in which substantial

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

WOOL, FUR, TEXTILE,
AND FLAMMABLE FABRICS ACTS
ENFORCEMENT

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

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

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

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

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

3 PHOTOGRAPHS - SEE IMAGE

In fiscal 1966 the Bureau of Textiles and Furs of the FTC made 12,625 inspections on the manufacturing, wholesaling, and retailing level. At top an FTC investigator is checking the textile products labeling requirement in a retail store. Middle photo shows an investigator checking the manufacturing operation of nylon hose to make certain the completed article is properly labeled as to the contents. Bottom photo shows an investigator checking labels on furs in a vault. It is the usual practice of furriers to keep their more valuable furs in a vault and to display only a few of them in the store at a time.

in fiscal 1966 but, since the maximum effect had been achieved, emphasis on the program was decreased during the year.

Forty-two recommendations for complaint were forwarded to the Commission. Fifty cease and desist orders were issued and 56 complaints were approved for issuance. One hundred and sixty-five cases were recommended for closing during the year. Excluding flammable fabrics cases, this represents a 5-percent increase over the preceding year.

Of considerable interest is the distribution of cases as to the four acts administered by the FTC. The following table shows the distribution of cases in 1962 as compared with 1966:

Act	July 1, 1962		July 1, 1966	
	Number	Percent of total	Number	Percent of total
Wool	30	14.9	70	32.9
Fur	118	58.1	52	24.4
Textile	28	13.7	79	37.1
Flammable fabrics . .	27	13.3	12	5.6
Total	203	100.0	213	100.0

The number of cases opened under the Textile Act, which is the newest act administered by the FTC, now comprises the largest block of cases on the docket. It is expected that this pattern will continue in the future.

The Division of Enforcement continued its efforts during the year to prevent the misbranding of wool products, with 62 cases on the docket at the beginning of the fiscal year and 37 new cases added during this period. Eighteen cease and desist orders were issued under the Wool Act. Two cases were docketed for trial, and 24 closing recommendations were made. A substantial number of these cases involved the misbranding of imported wool products, such as mohair and wool sweaters and hand-knitting yams, and two such cases involving imported mohair sweaters have been docketed for trial, R. H. Macy & Co., Inc. (D. 8650), and Sportempos, Inc. (D. 8683).

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

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

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

In fiscal 1965 complaints were received that woolen braided rugs were being imported from the Orient and labeled as 100 percent wool, whereas the wool content was substantially less and the rugs contain considerable amount of other fibers. Wool floor coverings are exempt from the Wool Act, but they are included under the Textile Act.

An investigation was conducted to determine to what extent importers of tubular and braided rugs have been failing to properly label their products and to consider the feasibility of obtaining industrywide compliance. The investigation revealed that there was little doubt that many firms engaged in marketing these rugs were aware that their merchandise was misbranded. It also revealed that other importers were properly labeling their products. The survey showed that the fiber content of the floor coverings can be controlled and the Japanese producers have informally assured the Commission that steps are being taken to have the subject rugs comply with the Textile Act in all respects. To date some 25 firms have been checked and investigations have been initiated against 11.

It is also to be noted that the Commission laboratory which operates

as a part of the Division of Enforcement was successful in developing a method of separating acrylic fibers from various other fibers. This factor has been instrumental in allowing the Division to proceed with several cases involving products containing this fiber.

In April of 1966 a complaint was received that certain sweaters manufactured by Leeds Manufacturing Co., a New York corporation, might be dangerously flammable. An investigation confirmed that the sweaters were in fact dangerously flammable, and nationwide television and radio news programs so informed the public. One of the sweaters burned during a broadcast as a demonstration was completely consumed in 43 seconds.

A temporary restraining order was obtained in the U.S. district court in New York on April 22, 1966, and this order was enlarged into a preliminary injunction on April 28, 1966. The offending sweater manufacturer was put under an order by the Commission on May 16, as was the distributor of the fabric on June 27, 1966. Action is also being taken against the manufacturer of the fabric from which the sweaters were produced.

In the spring of 1966, dangerously flammable imported rayon and metallic cloth intended for use in ladies' skirts, blouses, and dresses was found in New York. Action by the FTC together with the cooperation of the distributor, resulted in the fabric being taken off the market. All but less than 100 yards out of 2,600 yards of the dangerously flammable fabric was recovered from the shops to which it had been distributed.

The Compliance Section of the Division of Enforcement commenced the year with 110 compliance cases on its docket. During the year, 99 cases were added to the calendar (51 new orders assigned for procurement of satisfactory compliance reports and 48 matters reopened for compliance investigation and processing). Of this total assignment of 209 cases, 104 were completed.

Continued emphasis has been placed on counseling respondents. Chainstore operators have been encouraged to submit for review and comment drafts of instructions to store and department managers regarding compliance with orders. Respondents who use promotional catalogs, found particularly in the growing number of cases brought under the Textile Act, are encouraged to submit proofs of revised catalogs prior to final printing.

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

PHOTOGRAPH - SEE IMAGE

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

FOLLOW THROUGH IN LAW ENFORCEMENT

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

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

matters to the local U.S. attorney who in turn accepts the services of the General Counsel to actually handle these matters.

In fiscal 1966, the General Counsel, through the Division of Appeals, handled 112 cases. Litigation was completed in 46 of these, of which 20 were restraint of trade matters; 12 involved deceptive business practices; 1 concerned the Commission's subpoena powers; and 13 were extraordinary matters such as suits against the Commission for declaratory judgment or injunction. Included in the latter category this year were three requests by courts for the Commission to file amicus curiae briefs, and one proceeding by the Commission for temporary injunction under the Flammable Fabrics Act.

Two most unusual accomplishments make this fiscal year historical in the General Counsel's Office: the Commission through the office of the Solicitor General and the General Counsel's Office obtained from the Supreme Court confirmation of its right to seek an injunction from the appellate courts to prevent actions of respondents which would nullify a Commission order, and a court order sustaining the Commission, see *Dean Foods Co.* (D. 8674); also the Commission obtained from the Supreme Court confirmation of the criminal contempt jail sentence of 6 months' imprisonment for the president of a respondent company for violation of a Commission cease and desist order, *Holland Furnace* (D. 6203). The importance of the first of these two accomplishments cannot be truly evaluated, it must be tested in the coming years of Federal Trade Commission law enforcement.

(The status of the more important court cases at the year's end is outlined in app. A of this report.)

The Division of Consent Orders, which processes the great majority of the FTC formal enforcement proceedings, supervises the negotiation of consent orders to be entered in appropriate cases. A total of 124 executed agreements containing consent orders was forwarded to the Commission for its consideration in fiscal 1966; 41 matters were resubmitted to the Commission for consideration when negotiations failed to produce agreement; and 311 review, interim report and special assignment matters were completed. The Division of Consent Orders uniquely serves the interest of the public and the business community by affording a means whereby the law is enforced

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

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

The 1918 Webb-Pomerene Act, entitled "An act to promote export trade, and for other purposes," qualifiedly exempts registered American associations from the provisions of the Sherman Act of 1890 and the Federal Trade Commission and Clayton Acts of 1914 insofar as their activities relate solely to export trade. Under the provisions of this act, associations are permitted to fix prices and quotas, pool products for shipment, and establish terms and conditions of sales to foreign markets. Thirty-two registered associations in 1965 exported \$1,138,491.16 in American products to foreign markets.

With the acceleration of the Commission's industry guidance programs, and with the development of procedures for handling vastly increased caseloads, the General Counsel has assigned, on a selective basis, members of his staff to assist the operating bureaus in their conduct of rulemaking proceedings, preparation of subpoenas and orders to file special reports, and the development of special procedures to handle special situations. As an indication of the volume of this work, though not as definitive of its nature or importance, the Assistant General Counsel for Voluntary Compliance reviewed for content and efficacy, and prepared opinions concerning, 21 resolutions authorizing use of compulsory process, on which 72 subpoenas duces tecum were issued; seven subpoenas testificandum, 51 orders to file special reports (general), 44 special orders (Economic Quarterly Financial Reporting Program), and 28 notices of default filed preliminarily to enforcement action.

The newly established Office of Federal-State Cooperation within the General Counsel's Office opened its doors with such ready accept-

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

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

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

LEGISLATION NEEDED

The Commission has urged the enactment of laws which would:

1. Amend section 7 of the Clayton Act (15 U.S.C. 18) by requiring proper notice to the Federal Trade Commission and other appropriate agencies of proposed mergers of corporations of significant size, at least one of which is engaged in interstate commerce.

2. Amend section 2(e) of the Wool Products Labeling Act (15 U.S.C. 68(e)), which defines a wool product, so that it will read as follows:

The term "wool product" means (1) any fibers or fibrous materials, including fibers or fibrous materials reclaimed from other products, which are, contain, or in any way are represented as containing wool, reprocessed wool, or reused wool, and (2) any yarn, fabrics or other product containing or made in whole or in part of such fibers or fibrous materials.

3. Amend section 2(d) of the Flammable Fabrics Act (15 U.S.C. 1191(d)) so as to include blankets which are dangerously flammable.

4. Amend section 5(a) of the Clayton Act (15 U.S.C. 16(a)) so as to include a final order of the Federal Trade Commission; that is, amend section 5(a) to read:

A final judgment, decree or final order to cease and desist of the Federal Trade Commission heretofore or hereafter rendered in any civil or criminal proceeding brought by or on behalf of the United States under the antitrust laws to the effect that a defendant or respondent has violated said laws shall be prima facie evidence against such defendant or respondent in any action or proceeding brought by any other party against such defendant or respondent under said laws or by the United States under section 4A, as to all matters respecting which said

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

THE ROLE OF ECONOMIC STUDIES AND EVIDENCE

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

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

Industry Analysis

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

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

the small- to medium-sized tire producers have themselves been acquired by their larger competitors.

The report points out that the tire industry is among the most highly concentrated in our economy. In 1958, for example, the four leading companies accounted for 88 percent of value of shipments of tires. As a result of mergers and exits from the industry, the number of remaining companies manufacturing tires declined from 23 in 1945 to 14 in 1965.

The primary reason for the high degree of concentration appears to lie in the field of distribution. Through time large tire producers have built up strong brands, extensive distribution networks of franchised dealers, and company-owned stores. In the early years of the industry, leading tire manufacturers gained an advantage through their position as suppliers of original equipment tires to the automobile industry and, as production of automobiles expanded, these companies were able to trade upon the reputation to build strong distribution networks for sale of replacement tires.

Tire manufacturers sell in two major and distinct markets: Original equipment sales to automobile manufacturing companies, and replacement sales to car and truck owners. The replacement market, which accounts for about two-thirds of all tire sales, is served by a variety of distribution outlets. These include not only traditional independent tire dealers, but also gasoline service stations, chain and mail-orders stores, and leased departments in department stores.

The report points out that in recent years, important changes have taken place in the pattern of replacement tire distribution. The most significant of these has been the decline in sales through independent tire dealers, and the growth of distributor or private-label sales by large oil companies and chainstores (fig. 1). In addition, new channels of distribution, such as leased departments have grown in importance. These changes have altered the relationship between tire manufacturers and their customers. Large oil companies and chains who individually purchase millions of dollars worth of tires a year have much greater bargaining power than small independent dealers. The growth in sales by such large distributors has tended to restrict the exercise of market power by major tire companies.

Despite the concentrated structure of tire manufacturing, profit rates in the postwar period have been lower than those of some other

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

GRAPHIC - SEE IMAGE

highly concentrated industries. In recent years profits have been near those of all manufacturing. It appears that changes in the structure of distribution has limited leading firms in the industry from developing the type of stable, market sharing pattern found in many such highly concentrated oligopolistic industries.

The report points out, however, that recent acquisitions, both vertical and horizontal, may have seriously eroded competitive elements in the industry. The gradual disappearance of the competitive fringe of smaller tire manufacturers and the acquisition of distribution outlets by major tire producers may lead to a lessening of competition in the future. In view of the already highly concentrated structure of the industry, further horizontal or vertical acquisitions (except of small individual dealers) almost certainly could cause a further deterioration in the competitive behavior of the industry.

Mergers and Vertical Integration in the Cement Industry.--This report reviews recent developments in the cement and ready-mixed concrete industries with particular reference to the merger movement

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

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

Despite the growth in output and capacity, the number of cement companies decreased from 72 to 48 between 1946 and 1966. Since 1950, the number has declined by one-fourth, despite the entrance of 13 new companies. The reduction in the number of firms was the result of acquisitions made by the 12 largest companies in the industry. As a result of these acquisitions the 12 largest companies in the industry increased their share of industry capacity from 58.6 percent in 1950 to 61.5 percent in 1964. During the same period the share of industry capacity accounted for by the 8 largest increased slightly and that of the 4 largest cement producers declined, but the share controlled by the 20 largest firms increased from 72.9 percent to 83 percent (fig. 2).

A number of important changes have occurred in cement distribution. At the end of World War II cement was shipped primarily (71 percent) in bags, while currently most cement is shipped in bulk. The change from bag to bulk shipments has resulted in a reduction in packaging costs and handling charges through the introduction and use of mechanical loading and unloading equipment.

A significant change in the method of transportation accompanied the increase in bulk cement shipments. For some years prior to 1950, 80 percent or more of all cement shipments were made by rail. Since 1950, there has been a substantial shift from rail to truck

Figure 2

CAPACITY CONCENTRATION IN THE PORTLAND CEMENT INDUSTRY
1950 AND 1964

GRAPHIC - SEE IMAGE

delivery; the share of cement shipped by truck has almost quadrupled, from about 17 percent to 64 percent. One of the most notable developments, particularly since 1960, has been the increased use of secondary distribution terminals. By 1964 there were 234 cement distribution terminals in operation, 70 percent of which were established after 1959.

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

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

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

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

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

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

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

The report shows that in 1964 and 1965, there was a very rapid growth in this type of promotion. Among a dozen producers of regular coffee, one sold all of its coffee on a cents-off basis in both years; only two producers, both retail food chains, sold all of their coffee at "list" prices. The remaining firms substantially increased such promotions, in terms of both frequency and in size of cents-off discounts in this period. Overall, cents-off sales of regular coffee by the firms in the sample rose from 31 percent of their total sales in 1964 to 45 percent in 1965.

¹It is estimated that these firms account for between 65 and 70 percent of total regular coffee sales and between 75 and 80 percent of instant coffee sales.

Of the 12 instant coffee producers included in the report, only 3 companies (all retail food chains) made less than half of their sales on a cents-off basis in 1965. Three companies sold their entire output at cents-off, and three more sold over 97 percent on this basis in 1965. Also, there is some variation in cents-off sales by size of firm. In the regular coffee market, the four largest roasters sold a larger proportion of their production on a cents-off basis than did five medium- and small-sized firms, while the three food chains made minimal use of this type of promotion in either 1964 or 1965. In the instant market, on the other hand, the medium- and small-sized firms sold 99 percent of their output in 1965 at cents-off, while the four largest coffee companies sold 74 percent on this basis. It should be noted, however, that these 5 smaller firms accounted for less than 4 percent of the instant coffee sales of the 12 companies in the sample. The chain store group sold only 3 percent of their output in cents-off promotions.

Industry sources estimate that as recently as 1961, only 30 percent of regular coffee was sold at cents-off; the corresponding figure for the sample firms in 1965 had risen to 45 percent. Five years ago it is estimated that two-thirds of the instant coffee was sold at cents-off list price; this figure increased for the respondent firms to nearly three-fourths of the instant coffee sold in 1965. This study suggests strongly that cents-off pricing has moved beyond the promotional stage and has become a regular and integral part of the coffee industry pricing structure.

Reports for the National Commission on Food Marketing.--During fiscal 1966, the Commission staff prepared and submitted two studies to the National Commission on Food Marketing: Report On Food Retailing: Market Structure and Competitive Behavior, and Report on Food Manufacturing. These reports provide analyses of the market structure, conduct and performance in the food retailing and food manufacturing industries.

Report on Food Retailing.--This report showed that the 70 largest corporate chains and cooperative and voluntary groups increased their share of total food store sales from 31.7 percent in 1948 to 51.4 percent in 1963 (fig. 3). With respect to vertical integration, the report concluded that backward integration into food manufacturing was about four times as great as forward integration into grocery

retailing and that food retailers tend to integrate into the more concentrated food manufacturing industries in order to share in these oligopolistic profits and/or to enhance their own profits by eliminating the high costs of achieving product differentiation. With respect

Figure 3. PARTICIPATION IN FOOD RETAILING BY 40 LARGEST CHAINS, 15 LARGEST COOPERATIVE GROUP AND 15 LARGEST VOLUNTARY GROUPS, 1948,1954,1958, AND 1963

GRAPHIC - SEE IMAGE

Source: Federal Trade Commission.

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

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

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

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

GRAPHIC - SEE IMAGE

Source: Federal Trade Commission.

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

Of primary significance, according to the report, was the finding that "today the gross margins of the largest retailers are not only higher than they were during the early 1950's, but they are higher than they were in the 1920's, when practically all retailers operated very small stores." And of future significance for the conduct and performance of food retailing, the report concluded, is the erection of formidable barriers to entry associated with vertical integration, firm conglomeration, advertising, and price discrimination.

Report on Food Manufacturing--This report describes in detail the structure and behavior of the food manufacturing industries and points out that as a group these industries produce about a third of consumer purchases of products and are the largest industrial employer. However, despite a rapid rate of growth of about 7 percent a year in recent years, the number of food manufacturing companies has declined sharply, from over 40,000 at the beginning of the postwar period to about 30,000 today. The rate of decline is increasing. It was over twice as great in the last third of the postwar period than in the first two-thirds.

Concomitant with the decline in number of companies has been an increase in concentration, both overall and in individual product areas. The significant increase in overall concentration has led to a condition where a very substantial amount of food manufacturing activity is in the hands of only a few companies. The 50 largest accounted for nearly 50 percent of food manufacturing activity assets in 1964 (up from 41 percent in the early 1950's), they accounted for 61 percent of total profits (up from 53 percent in 1957), nearly two-thirds of total advertising, 80 percent of magazine advertising, and nearly 90 percent of network TV advertising.

The data clearly show that the large firms control the bulk of the industry's assets and profits. For example, as of the fourth quarter of 1964, 41 of the largest food manufacturing companies, excluding alcoholic beverage companies, accounted for 47.9 percent of the industry's assets and 54.1 percent of the profits after taxes. In contrast, companies with assets of less than \$5 million (30,842 firms) accounted for 27.8 percent of total assets and 17.7 percent of industry profits after taxes (see fig. 5).

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

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

GRAPHIC - SEE IMAGE

Source: Federal Trade Commission.

Concentration in individual food product industries is high and has increased over the postwar period. At the 20 firm level, concentration either increased or stayed the same between 1947 and 1958 in 80 percent of the food product industries. Concentration increased most rapidly during the earlier part of the postwar period. Meatpacking has been a major exception to the general increase.

The report shows that the largest food companies, starting from already dominant positions, have used mergers to expand and further consolidate their positions. The 50 largest food manufacturers alone acquired some 985 companies between 1948 and 1965. The value of assets of half of these acquisitions came to over \$1.5 billion and accounted for about a third of the acquiring companies' total asset growth. With the merger component of growth removed, the share of assets controlled by the 50 largest firms in 1965 would have been less than the share of assets controlled by the 50 largest in 1950.

Acquisition has been the principal instrument of large firm diversification. Nearly 90 percent of the new industries entered by 25 of the largest grocery product manufacturers since 1950 were by means of acquisitions. An equally large percent of the top industry positions gained by the largest food manufacturers were the result of acquisitions.

The report points out that product differentiation is a significant factor in the food industries. Advantages in large scale product differentiation activities, particularly advertising, are one of the forces associated with the rising merger rate.

Food advertising is increasing rapidly. In 1964 food manufacturing corporations spent \$1.4 billion on advertising; this was more than a threefold increase over 1950. Since World War II food advertising has risen at a one-third faster rate than total advertising.

Food advertising is increasingly dominated by large corporations. While advertising expenditures per dollar sales remained about constant for smaller corporations between 1947 and 1961, the large corporations increased their advertising-to-sales ratios more than 2½ times. In 1961 the advertising-to-sales ratio of the largest companies was 4 times as great as the average for those with assets less than \$1 million.

Advertising advantages of large companies pose an increasing barrier to entry by new firms to the food manufacturing industries and

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

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

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

Chart 6
MERGERS IN MANUFACTURING AND MINING
1940-1965

GRAPHIC - SEE IMAGE

Source: Bureau of Economics, Federal Trade Commission.

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

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

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

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

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

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

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

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

Economic Evidence

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

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

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

tice claims and in evaluating several trade practice conference proposals.

Financial Statistics

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

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

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

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

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

At the end of the second quarter of 1966, inventories of all corporate manufacturers (except newspapers) were \$91 billion, their net working capital \$112 billion, and their total assets more than \$381 billion. Stockholders' equity amounted to \$229 billion, of which \$147 billion was retained earnings.

FIELD OPERATIONS

The Bureau of Field Operations, with offices in 12 major cities, is charged with the responsibility for investigating matters initiated and referred to it by the Commission and its enforcement Bureaus.

During the fiscal year, investigations were completed in 1,079 matters. In 311 investigations, inquiry was made respecting practices designed to restrict and restrain trade; 761 involved false and misleading advertising and other misleading and deceptive practices; 7 were aimed at deceptive practices confined primarily to textile and fur products. The total number of formal investigations completed decreased from the previous year by 17. However, the case production per man was increased slightly through a more efficient utilization of fewer attorneys. Field office attorneys disposed of 124 matters through the use of voluntary compliance procedures at the investigative stage as promptly as it had been determined that the persons, firms or corporations involved had violated the statutes. Additionally, 31 cases were settled through the initiation of consent settlement by field attorneys. Both methods of handling resulted in an early and voluntary compliance with the laws involved. By the use of these methods, the Commission's field attorneys were able to save substantial time and expense to individuals, firms, and corporations involved and money and manpower also was saved by the field staff.

At the end of fiscal 1965, the field offices had on hand 568 cases, and at the end of fiscal 1966 there were 726 cases pending or an increase of 27 percent. This increase was due primarily to a reduction in the number of attorneys on the staff and an increase in the number of referrals to the field offices. While the actual referral totalled 1,013 in fiscal 1965 there were 1,237 referrals in 1966 or an increase of 224 cases. During fiscal 1966 there was a total of 1,805 (568 + 1,237) cases of which 1,079 were handled.

In addition to its normal investigative functions, the Bureau of Field Operations conducted a number of special inquiries during the fiscal year. Among these was one involving the use of unfair and deceptive practices and acts through which the poor or poverty classes appeared to have been subjected to excessive charges and credit terms and otherwise taken advantage of. In connection with this activity field offices have consulted and cooperated with the Office of Economic Opportunity and its legal aid centers throughout the United States. Through these offices residents of poverty areas have been informed of remedies available to them through the Commission and its law enforcement activities. Furthermore, these activities have provided the Commission with a continuous and increasing understanding of the purchasing problems of the low income groups.

When it was brought to the attention of the Commission that a number of mail order insurance companies were engaging in advertising designed to reach parents of servicemen and in which the advertisers appeared to represent that they had some connection with the insurance program of the armed services, a series of investigations were initiated (1) for the purpose of determining whether any of the companies were engaged in practices violative of statutes administered by the Commission, and (2) to determine whether additional legislation was in order.

To learn how the business community is conforming its advertising to the provisions of FTC's Guides Against Deceptive Advertising, the Commission directed that a survey of pricing practices be undertaken. Attorneys in seven field offices were required to conduct this survey during the fiscal year. It encompassed all questionable pricing practices appearing in newspapers and other publications, as well as through the medium of radio and television, and covered all types of products at all distributive levels. Two hundred and four reports were received from field offices as a result of this survey. From these, 116 full-scale investigations were ordered. Another 23 such reports were added to specific pricing investigations already under consideration.

On May 3, 1966, the Commission adopted Tire Advertising Guides relating to prices. These guides provide that the advertising of reductions in price and savings claims be based on the actual selling

price of the tires in question in the trade area where the advertising representations are made. In order to determine the nature and extent of compliance with these guides, the Commission directed a survey in 12 metropolitan areas where its field attorneys are located in an effort to determine firsthand the extent to which automobile tire dealers in those areas were complying with the provisions of the Tire Advertising Guides. This survey was conducted on a continuing basis during the last 60 days of the fiscal year, and it is expected that it will be continued into fiscal 1967.

Among other special projects performed by the field offices was a survey conducted for the purpose of determining whether the members of the automobile industry were complying with the warranties advertised by manufacturers of new motor cars. This survey was completed and submitted to the Commission. Further inquiry has been directed. The survey was ordered primarily on the basis of hundreds of complaints which had been received by the Commission.

In addition to its normal investigative duties and the special functions described immediately above, the Bureau of Field Operations, through the approximately 155 attorneys stationed in its strategically located field offices, engaged in an accelerated program designed to educate businessmen, consumers, and the general public respecting the laws administered by the Commission, and to aid them in complying with such laws and the decisions of the Commission and the courts thereunder. In pursuing this activity, field office attorneys furnished information, guidance, and answers to questions resulting from 10,625 contacts. These included 6,410 telephone inquiries, 2,137 letters and other written communications, and 1,945 personal conferences. In furtherance of its educational program, speakers from its field offices were supplied to college classes, consumer groups, bar associations, trade associations, and other similar groups. These speakers outlined the work of the Commission, answered questions, and engaged in seminar-type discussions.

In the field of public relations and Federal-State cooperation, attorneys stationed in the field offices made periodic visits to the offices of State attorneys general and local law-enforcement officers in cities and counties throughout the country. They maintained a

PHOTOGRAPH - INSERT IMAGE

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

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

APPROPRIATIONS AND FINANCIAL OBLIGATIONS

FUNDS AVAILABLE FOR THE COMMISSION FOR THE FISCAL YEAR 1966

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

Obligations by activities, fiscal year 1966

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

Settlements Made Under Federal Tort Claims Act

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

HEARING EXAMINERS

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

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

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

APPENDIX (A)

FTC Cases in the Courts

Following is a summary of the principal FTC cases before the courts during fiscal 1966, together with a brief discussion of what is involved in each case or group of cases.

RESTRAINT OF TRADE CASES

Probably the most significant restraint of trade decision in fiscal 1966 was that rendered by the Supreme Court in *Brown Shoe Co.* (D. 7606). In overturning the decision of the Eighth Circuit, the Court upheld the Commission's finding that the operation of Brown's retail store franchise program was an unfair method of competition within the meaning of section 5 of the Federal Trade Commission Act. Under this method of distribution, selected shoe dealers were required to "concentrate" their purchases upon Brown products in return for various valuable benefits and services furnished under the program. In so deciding, the Court expressly rejected the restrictive holding in *Federal Trade Commission v. Gratz*, and reemphasized the Commission's broad powers under section 5 to arrest trade restraints in their incipiency, prior to becoming "full blown" violations of other provisions of the antitrust laws.

In other restraint of trade cases, the Seventh Circuit affirmed the Commission's finding that *Sun Oil Co.* (D. 6934) had unlawfully utilized "consignment" agreements to fix the retail price of gasoline sold by its dealers. The Supreme Court denied certiorari in this case, and in a similar "consignment" case decided last year in the Commission's favor by the Sixth Circuit, *Atlantic Refining Co.* (D. 7471).

In *Shell Oil Co.-Firestone Tire & Rubber Co.* (D. 6487), the Fifth Circuit, in line with the Supreme Court's decision in *Atlantic-Goodyear* (D. 64,86), upheld the Commission's finding that the "sales commission" method of distributing TBA products through independent retail gasoline dealers was unlawful. A similar TBA proceeding, *Texaco Inc.-B. F. Goodrich, Co.* (D. 6485), is presently pending in the District of Columbia Circuit on remand from the Supreme Court.

One important restraint of trade case was decided adversely to the Commission this year. In *American Cyanamid Co.* (D. 7211), the Sixth Circuit set aside the Commission's finding of unlawful conspiracy in the manufacture

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

Restraint of trade cases pending at the close of the year included: Luria Bros. & Co. (D. 6156), in the Third Circuit; Safeway Stores, Inc. (D. 8309), in the Ninth Circuit; and Emile M. Lapeyre (Grand Caillou) (D. 7887), in the Fifth Circuit.

In the illegal merger field, the year's most significant decision occurred in Dean Foods Co. (D. 8674). In that case, the Supreme Court, in reversing the Seventh Circuit, held that Federal courts of appeals have the power under the "all writs" statute to grant a preliminary injunction to maintain the status quo between merging companies pending the outcome of a section 7 proceeding by the Commission, where this step is necessary to preserve the existence of an effective remedy should the merger be held illegal.

There were two adverse decisions in merger cases this year: In Procter & Gamble Co. (D. 6901), the Sixth Circuit overturned the Commission's finding of illegality with regard to the acquisition by Procter, the Nation's largest manufacturer of soaps, detergents, and cleansers, of Clorox Chemical Co., the Nation's dominant manufacturer of household liquid bleach. This is the first conglomerate merger case to raise the question in a court of appeals of whether a large national multiproduct firm may expand into a closely related market hitherto composed of relatively small firms by acquiring the dominant company. The Solicitor General is expected to file a petition for certiorari shortly. In the celebrated Pillsbury merger case (D. 6000), the Fifth Circuit set aside the Commission's order of divestiture and remanded the case to the Commission on the grounds that a congressional committee had improperly intruded itself into the Commission's adjudicatory process in asking certain questions and making certain statements during a 1955 congressional hearing. The Commission subsequently directed dismissal of the complaint.

Merger cases pending at the year's end included: Beatrice Foods Co. (D. 6653), in the Ninth Circuit; and General Foods Corp. (D. 6600), in the Third Circuit.

There was much court activity in Robinson-Patman Act cases in fiscal 1966. In Borden Co. (D. 7129), the Supreme Court set aside the Fifth Circuit Court of Appeals' reversal of the Commission's finding of price discrimination as between the company's sales of "private label" and "Borden brand" evaporated milk. The Supreme Court held, in agreement with the

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

The Commission won several price discrimination cases in courts of appeals this year: The Seventh Circuit affirmed and enforced a Commission order directing Purolator Products, Inc. (D. 7850) to cease and desist from various price discriminations in the marketing of automotive replacement filters. The Solicitor General has authorized the Commission to file a brief on its own behalf in opposition to Purolator's petition for certiorari. In Forster Mfg. Co. (D. 7207), the First Circuit sustained the Commission's finding that the company's price discriminations in the sale of "woodenware" products were not made in "good faith" under section 2(b), and direct enforcement of the Commission's cease and desist order. In a previous decision in fiscal 1965, the court had upheld the Commission's finding that Forster, the dominant company in the industry, had discriminated with the deliberate intention and with the effect of injuring its smaller competitors. In another section 2(b) ruling, the District of Columbia Circuit, in Exquisite Form Brassiere, Inc. (D. 6966), similarly affirmed the Commission's finding that the company's systematic discriminations in granting disproportional advertising allowances could not be justified under the "good faith" defense.

In United Biscuit Co. (D. 7817), the Seventh Circuit upheld the Commission's finding that discriminatory discounts given to food chainstores had unlawful anticompetitive effects upon nonfavored independent grocers. And in Foremost Dairies, Inc. (D. 7475), the Fifth Circuit sustained the Commission's finding of illegality on a similar charge involving sales of fluid milk. The court also affirmed the Commission's holding that the "purchase in commerce" requirement of section 2(a) had been satisfied in that case.

In cases where the Commission's decision was modified or partially won and partially lost, the Ninth Circuit, in Fred Meyer, Inc. (D. 7492), affirmed the Commission's finding that a retail grocery chain unlawfully induced discriminatory price concessions and promotional payments from suppliers. But it held that the Commission erred in deciding that a supplier who grants promotional allowances to a direct-buying retailer has an obligation to make such payments available on proportionally equal terms to wholesalers whose retail customers compete with the favored purchaser. In Flotill Products, Inc. (D. 7226), the same court upheld the Commission's finding that the company violated section 2(d) in granting promotional allowances to favored customers. But it overturned the Commission's section 2(c) finding on the grounds that the concurrence of at least three members of a five-member agency is required for the entry of a valid order to cease and desist. Since only two members of the three-Commissioner quorum which heard the case had joined in the latter finding, the court remanded the proceeding to determine whether a majority of the Commissioners desired to enter a 2(c) order.

The Commission also lost some Robinson-Patman cases in courts of appeals this year: In *Universal-Rundle Corp.* (D. 8070), the Seventh Circuit refused to affirm the Commission's section 2(a) order and remanded the matter to the Commission with directions to institute an industry-wide investigation into the discriminatory practices involved in that case. In *Dayco Corp.* (D. 7604), the Sixth Circuit held that the Commission had improperly utilized "official notice," in holding a manufacturer of automotive belts and hoses in violation of section 2(a) in selling at discriminatory lower prices to an automotive parts "buying group." In *Callaway Mills Co.* (D. 7634) and *Cabin Crafts, Inc.* (D. 7639), the Fifth Circuit set aside the Commission's findings that the discriminatory volume discount pricing systems of these companies were not excusable under the section 2(b) defense. And in *Pacific Molasses Co.* (D. 7462), the same court reversed the Commission's section 2(a) order on the grounds that the company had been denied due process in not being furnished with a complete list of Commission witnesses and evidentiary documents 15 days prior to hearings, as agreed between counsel at a prehearing conference.

Significant pending Robinson-Patman cases in the courts of appeals include: *Alhambra Motor Parts* (D. 6889), in the Ninth Circuit; *American Motors Corp.* (D. 7357), in the Sixth Circuit; and *Dean Milk Co.* (D. 8032) and *Lloyd A. Fry Roofing Co.* (D. 7908), in the Seventh Circuit.

DECEPTIVE PRACTICE CASES

In the most significant deceptive practice decision this year, *Mary Carter Paint Co.* (D. 8290), the Supreme Court reversed the decision of the Fifth Circuit and upheld the Commission's finding that the use of the word "free" in the company's price advertising of paint was misleading and deceptive. Pursuant to the Court's mandate, the court of appeals has remanded the case to the Commission for clarification of the order.

In *Libby-Owens-Ford Glass Co. and General Motors Corp.* (D. 7643), the Sixth Circuit affirmed the Commission's holding that these companies had utilized deceptive "mock-up" demonstrations in television advertising of "safety plate" auto glass. In *Double Eagle Lubricants, Inc.* (D. 8589), the Tenth Circuit sustained the Commission's finding of failure to clearly and conspicuously disclose on "re-refined" motor oil containers that the product was manufactured from previously used oil. In *J. A. Guziak* (D. 8614), the Eighth Circuit affirmed the Commission's finding of misrepresentation in the advertising and sale of aluminum siding materials.

As in prior years, the Commission's efforts to eradicate deceptive practices in the watch industry continued to receive court approval. The Commission was affirmed by the District of Columbia Circuit in *Waltham Watch Co.* (D. 8396), and by the Eighth Circuit in *Benrus Watch Co.* (D. 7352). In another familiar area of Commission activity, the Seventh Circuit, in *Bear*

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

Two important cases involving misleading medical claims were pending in the Sixth Circuit at the close of the fiscal year: J. B. Williams Co. (D. 8547), the tonic "Geritol"; and Merck Co. (D. 8635), "Screts" throat lozenges.

CRIMINAL CONTEMPT PROCEEDING

In litigation arising from the Commission's Holland Furnace (D. 6203) criminal contempt proceeding in the Seventh Circuit, the Supreme Court granted a petition for certiorari filed by Holland's former president, Mr. Cheff. It rejected his contention that he was unlawfully denied the right to trial by jury and affirmed the judgment of the court of appeals sentencing him to 6 months' imprisonment for willfully violating that court's order commanding obedience to the Commission's order to cease and desist from various deceptive practices in the sale of furnaces and furnace parts.

COLLATERAL SUITS AGAINST THE COMMISSION FOR INJUNCTIVE AND OTHER RELIEF

In American Brake Shoe Co. (D. 8622), complaint was filed in the district court in Delaware for declaratory judgment or injunctive relief challenging the Commission's failure to permit requested discovery procedures prior to the presentation of evidence in support of the Commission's case. The company's application for preliminary injunction was denied and its interlocutory appeal from this ruling was dismissed on stipulation by the Third Circuit. The case is currently pending in the district court on motion to dismiss or in the alternative for summary judgment.

In National Portland Cement Co. (D. 8654), suit was brought in the district court in the District of Columbia to enjoin the Commission's refusal to set aside a hearing examiner's ruling directing consolidation of two section 7 proceedings for partial joint hearings for the purpose of receiving evidence common to both cases. The court granted the Commission's motion to dismiss for lack of jurisdiction. The same district court also dismissed for lack of jurisdiction a complaint filed by R. H. Macy & Co. (D. 8650), challenging the Commission's refusal to issue requested subpoenas in a case involving mislabeling of imported mohair sweaters.

Beatrice Foods Co. and The Kroger Co. (D. 8663) filed a complaint for declaratory judgment and injunctive relief in the District of Columbia district court challenging the Commission's right to discovery after the issuance of its administrative complaint. The court's dismissal of the action for want of equity was affirmed on appeal to the District of Columbia Circuit.

The Eighth Circuit affirmed the judgment of the federal district court for the Eastern District of Missouri dismissing for want of jurisdiction a complaint for declaratory judgment and injunctive relief filed by Anheuser-

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

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

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

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

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

SUITS TO COMPEL COMPLIANCE WITH COMMISSION ORDERS AND SUBPENAS

In *Jantzen, Inc.* (D. 7247), the Ninth Circuit rejected the Commission's application for affirmance and enforcement of its 1958 Clayton Act order for lack of jurisdiction. The court ruled that Congress, in enacting the 1959 amendment to the Clayton Act to establish more effective "finality" and order enforcement machinery, repealed the old procedures for affirming and enforcing previously issued Clayton Act orders. The Solicitor General will shortly file petition for certiorari. A similar question is involved in the Commission's application for enforcement of its order in *Standard Motor Products, Inc.* (D. 5721), pending in the Second Circuit.

In a subpoena enforcement proceeding growing out of the Commission's yeast investigation, the District Court for the Southern District of New York ordered compliance with a Commission subpoena on the part of Mr. Harry W.

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

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

APPENDIX (B)

Textile and Fur Court Cases

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

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

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

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

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

Penalty Cases Statistics

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

Criminal Cases Statistics

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

Civil Penalty Cases Concluded

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

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

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

Civil Penalty Cases Pending

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

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

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

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

Criminal Cases Concluded

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

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

Criminal Cases Pending

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

General Investigations by the Commission Since 1915

Since its establishment in 1915, the Federal Trade Commission has conducted numerous general inquiries which are alphabetically listed and briefly described in the following pages.¹ They were made at the request of the President, the Congress, the Attorney General, Government agencies, or on motion of the Commission pursuant to the Federal Trade Commission Act.

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

Agencies initiating or requesting investigations are indicated in parentheses in the headings. Investigations, the results of which have been published, are listed below. Following this listing are unpublished investigations conducted by the Commission.

Accounting Systems (F.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., o.p., 7/1/16) and *A System of Accounts for Retail Merchants* (19 p., o.p., 7/15/16).

Accounting Systems.—See *Distribution Cost Accounting*.

Advertising and Output.—See *Cigarette Advertising and Output*.

Advertising as a Factor in Distribution.—See *Distribution Methods and Costs*.

Agricultural Implements.—See *Farm Implements and Distribution Methods and Costs*.

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, o.p.), 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 pur-

¹ The wartime cost-finding inquiries, 1917-18 (p. 122), include approximately 370 separate investigations.

² Documents out of print (designated "o.p.") are available in depository libraries.

³ Inquiries desired by either House of Congress are now undertaken by the Commission as a result of concurrent resolutions of both Houses.

chase of assets of competitors rather than capital stock.⁴ (See also under Farm Implements and Independent Harvester Co.)

Agricultural Income (Congress).—Investigating a decline in agricultural income and increases or decreases in the income of corporations manufacturing and distributing wheat, cotton, tobacco, livestock, milk, and potato products (Public Res. 61, 74th, 8/27/35), and table and juice grapes, fresh fruits and vegetables (Public Res. 112, 74th, 6/20/36), the Commission made recommendations concerning, among other things, the marketing of commodities covered by the inquiry; corporate consolidations and mergers;⁵ unbalanced agricultural-industrial relations; cooperative associations; production financing; transportation; and terminal markets. Its recommendations for improvement of the Perishable Agricultural Commodities Act were adopted by Congress in amending that act (Public, 328, 75th) in 1937. [Report of the F.T.C. on Agricultural Income Inquiry, Part I, Principal Farm Products, 1,134 p., o.p. 3/2/37 (summary, conclusions, and recommendations, S. Doc. 54, 75th, 40 p., o.p.); Part II, Fruits, Vegetables, and Grapes, 906 p., 6/10/37, o.p.; Part III, Supplementary Report, 154 p., 11/8/37; and interim reports of 12/26/35 (H. Doc. 380, 74th, 6 p.), and 2/1/37 (S. Doc. 17, 75th, 16 p., o.p.)]

Agricultural Prices.—See Price Deflation.

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

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

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

Bakeries and Bread.—See under Food.

Beet Sugar.—See under Food—Sugar.

Building Materials.—See Distribution Methods and Costs.

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

Canned Fruit, Juice and Vegetable Industry.—See Food Marketing, Part III.

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

Cement (F.T.C.).—In its Economic Report on Mergers and Vertical Integration in the Cement Industry, the Commission reviews recent developments in the cement and ready mixed concrete industries in the United States with particular reference to the merger movement which has brought about a large degree of vertical integration between two industries. The report develops data on trends in the structure and performance of

⁴ 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; The Present Trend of Corporate Mergers and Acquisitions (3/7/47); The Merger Movement: A Summary Report (1948); 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; 1945, p. 8; 1946, p. 12; 1947, p. 12; and 1948, p. 11.

⁵ See footnote 4 above.

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

Cement (Senate).—Inquiry into the cement industry's competitive conditions and distributing processes (S. Res. 448, 71st, 2/16/31) showed that rigid application of the multiple basing-point price system⁶ tended to lessen price competition and destroy the value of sealed bids; concerted activities of manufacturers and dealers strengthened the system's price effectiveness; and dealer associations' practices were designed to restrict sales to recognized "legitimate" dealers (Cement Industry, S. Doc. 71, 73d, 160 p., o.p., 6/9/33).

Cents-Off.—See Coffee Industry.

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

Cigarette Advertising and Output (F.T.C.).—This report was prepared in conjunction with the Commission's Rule Making proceedings regarding cigarette advertising. It reviewed the content of cigarette advertising together with related data on advertising expenditures and output. Particular emphasis was given to advertising patterns and practices from 1950 through 1964. Data from public sources were used. (Report on Cigarette Advertising and Output, 56 p., January 1964.)

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

Coal (Congress and F.T.C., Wartime, 1917-18, Etc. --From 1916 through the first World War period and afterward, the Commission at different times investigated anthracite and bituminous coal prices and 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 2/22/16; H. Res. 352, 64th, 8/18/16, and S. Res. 51, 65th, 5/1/17;

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

⁷ See footnote 4.

Washington, D.C., Retail Coal Situation (5 p., release, processed, o.p., 8/11/17)—pursuant to F.T.C. motion; Investment and Profit in Soft-Coal Mining (two parts, 5/31/22 and 7/6/22, 218 p., o.p., S. Doc. 207, 65th)—pursuant to F.T.C. motion; and Report of the F.T.C. on Premium Prices of Anthracite (97 p., o.p., 7/6/25)—pursuant to F.T.C. motion.

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

Coal, Current Monthly Reports (F.T.C.).—The Commission (December 1919) initiated a system of current monthly returns from the soft coal industry similar to those compiled during the World War, 1917-18 (Coal-Monthly Reports on Cost of Production, 4/20/20 to 10/30/20, Nos. 1 to 6, and two quarterly reports with revised costs, 8/25/20 and 12/6/20, processed, o.p.). An injunction to prevent the calling for the monthly reports (denied about 7 years later) led to their abandonment.

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

Coffee Industry (F.T.C.).—The coffee industry is characterized by widespread advertising and promotional activity. In 1963, coffee ranked as the third most heavily advertised food product, exceeded only by cereals and soft drinks. Coffee advertising expenditures have risen sharply in recent years, increasing 26 percent from 1958 to 1963.

Trade publications indicate that cents-off promotions were first used widely in the coffee industry about 1958 or 1959 by large nationwide sellers as a means of achieving a larger share of those local markets which were dominated by local firms.

In order to gain information concerning "cents-off" promotion practices during 1964 and 1965, the Commission staff conducted a limited survey of a group of the large- and medium-size coffee companies. (Cents-Off Promotions in the Coffee Industry, 65 p., April 26, 1966.)

Combed Cotton Yarns.—See Textiles.

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

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

Concentration of Productive Facilities (F.T.C.).—In a study of the extent of concentration of economic power, the Commission reported that 46 percent of the total

net capital assets of all manufacturing corporations in the United States in 1947 was concentrated in the 113 largest manufacturers. The report is entitled *The Concentration of Productive Facilities, 1947--Total Manufacturing and 26 Selected Industries* (96 p.). See also *Divergence between Plant and Company Concentration*.

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

Cooperation in American Export Trade.—See *Foreign Trade*.

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

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

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

Copper Industry (F.T.C.).—The Commission's report on *The Copper Industry*, transmitted to Congress (3/11/47), was in two parts: Part I—*The Copper Industry of the United States and International Copper Cartels*, and Part II—*Concentration and Control by the Three Dominant Companies*, o.p. The Commission reported that "The copper situation is particularly serious, not only because of the concentration of control of the ore reserves and of the productive capacity, but also because the domestic supply is inadequate to meet the demands of high level national production and employment. Furthermore, the production of foreign copper, on which the United States will become increasingly dependent, is likewise dominated by a few corporate groups which in the past have operated cooperatively in cartels to regulate production and prices."

Corporation Reports.—See *Quarterly Financial Reports*.

Corporate Mergers and Acquisitions (F.T.C.).—To determine the impact on the Nation's economy of corporate mergers and acquisitions, the Commission made a study of the merger movement for the years 1940-46, inclusive. The results of the study were transmitted to Congress in a report entitled *The Present Trend of Corporate Mergers and Acquisitions* (23 p., o.p., 3/7/47), which showed, among other things, that during the period covered, more than 1,800 formerly independent competitive firms in manufacturing and mining industries alone had disappeared as a result of mergers or acquisitions, and that more than one-third of the total number of acquisitions occurred in only three industries, food, nonelectrical machinery, and textiles and apparel—all predominantly "small business" fields.

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

The *Report on Corporate Mergers and Acquisitions* (210 p.) was published in May 1955. This study, bringing up to date much of the statistical material in the 1947 and 1948 reports, showed, among other things, that 1,773 formerly independent competitive firms in manufacturing and mining industries alone had disappeared in the period 1947-54 as a result of mergers or acquisitions, and that more than one-third of the total number of acquisitions occurred in only 3 industries, food, nonelectrical machinery, and textiles and apparel—all predominantly small business fields.

Cost Accounting.—See *Accounting Systems*.

Cost of Living (President), Wartime, 1917-18.—Delegates from the various States met in Washington, April 30 and May 1, 1917, at the request of the Federal Trade Commission, and considered the rapid rise of wartime prices and the plans then being made for the Commission's general investigation of foodstuffs. [See Foods (President), Wartime, 1917-18, herein.] Proceedings of the conference were published (High Cost of Living, 119 p., o.p.).

Cotton Industry.—See Textiles.

Cottonseed Industry (House).—Investigating alleged price fixing (H. Res. 439, 69th, 3/2/27), the Commission reported evidence of cooperation among State associations but no indication that cottonseed crushers or refineries had fixed prices in violation of the antitrust laws (Cottonseed Industry, H. Doc. 193, 70th, 37 p., o.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., o.p., with 11 vols. testimony, S. Doc. 209, 71st, 5/19/33).

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

Distribution.- See Millinery Distribution.

Distribution of Steel Consumption.—A study to determine the distribution of steel in a time of shortage, when control over distribution rests with the producers (1949-50). The results of the study were transmitted to the Subcommittee on Monopoly of the Senate Select Committee on Small Business and published as a committee print. (20p) o.p., 3/31/52.

Distribution Methods and Costs (F.T.C.).—This inquiry into methods and costs of distributing important consumer commodities (F.T.C. Res., 6/27/40) was undertaken by the Commission pursuant to authority conferred upon it by section 6 of the F.T.C. Act. Eight parts of the F.T.C. Report on Distribution Methods and Costs were transmitted to Congress and published under the subtitles: Part I, Important Food Products (11/11/43, 223 p., o.p.); Part III, Building Materials—Lumber, Paints and Varnishes, and Portland Cement (2/19/44, 50 p., o.p.); Part IV, Petroleum Products, Automobiles, Rubber Tires and Tubes, Electrical Household Appliances, and Agricultural Implements (3/2/44, 189 p., o.p.); Part V, Advertising as a Factor in Distribution (10/30/44, 50 p., o.p.); Part VI, Milk Distribution, Prices, Spreads and Profits (6/18/45, 58 p.); Part VII, Cost of Production and Distribution of Fish in the Great Lakes Area (6/30/45, 59 p.); Part VIII, Cost of Production and Distribution of Fish in New England (6/30/45, 118 p.); and Part IX, Cost of Production and Distribution of Fish on the Pacific Coast (7/25/46, 82 p.). The inquiries relating to fish were conducted in cooperation with the Coordinator of Fisheries, Interior Department. During World War II special reports on the distribution of some 20 commodity groups were made for confidential use of the Office of Price Administration and other war agencies.

Divergence Between Plant and Company Concentration (F.T.C.).—In this 1950 report, the Commission measured the divergence between plant and company concentration for each of 340 manufacturing industries.

The Divergence between Plant and Company Concentration, 1947 (162 p., o.p.). See also Concentration of Productive Facilities.

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

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

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

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

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

Fertilizer (Senate).—Begun by the Commissioner of Corporations⁸ (S. Res. 487, 62d, 3/1/13), this inquiry disclosed extensive use of bogus independent fertilizer companies for competitive purposes (Fertilizer Industry, S., Doc. 551, 64th, 269 p., o.p., 8/19/16). Agreements for abolition of such unfair competition were reached.

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

Fertilizer (F.T.C.).—The Commission's 1949 report on The Fertilizer Industry (100 p.) is concerned primarily with restrictions and wastes which interfere with the supply of plant food materials in the quantities needed and at prices low enough to facilitate maintenance of soil fertility. The Nation's resources of nitrogen, phosphate, and potash are discussed, and the inter-relationships of producers and mixers are reviewed. The report also summarizes available information concerning cartel control of nitrogen, phosphates, and potash.

Fish.—See Distribution Methods and Costs.

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

Flour Milling.—See Food, below.

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

⁸ The Commission was created Sept. 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."

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

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

The reports first led to antitrust proceedings against the Big Five Packers, resulting in a consent decree (Supreme Court of the District of Columbia, 2/27/20),⁹ which had substantially the effect of Federal legislation in restricting their future operations to certain lines of activity. As a further result of the investigation, Congress enacted the Packers and Stockyards Act (1921), adopting the Commission's recommendation that the packers be divorced from control of the stockyards. (The meat-packing- industry is further referred to under Meat Packing Profit Limitation, p. 150.)

Food (President) Continued—Grain Trade.—Covering the industry from country elevator to central market, the Report 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., o.p.); VII. Effects of Future Trading (6/25/26, 419 p., o.p.). The investigation as reported in vol. V, and testimony by members of the Commission's staff (U.S. Congress House Committee on Agriculture, Future Trading, hearings, 67th, April 25-May 2, 1921) was an important factor in enactment of the Grain Futures Act (1921). (Further reference to the grain trade is made under Grain Elevators, Grain Exporters, and Grain Wheat Prices, p. 149.)

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 United States, pp. 5-13, o.p. 1133/17). Other reports were: Food Investigation, Report of the F.T.C. on Flour Milling and Jobbing (4/4/18, 27 p., o.p.) and Commercial Wheat Flour Milling (9/15/20, 118 p., o.p.).

Food (President) Continued—Canned Foods,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, 83 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).

⁹ The legal history of the consent decree and a summary of divergent economic interests involved in the question of packers 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.

¹⁰ In connection with its wartime cost finding inquiries, 1917-18, p. 124 herein, the Commission published Report of the F.T.C. on Canned Goods 1918—Corn, Peas, String Beans, Tomatoes, and Salmon (86 p., 11/21/21).

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

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

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

Food—Fish.—See Distribution Methods and Costs.

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—Flour-Milling Industry, Growth, and Concentration in (F.T.C.).—The Commission's study showed that there has been a progressive increase in the size of flour-mill operations and a progressive decrease in the number of flour-milling establishments. Nevertheless, the Commission reported, there is a lesser degree of concentration in the flour-milling industry than in many other important industries. The results of the study were presented to Congress in a report on the Growth and Concentration in the Flour-Milling Industry (6/2/47, 36 p.).

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.

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., o.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., o.p., 12/13/20).

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

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

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

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

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

Food—Milk.—See Distribution Methods and Costs.

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

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

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

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

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

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

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

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

Foreign Trade—Antidumping Legislation (F.T.C.).—To develop information for use of Congress in its 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., o.p., 1/11/34; supplemental report, 111 p., o.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.

Frozen Fruit, Juice and Vegetable Industry.—See Food Marketing, Part II.

Gasoline.—See Petroleum.

Grain.—See Food.

Grain Exchange Actions (F.T.C. and Chairman of Senate Committee on Agriculture and Forestry).—The Commission's report on Economic Effects of Grain Exchange Actions Affecting Futures Trading During the First Six Months of 1946

¹¹ See footnote 8.

(85 p., o.p., 2/4/47) presents results of a special study made at the request of the then Chairman of the Senate Committee on Agriculture and Forestry. The report reviews the factors which made it impossible, during the first half of 1946, for futures trading to be conducted in the usual manner on the Chicago, Kansas City and Minneapolis grain exchanges under existing conditions of Government price control and severe restrictions on the movement of short supplies of free grain in the cash market. The report also discusses the economic effects of emergency actions taken by the exchanges on the interests trading in futures, and suggests, among other things, that both the Commodity Exchange Act and the U.S. Warehouse Act "should be so amplified and coordinated, or even combined, as to make effective the type and scope of regulation over futures trading contemplated by the Congress in enacting the Commodity Exchange Act."

Guarantee Against Price Decline (F.T.C.).—Answers to a circular letter (12/26/19) calling for information and opinions on this subject were published in Digest of Replies in Response to an Inquiry of the F.T.C. Relative to the Practice of Giving Guarantee Against Price Decline (68 p., o.p., 5/27/20).

Housefurnishings (Senate).—This inquiry (S. Res. 127, 67th, 1/4/22) resulted in three volumes showing concerted efforts to effect uniformity of prices in some lines (Report of the F.T.C. on Housefurnishing Industries, 1018 p., o.p., 1/17/23, 10/1/23, and 10/6/24.).

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 Concentration and Product Diversification in the 1,000 Largest Manufacturing Companies: 1950 (F.T.C.).—This purely statistical report published in January 1957 has 127 pages of text which state the findings in 52 text tables and 22 charts covering all manufacturing, food, electrical apparatus, and transportation equipment, and 529 pages of appendix tables covering these and other manufacturing industries. The 4 leading shippers of each product are identified, but shipments by individual companies are not disclosed.

Interlocking Directorates (F.T.C.).—This 1950 report on Interlocking Directorates summarizes the interlocking relationships among directors of the 1,000 largest manufacturing corporations. It also covers the interlocking directorates between these corporations and a selected list of banks, investment trusts, insurance companies, railroads, public utilities, and distributive enterprises.

International Alkali Cartels (F.T.C.).—In a report (1950) on International Cartels in the Alkali Industry, o.p., the Commission discussed the nature, extent, and effect of international agreements concerning baking soda, soda ash, and caustic soda to which organized groups of American and European alkali producers were parties from 1924 until 1946.

International Electrical Equipment Cartel (F.T.C.).—In its 1948 report on this subject (107 p., also 10 p. processed summary) the Commission points out the high degree of economic concentration in the electrical equipment industry which exists in each of the important industrial nations.

International Petroleum Cartel.—A staff study of the activities of the seven major oil companies in relation to control over the international oil industry. Staff Report to the Federal Trade Commission submitted to the Subcommittee on Monopoly of the Select Committee on Small Business, U.S. Senate Committee print No. 6, 82d Cong.—2d sess. 378 p., 1952.

International Phosphate Cartels (F.T.C.).—The F.T.C. Report on International Phosphate Cartels (F.T.C. Res. 9/19/44) developed facts with respect to the practices, arrangements and agreements between domestic phosphate companies and foreign competitors through international cartels, through which minimum export prices were fixed. These prices varied from market to market, depending upon competition, ocean freight rates, and other factors. The agreements established fixed quotas in each grade, and sales were allocated among members of the Phosphate Export Association according to their quotas and the grade involved. The report (processed, 60 p.) was transmitted to Congress 5/1/46.

International Steel Cartels (F.T.C.).—A report to Congress concerning numerous cartel agreements relating to steel which were adopted between World War I and World War II. Certain American companies participated in these agreements, which were both national and international in scope. The international agreements allotted quotas to the different national groups, fixed prices in the export trade, and established reserved and unreserved areas. (International Steel Cartels (1948), 115 p., o.p.)

Iron Ore.—See Control of Iron Ore.

Large Manufacturing Companies (F.T.C.).—This 1951 report, entitled A List of 1,000 Large Manufacturing Companies, Their Subsidiaries and Affiliates, 1948, shows for each of the 1,000 largest manufacturing corporations which publish financial statements the percentage of stock interest held by the corporation in each of its subsidiaries and affiliates. The parent corporations are grouped in 21 major industries and ranked as to size on the basis of their total assets in 1948, 223 p., o.p., 6/1/51.

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., o.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., o.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., o.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., o.p., 5/7/23).

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

Meat-Packing Profit Limitations.—See Food.

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

Merger Summary (F.T.C.).—The Commission maintains an annual series on firm disappearances via merger for manufacturing and mining, which covers merger trends back to 1940. Data for the last 5 years indicate a sharply rising trend in the frequency with which large firms are acquired. In 1965, as in preceding years, most acquisitions (82 percent) were made by manufacturing companies with the remainder split between mining and other companies. Firms in 6 industry groups accounted for a total of 501 or almost 50 percent of mergers recorded during 1965.

Mergers and Vertical Integration.—See Cement.

Milk.—See Food.

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

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

Motor Vehicles (Congress).—Investigation (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., o.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., o.p., 2/13/29).

Packer Consent Decree.—See Food (President) Continued—Meat Packing.

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., o.p., 6/13/17); and Newsprint Paper Investigation (in response to S. Res. 95, 65th, 6/27/17; S. Doc. 61, 65th, 8 p., o.p., 7/10/17)].

Paper—Newsprint (Senate).—The question investigated (S. Res. 337, 70th, 2/27/29) was whether a monopoly existed among newsprint manufacturers and distributors in supplying paper to publishers of small dailies and weeklies (Newsprint Paper Industry, S. Doc. 214, 71st, 116 p., o.p., 6/30/30).

Petroleum.—See International Petroleum Cartel.

Petroleum Products.—See Distribution Methods and Costs.

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

Petroleum—Foreign Ownership (Senate).—Inquiry was made (S. Res. 311, 67th, 6/29/22) into acquisition of extension 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 pipeline 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., o.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., o.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., o.p., 2/3/28)—pursuant to F.T.C. motion, 10/6/26 (in response to requests of producers of crude petroleum).

Potomac Electric Power Co. (Procurement Director, United States Treasury).—A study (2/29/44) of the financial history and operations of this corporation for the years 1896-1943 was made at the request of the Director of Procurement, United States Treasury, and the report thereon was introduced into the record in the corporation's electric rate case before the District of Columbia Public Utilities Commission.

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., o.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 superimposing a series of holding

¹² See footnote 8.

¹³ See footnote 8. Conditions in one of the midcontinent fields were discussed by the Bureau of Corporations in Conditions in the Healdton Oil Field (Oklahoma) (116 p., 8/15/15).

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

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

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

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

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

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

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

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

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

facturing corporations in each calendar quarter 1947-62. (Report on Profit Rates of Manufacturing Corporations 1947-1962, 70 p., 1963.)

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., o.p., 6/29/18).

Quarterly Financial Report for Manufacturing Corporations.—Since 1947, the Federal Trade Commission has summarized for each calendar quarter uniform, confidential financial statements collected from a probability sample of all enterprises classified as manufacturers, except newspapers, which are required to file U.S. Corporation Income Tax Form 1120. The quarterly summaries, entitled Quarterly Financial Report for Manufacturing Corporations, are published by the Government Printing Office and sold by the Superintendent of Documents. In the published summaries, profits per dollar of sales and rates of profit on stockholders' equity are shown each quarter for each of 60 industry and size groups of manufacturing corporations. Also shown each quarter are 45 income statement and balance sheet items, and as many financial and operating ratios, for each of 45 industry and size groups of corporate manufacturers. (Similar reports for retail trade and wholesale trade corporations were published for the year 1950 and for each quarter of 1951 and 1952.)

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., o.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 Commission 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.

Rates of Return for Identical Companies in Selected Manufacturing Industries (F.T.C.).—This report is a continuation of a series of reports, begun in 1948, comparing rates of return for identical companies in 25 selected manufacturing industries. The 1961 report compares 1940 with 1947 through 1961. Previous yearly reports compared rates of return in 1940 with rates of return in each of the years 1947-60 on an accumulative basis.

Beginning with the 1962 report the comparison with 1940 as a base year was eliminated and the comparison limited to a 10-year period. For example, the 1964 report includes rates of return data for each of 23 selected industries for the period, 1955-64. This series is now reported as Part A of the report.

The Commission expanded coverage of the report in 1955 in order to provide data for more specific industries and, in 1957, published for the first time as Part B of the report comparative rates of return for the 12 largest companies in 39 selected industries for the years 1954 and 1955. Where possible, comparisons are presented for the 4 largest, the second 4, and the third 4 largest companies in each of the 39 industries. Part B of the report continues this series by comparing rates of return in the current year with that of the previous year. (Processed publications are available without charge from F.T.C. while the supply lasts. Copies prior to 1963 are o.p.)

Resale Price Maintenance (F.T.C.).—The question whether a manufacturer of standard articles, identified by trade-mark or trade practice, should be permitted to fix by contract the price at which purchasers should resell them, led to the first inquiry, resulting in a report, Resale Price Maintenance (H. Doc. 1480, 65th, 3 p., o.p., 12/2/18). Other reports were: A Report on Resale Price Maintenance (H. Doc. 145, 66th, 3 p., o.p., 6/30/19) and Resale Price Maintenance (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., o.p., 6/22/31). The Report of

the F.T.C. on Resale Price Maintenance, o.p., (F.T.C. Res., 4/25/39) was submitted to Congress 12/13/45. The inquiry developed facts concerning the programs of trade organizations interested in the extension and enforcement of minimum resale price maintenance contracts, and the effects of the operation of such contracts upon consumer prices and upon sales volumes of commodities in both the price-maintained and non-price-maintained categories.

Rubber Tires.—See Tires.

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

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

Southern Livestock Prices.—See Food.

Steel Code and Steel Code as Amended (Senate and President).—The Commission investigated (S. Res. 166, 73d, 2/2/34) price fixing, price increases, and other matters (Practices of the Steel Industry Under the Code, S. Doc. 159, 73d, 79 p., o.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., o.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., 6522 and 9/7/22).

Steel Costs and Profits.—See Wartime Cost Findings, 1917—18.

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 o.p.) 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., o.p., 12/5/27).

Sugar.—See Food.

¹⁶ The salary lists do not appear in the report but are available for inspection.

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. The basing-point system is also discussed in published reports listed under "Cement" and "Price Bases" herein.

¹⁸ See footnote 15.

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

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

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

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

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

Textiles—Cotton Growing Corporation.—See Foreign Trade.

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

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

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

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

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

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

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., o.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 24-29, 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, China, Bolivia, and Peru (246 p., o.p., 6/30/16).

Twine.—See Sisal Hemp and Textiles.

Utilities.—See Power.

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); 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., o.p., 2/18/25). The unpublished reports²⁰ 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 and 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.

¹⁹ See footnote 10.

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.

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

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

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

Aluminum Foundries (W.P.B.), Wartime, 1942-43.—Details were obtained for the War Production Board, at its request, from aluminum foundries throughout the United States covering their operations for May 1942 and their compliance with W.P.B. Supplementary Orders m-1-d, M-1-c, and M-1-f.

Antifreeze Solutions, Manufacturers of (W.P.B.), Wartime, 1943-44.—War Production Board Order L-258 of 1/20/43 prohibited production of salt and petroleum-base antifreeze solutions. While production of these products had ceased, great quantities were reported to be still in the hands of producers and distributors. To enable W.P.B. to determine what further action should be taken to protect essential automotive equipment from these solutions, it requested the Commission to locate producers' inventories as of 1/20/43, and to identify all deliveries made from such inventories to distributors subsequent to that date.

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

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

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

Contractors, Prime, Forward Buying Practices of (W.P.B.), Wartime, 1942-43.—The matter of procurement, use, and inventory of stocks of critical materials involved in the operation of major plants devoting their efforts to war production was inquired into for the information of the War Production Board. Items such as accounting, inventory, control, purchase, practices, etc., formed a part of the inquiry.

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

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

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

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

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

Fertilizer and Related Products (O.P.A.), Wartime, 1942-43.—At the request of O.P.A. (June 1942), the Commission investigated costs, prices, and profits in the fertilizer and related products industries. The inquiries developed information with reference to the operations of 12 phosphate rock mines of 11 companies, and 40 plants of 24 companies producing sulphuric acid, superphosphate, and mixed fertilizer. One of the principal requirements of the inquiry was to obtain information concerning costs, prices, and profits for 103 separate formulas of popular-selling fertilizers during 1941 and 1942.

Food—Biscuits and Crackers (O.P.A.), Wartime, 1942-43.—As requested by the Office of Price Administration, the Commission investigated costs and profits in the biscuit and cracker manufacturing industry and submitted its report to that agency 3/25/43. The survey of 43 plants operated by 25 companies showed, among other things, that costs were lower and profits higher for the larger companies than for the smaller ones.

Food—Bread Baking (O.E.S.), Wartime, 1942-43.—This investigation was requested (10/23/42) by the Director of the Office of Economic Stabilization and was conducted to determine what economies could be made in the bread-baking industry so as to remove the need for a subsidy for wheat, to prevent an increase in bread prices, or to lower the price of bread to consumers. Essential information on more than 600 representative bakeries' practices, costs, prices, and profits was developed and reported to O.E.S. (12/29/42). The report also was furnished to the Secretary of Agriculture and special data gathered in the inquiry were tabulated for O.P.A.

Food—Bread Baking (O.P.A.), Wartime, 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-baking companies, conveying its findings to O.P.A. (Jan. 1942) in an unpublished report.

Food—Flour Milling (O.E.S.), Wartime, 1942-43.—Requested by the Director of the Office of Economic Stabilization, this inquiry covered practices, costs, prices, and profits in the wheat flour-milling industry, its purpose being to provide the Director with facts to determine what economies could be effected in the industry so as to eliminate the need for a wheat subsidy, without reducing farmers' returns, or to reduce bread prices. The report was made to O.E.S. and a more detailed report was prepared for O.P.A.

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

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

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

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

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

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

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

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.

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

request the Commission surveyed the acquisition and use of foreign silver by such manufacturers to determine the degree of their compliance with Order M-199 and checked the receipt and use of both domestic and treasury silver, as well as the manufacture of insignia, as controlled by Orders L-131 and M-9-c.

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

Metal-Working Machines, Invoicing and Distribution of (W.P.B.), Wartime, 1942-43.—For the War Production Board an inquiry was made to obtain complete data from the builders of metal-working machines (including those manufactured by their subcontractors) such as all nonportable power-driven machines that shape metal by progressively removing chips or by grinding, boning, or lopping; all nonportable power-driven shears, presses, hammers, bending machines, and other machines for cutting, trimming, bending, forging, pressing, and forming metal; and all power-driven measuring and testing machines. Each type and kind of machine was reported on separately.

Nickel Processors (W.P.B.), Wartime, 1942-43.—The Commission was designated by the War Production Board to investigate the transactions of some 600 nickel processors for the purpose of determining the extent to which they were complying with W.P.B. Preference Order No. M-6-a, issued 9/30/41, and Conservation Order M-6-b, issued 1/20/42. The investigation was conducted concurrently with a survey of chromium processors.

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

Paint, Varnish, and Lacquer Manufacturers (W.P.B.), Wartime, 1943-44.—The purpose of this survey was to determine whether the manufacturers covered were in violation of War Production Board Orders M-139, M-150, M-159, M-246, and M-327 in their acquisition and use of certain chemicals, all subject to W.P.B. allocations, used in the manufacture of paint, varnish, and lacquer. Sales of such products to determine their end uses also were investigated.

Paperboard (O.P.A.), Wartime, 1941-42.—Costs, profits, and other financial data regarding operations of 68 paperboard mills (O.P.A. request, 11/12/41) for use in connection with price stabilization work, were transmitted to O.P.A. in a confidential report (May 1942).

Paper—Newsprint (Attorney General).—The Commission investigated (inquiry referred to F.T.C. 1/24/38) the manner in which certain newsprint manufacturers complied with a consent decree entered against them (11/26/17) by the U.S. District Court, Southern District of New York.

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

Priorities (W.P.B.), Wartime, 1941-45.—Pursuant to Executive orders (January 1942), W.P.B. designated the Federal Trade Commission as an agency to conduct investigations of basic industries to determine the extent and degree to which they were complying with W.P.B. orders relative to the allocation of supply and priority of delivery of war materials. F.T.C. priorities investigations are listed herein under the headings: Aluminum, Foundries Using; Antifreeze Solutions, Manufacturers of; Capital Equip-

ment, Chromium, Processors of; Commercial Cooking and Food and Plate Warming Equipment, Manufacturers of; Contractors, Prime, Forward Buying Practices of; Copper Base Alloy Ingot Makers; Copper, Primary Fabricators of; Costume Jewelry, Manufacturers of; Electric Lamps, Manufacturers of; Fruit Growers and Shippers; Furnaces, Hot Air, Household; Fuse Manufacturers; Glycerin, Users of; Insignia Manufacturers; Jewel Bearings, Consumers of; Metal-working Machines, Invoicing and Distribution of; Nickel, Processors of; Paint, Varnish, and Lacquer, Manufacturers of; Quinine, Manufacturers and Wholesalers of; Silverware, Manufacturers of; Silverware Manufacturers and Silver Suppliers; Steel Industry; Textile Mills, Cotton; and Tin, Consumers of. The report on each of these investigations was made directly to W.P.B.

Quinine, Manufacturers and Wholesalers of (W.P.B.), Wartime, 1942-43.—At the instance of the War Production Board, investigation was made to determine whether requirements of its Conservation Order No. M-131-a, relating to quinine and other drugs extracted from cinchona bark, were being complied with.

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

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

Sisal Hemp (Senate).—The Commission assisted the Senate Committee on Agriculture and Forestry 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.

Steel Costs and Profits (O.P.A.), Wartime, 1942-43.—A report on the Commission's survey of costs, prices and profits in the steel industry, begun in April 1942 at the request of O.P.A., was made to that agency. The inquiry covered 29 important steel-producing companies.

Steel Industry (O.P.M.), Wartime, 1941-42.—This investigation covered practically every steel mill in the country and was conducted for the purpose of determining the manner in which the priorities and orders promulgated by the Office of Production Management were being observed, i.e., the technique used in the steel industry in meeting the requirements of O.P.M. (later the War Production Board) orders and forms controlling the distribution of pig iron, iron and steel, iron and steel alloys, and iron and steel scrap.

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

Tin Consumers (W.P.B.), Wartime, 1942-43.—The principal consumers of tin were investigated at the instance of the War Production Board to determine the degree of their compliance with Conservation Order m-43-a, as amended, and other orders and regulations issued by the Director of the Division of Industry Operation, controlling the inventories, distribution, and use of the tin supply in the United States.

War Materials 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 investiga-

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

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

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

Food-Manufacturing (National Commission on Food Marketing).—Examines trends in key structural and behavioral variables affecting the competitive performance of major food manufacturing industries. Included for analysis are: patterns of concentration, integration, diversification and product differentiation, as well as profit behavior, conditions of entry, merger trends and antitrust enforcement. This report was published by the National Commission on Food Marketing as Technical Study No. 8, June 1966. (The Structure of Food Manufacturing, 350 p.)