

ANNUAL REPORT
OF THE
FEDERAL
TRADE COMMISSION
FOR THE
FISCAL YEAR ENDED JUNE 30
1945

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1945

FEDERAL TRADE COMMISSION

EWIN L. DAVIS, *Chairman* 1
GARLAND S. FERGUSON
CHARLES H. MARCH
WILLIAM A. AYRES
ROBERT E. FREER
OTIS B. JOHNSON, *Secretary*

FEDERAL TRADE COMMISSIONERS-1915-45

Name	State from which appointed	Period of service
Joseph E. Davies	Wisconsin	Mar. 16, 1915-Mar 18, 1918.
Edward N. Hurley	Illinois	Mar.16, 1915-Jan. 31, 1917.
William J. Harris	Georgia	Mar.16, 1915-May 31, 1918.
Will H. Parry	Washington	Mar.16, 1915-A r 21, 1917.
George Rublee	New Hampshire	Mar.16, 1915-May 14, 1916.
William B. Colver	Minnesota	Mar.16, 1917-Sept. 25, 1920.
John Franklin Fort	New Jersey	Mar.16, 1917-Nov. 30, 1919.
Victor Murdock	Kansas	Sept. 4, 1917-Jan. 31, 1924.
Huston Thompson	Colorado	Jan.17, 1919-Sept. 25, 1926.
Nelson B. Gaskill	New Jersey	Feb. 1, 1920-Feb. 24, 1925.
John Garland Pollard	Virginia	Mar. 6, 1920-Sept. 25, 1921.
John F. Nugent	Idaho	Jan. 15, 1921-Sept. 25, 1927
Vernon W. Fleet	Indiana	June 26, 1922-July 31, 1926.
Charles W. Hunt	Iowa	June 16, 1924-Sept. 25, 1932.
William E. Humphrey	Washington	Feb. 25, 1925-Oct. 7,1933.
Abram F. Myers	Iowa	Aug. 2, 1920-Jan. 15, 1929.
Edgar A. McCulloch	Arkansas	Feb.11, 1927-Feb. 23, 1933.
Garland S. Ferguson	North Carolina	Nov.14, 1927.
Charles H. March	Minnesota	Feb. 1, 1929-Aug. 28, 1945.
Ewin L. Davis	Tennessee	May 26, 1933.
Raymond B. Stevens	New Hampshire	June 26, 1933-Sept. 25, 1933.
James M. Landis	Massachusetts	Oct.10, 1933-June 30, 1934.
George C. Mathews	Wisconsin	Oct.27, 1933-June 30, 1934.
William A. Ayres	Kansas	Aug.23,1934.
Robert E. Freer	Ohio	Aug.27, 1935.

EXECUTIVE OFFICES OF THE COMMISSION

Pennsylvania Avenue at Sixth Street, Washington 25, D. C.

BRANCH OFFICES

45 Broadway, New York 6

433 West Van Buren Street,
Chicago 7.

55 New Montgomery Street, San
Francisco 5

801 Federal Office Building,
Seattle 4.

150 Baronne Street, New Orleans 12

¹ Chairmanship rotates annually. Commissioner Ayres will become Chairman in January 1946.

II

LETTER OF SUBMITTAL

To the Congress of the United States :

I have the honor to submit herewith the Thirty-first Annual Report of the Federal Trade Commission for the fiscal year ended June 30, 1945. A limited number of copies of the report is being printed by the Federal Trade Commission.

By direction of the Commission:

EWIN L. DAVIS, *Chairman.*

CONTENTS

INTRODUCTION

	Page
Duties of the Commission	1
Summary of legal activities	2
Proceedings suspended because of war	3
General investigations	3
The Commissioners and their duties	4
Assignment of work among the staff	5
Publications of the Commission	6
Recommendation to Congress	8

PART I. GENERAL INVESTIGATIONS

Methods and costs of distribution	10
Advertising as a factor in distribution	10
Milk distribution, prices, spreads, profits	11
Cooperative study of fish production and distribution	14
Cost of production and distribution of fish in the Great Lakes area	14
Cost of production and distribution of fish in New England	17
Cigarette shortage	23
Priorities investigations	24
Wartime activities	25

PART II. GENERAL LEGAL WORK

Description of procedure	27
Legal investigation	30
Disposition of cases by stipulation	34
Formal complaints	34
Orders to cease and desist	37
Types of unfair methods and practices	45
Cases in Federal courts	52
Tabular summary of legal and court work	59

PART III. TRADE PRACTICE CONFERENCES

Unfair competitive practices prevented through rules of fair competition	63
Group I and Group II rules defined	64
Trade practice conference activities during year	65
Industry rules and their administration	65
Types of practices covered in approved rules	66
Informative labeling	67

PART IV. WOOL PRODUCTS LABELING ACT

Informative labeling for protection of industry and the public	Page 69
--	------------

PART V. RADIO AND PERIODICAL ADVERTISING

Special procedure provides continuous survey of published and broadcast matter	72
--	----

PART VI. MEDICAL AND SCIENTIFIC OPINIONS

Commission utilizes such data in considering cases relating to food, drugs, devices, and cosmetics	76
--	----

PART VII. FOREIGN TRADE WORK

The Export Trade Act	77
Exports in 1944	77
Associations formed during fiscal year	77
Export associations on file with Commission	78
Commission inquiries under Export Trade Act	79
Congressional inquiries	80
Trade regulation and unfair Competition abroad	81

PART VIII. FISCAL AFFAIRS

Appropriation act providing funds for Commission Work	82
Appropriations and expenditures for fiscal year	82
Detailed statement of costs for fiscal year	83
Appropriations and expenditures, 1915-45	84

APPENDIXES

Federal Trade Commission Act	85
Titles of other acts administered by the Commission	93
Statement of policy	93
Investigations, 1915-45	94
Index	111

ANNUAL REPORT
OF THE
FEDERAL TRADE COMMISSION
FOR THE
FISCAL YEAR ENDED JUNE 30, 1945

INTRODUCTION

DUTIES OF THE COMMISSION

The Federal Trade Commission herewith submits its report for the fiscal year July 1, 1944, to June 30, 1945.

The Commission is an administrative agency of the Federal Government. It was organized March 16, 1915, under the Federal Trade Commission Act, which was approved September 26, 1914, and amended March 21, 1938.

The duties of the Commission fall into two categories: (1) Legal activities in the enforcement of the laws it administers and (2) general investigations of economic conditions in interstate and foreign commerce.

In addition to discharging these duties the Commission during the fiscal year conducted special wartime investigations and surveys for the War Production Board and other war agencies.

Legal activities of the Commission embrace administration of (1) the Federal Trade Commission Act, which declares that unfair methods of competition and unfair or deceptive acts or practices in commerce are unlawful; (2) section 2 of the Clayton Act, as amended by the Robinson-Patman Act, prohibiting price and other discriminations, and sections 3, 7, and 8 of the Clayton Act dealing with tying and exclusive-dealing contracts, acquisitions of capital stock, and interlocking directorates, respectively; (3) the Export Trade Act, also known as the Webb-Pomerene Law, which, for the purpose of promoting foreign trade, permits the organization of associations to engage exclusively in export under stated restrictions; and (4) the Wool Products Labeling Act of 1939, designed to protect industry, trade and the consumer against the evils resulting from the unrevealed presence of substitutes and mixtures in wool products.

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

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

(b) To require, by general or special orders, corporations engaged in commerce, excepting banks, and common carriers * * * to file with the Commission in such form as the Commission may prescribe annual or special, or both annual and special, reports or answers in Writing to specific questions, furnishing to the Commission such information as it may require as to the organization, business, *conduct*, practices, management, and relation to other corporations, partnerships, and individuals of the respective corporations filing such reports or answers in writing. * * *

(d) Upon the direction of the President or either House of Congress¹ to investigate and report the facts relating to any alleged violations of the antitrust acts by any corporation.

SUMMARY OF LEGAL ACTIVITIES

The Commission during the fiscal year issued 164 formal complaints alleging violations of the laws it administers; issued 140 orders directing respondents to cease and desist from such violations; and accepted 286 stipulations to discontinue unlawful practices, 66 pertaining especially to radio and periodical advertising.

During the fiscal year the Commission had 29 cases in the United States courts. Results favorable to the Commission were obtained in 27 cases, 2 of which were in the Supreme Court, 19 in United States circuit courts of appeals, and 6 in United States district courts. The Commission's orders to cease and desist were affirmed by the circuit courts of appeals in 16 cases, 4 of them with modifications. Three petitions for review were dismissed by the circuit courts of appeals for want of prosecution, leaving the Commission's orders to cease and desist in effect. In the 2 Supreme Court cases the Court sustained orders of the Commission directed against the use by 2 glucose manufacturers of the basing point system of delivered prices. In 6 cases district courts entered judgments for civil penalties totaling \$10,182.72 for violation of Commission orders to cease and desist which had become final.

Commission orders to cease and desist were reversed in two cases in the circuit courts of appeals, in one of which the reversal was without prejudice to reopening the proceeding and offering additional evidence.

Twenty-four petitions for review of Commission orders were filed by respondents during the fiscal year in circuit courts of appeals. The Commission filed applications for enforcement of two of its orders.

During the year, 429 hearings were held for taking testimony in formal cases instituted by mission. A majority of the hearings were held in Washington and nearby cities. In the same period, trial of the issues was begun in 126 such cases and taking of testimony was completed in 86.

More than 150 industries operate under trade practice rules approved by the Commission. Approved rules were promulgated during the year for the following industries: Button jobbing, hearing aid, low-pressure refrigerants, razor and razor blade, water heater, wood-cased lead pencil, and tuna (revised and extended rules). All rules were administered in consonance with the war effort.

¹ The Independent Offices Appropriation Act for 1934 provided that future investigations by the Commission for Congress must be authorized by concurrent resolution of the two Houses. Under the appropriations act of 1946, funds appropriated for the Commission are not to be spent upon any investigation thereafter called for by Congressional concurrent resolution "until funds are appropriated subsequently to the enactment of such resolution to finance the cost of such

investigation.”

The Wool Products Labeling Act was given wide application during the year. Field inspections were made of more than 11 ½ million articles subject to the labeling provisions of the act, and covered the labeling practices of several thousand manufacturers, distributors, and other marketers.

The Commission conducted several investigations as to operation of export associations, under the Export Trade Act. Investigation of the Florida Hard Rock Phosphate Export Association was completed, and recommendations for the readjustment of the business of the association were issued. At the close of the fiscal year, 49 export associations were registered with the Commission.

PROCEEDINGS SUSPENDED BECAUSE OF WAR

During the fiscal year, the suspense of work on many cases was continued because of war conditions. The suspended cases involve a wide range of products, including precision instruments, machinery, chemicals, construction materials, and automobile tire chains. Proceedings in such cases had been suspended until the end of the war at the request of the Secretary of War and the Secretary of the Navy. The requests were made pursuant to an arrangement worked out between the War and the Navy Departments and the Commission April 28, 1942, providing for the postponement of any proceeding at the request of those departments when, in the opinion of the Secretary of War and the Secretary of the Navy, the continuation of such proceedings would seriously interfere with the war effort.²

GENERAL INVESTIGATIONS

Four parts of the Commission's report based on its study of methods and costs of distributing important consumer commodities were transmitted to Congress under the titles: *Part V--Advertising as a Factor in Distribution: Part VI--Milk Distribution, Prices, Spreads and Profits: Part VII--Cost of Production and Distribution of Fish in the Great Lakes Area: and Part VIII--Cost of Production and Distribution of Fish in New England.* The survey of the fish industry was undertaken in cooperation with the Office of the Coordinator of Fisheries, Department of the Interior.

An investigation of the shortage of cigarettes in the civilian market was undertaken by the Commission after it had received complaints from the public and distributors concerning the scarcity and a request from the Chairman of the Senate Interstate Commerce Committee that such an inquiry be made. The Commission reported that the shortage was caused principally by the diversion of a high percentage of total cigarette production to the armed forces and the Allies and was not attributable to violations of any laws under its jurisdiction.

During and prior to the fiscal year the Commission completed surveys of some 4,300 companies in 24 essential industries to ascertain the facts concerning their compliance with priorities orders issued by the War Production Board. The Board had requested the Commission to make the surveys.

² On August 17 1945, the War Department, and on August 20.1945, the Navy Department, withdrew their requests with respect to proceedings suspended by the Federal Trade Commission on the ground of interference with war production under the arrangement of April

28, 1942. The commission immediately announced the lifting of its suspension of these matters and stated it would proceed with them as expeditiously as possible.

(The investigations and surveys referred to above are reported in more detail beginning on p.24.)

In connection with its regular survey of commercial advertising, the Commission analyzed for and reported to the War Production Board such advertisements as contained pertinent references to war production, price rises or trends, rationing, and other war-related subjects, or possible violations of the Board's policies with respect to advertising in wartime. (See p.25.)

During the war emergency numerous branches of the Government, especially the war agencies, have utilized the basic factual accounting, statistical, and economic data covering important national industries which were gathered by the Commission in the approximately 135 general investigations and 370 special cost studies it has conducted during its existence.³

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

Investigations conducted by the Commission have led, directly or indirectly, to the enactment of important laws, including the Export Trade Act, the Packers and Stockyards Act, the Securities Act of 1933, the Public Utilities Holding Company Act of 1935, the Natural Gas Act of 1938, and the Robinson-Patman Anti-discrimination Act of 1936, which amended section 2 of the Clayton Act.

THE COMMISSIONERS AND THEIR DUTIES

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

As provided in the Federal Trade Commission Act, the term of office of a Commissioner is 7 years, dating from the 26th of September 4 last preceding his appointment, except when he succeeds a Commissioner who relinquishes office prior to the expiration of his term, in which case the act provides that the new member "shall be appointed only for the unexpired term of the Commissioner whom he shall succeed." Upon the expiration of his stated term of office, a Commissioner continues to serve until his successor shall have been appointed and shall have qualified.

As of June 30, 1945, the Commission was composed of the following members: Ewin L. Davis, Democrat, of Tennessee, Chairman; Garland S. Ferguson, Democrat, of North Carolina; Charles H. March, Republican, of Minnesota; William A. Ayres, Democrat, of Kansas; and Robert E. Freer, Republican, of Ohio.

The chairmanship of the Commission rotates annually among its members. Commissioner Davis is serving as Chairman during the

³ An alphabetical list and brief description of the investigations conducted by the Commission appear in the appendix, beginning at p.94.

⁴ September 26 marks the anniversary of the approval of the Federal Trade Commission Act in 1914.

⁵ Commissioner March died in office on August 28, 1945. He was succeeded by Hon. Lowell B. Mason, of Illinois, who took office October 15, 1945.

calendar year 1945, having succeeded Commissioner Freer. Commissioner Ayres will become Chairman in January 1946. Through this method of rotating the chairmanship, each Commissioner serves as Chairman at least once during his term of office. The Chairman presides at meetings and signs the more important official papers and reports at the direction of the Commission.

In addition to the general duties of administering the statutes committed to the Commission for enforcement, each Commissioner has supervisory charge of the work of One or more of the divisions of the Commission. Chairman Davis has supervisory charge of the Trial and Appellate Division; Commissioner Ferguson, of the Trial Examiners Division and the Division of Trade Practice Conferences; Commissioner March, of the Legal Investigation Division; Commissioner Ayres, of the Medical Advisory Division and the several Administrative Divisions; and Commissioner Freer, of the Radio and Periodical Division and the Division of Accounts, Statistics and Economic Investigations. The Secretary of the Commission is its executive officer.

Each case coming before the Commission for consideration is assigned to a Commissioner for examination and report before it is acted upon by the Commission. The Commissioners meet each work day for the transaction of business, including the bearing of oral arguments in cases before the Commission. They usually preside individually at the trade practice conferences held for industries, perform numerous administrative duties incident to their position, and direct the work of a staff which, as of June 30, 1945, numbered 451 officials and employees, including attorneys, economists, accountants, and administrative personnel stationed in Washington and in 5 branch offices. In addition, 130 members of the staff were on military furlough and serving in the armed forces of the Nation.

ASSIGNMENT OF WORK AMONG THE STAFF

The Chief Counsel acts as legal adviser to the Commission, has charge of the trial of formal cases before the Commission and in the courts, and supervises the foreign-trade work of the Commission conducted pursuant to the Export Trade Act.

The Division of Accounts, Statistics, and Economic Investigations conducts the general inquiries of the Commission as distinguished from those primarily legal in nature. Such general inquiries in recent years have included surveys of methods and costs of distributing important commodities; studies of costs, prices, and profits in various industries; and compilations of financial reports of corporations operating in strategic material industries. These recent inquiries were made, for the most part, at the request of war agencies, and in all cases the data gathered were made available to them. Aside from its investigational activities, the division cooperates with the legal divisions of the Commission with respect to price-fixing and other types of restraint-of-trade cases and to cost-accounting work required in Robinson-Patman Act cases.

The Chief Examiner is the principal legal investigating officer of the Commission and exercises supervisory direction over the investigation of applications for complaint filed with the Commission alleging violation of any of the laws administered by it. The

Chief

Examiner also conducts general investigations primarily of a legal nature.

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

The Division of Trade Practice Conferences conducts the activities relating to trade practice rules for industries, including the holding of hearings and industry conferences, administration and enforcement of rules, and other staff duties incident to the trade practice conference procedure. Through this division the Commission also administers the Wool Products Labeling Act and the rules and regulations promulgated thereunder.

The Radio and Periodical Division conducts office investigations in cases involving allegations of false and misleading advertising. Such cases usually result from the division's continuing examination of radio and periodical advertising and, in a majority of instances, are disposed of by stipulation. The division also carried on a special continuing examination of war-related advertising for the War Production Board.

The Medical Advisory Division furnishes the Commission or any of its divisions with professional opinions in matters involving medical, chemical, or scientific questions relating to food, drugs, cosmetics, and devices arising in connection with investigations or the trial of cases instituted under the provisions of the Federal Trade Commission Act.

The Legal Research and Compiling Division and the Library Division function as professional adjuncts in aid of the professional staff.

Administrative services are rendered and the business affairs of the Commission are conducted by the following divisions: Budget and Finance, Personnel Supervision and Management, Records, and Publication and Procurement.

PUBLICATIONS OF THE COMMISSION

The Federal Trade Commission Act, section 6 (f), provides that the Commission shall have power to make public from time to time such portions of the information obtained by it hereunder, except trade secrets and names of customers, as it shall deem expedient in the public interest; and to make annual and special reports to the Congress and to submit therewith recommendations for additional legislation; and to provide for the publication of its reports and decisions in such form and manner as may be best adapted for public information and use.

For the period of the war emergency the Commission has limited the number and size of its publications. Publications issued during the fiscal year were:

Annual Report of the Federal Trade Commission for the Fiscal Year Ended June 30, 1944. House Document No. 10, Seventy-ninth Congress, first session, January 11, 1945; 108 pages. Available from Superintendent of Documents, Government Printing

Office, at 20 cents a copy while the supply lasts.

Federal Trade Commission Decisions:

Volume 37, July 1, 1943-December 30, 1943, 874 pages, \$1.75.

Volume 38, January 1, 1944-June 30, 1944, 969 pages.

Statutes and Decisions, 1939-43, 785 pages, \$1.75. All available from Superintendent of Documents, Government Printing Office, while the supply lasts.

Trade Practice Rules for the following industries: *Hearing Aid Industry, December 30, 1944, 9 pages; Water Heater Industry, January 11, 1945, 12 pages; Razor and Razor Blade Industry, June 19, 1945; 9 pages; Tuna Industry, June 23, 1945 (revised and extended rules), 11 pages; Wood Cased Lead Pencil Industry, June 29, 1945, 9 pages; Low Pressure Refrigerants Industry, June 30, 1945, 9 pages; Button Jobbing industry, June 30, 1945, 8 pages.* Available from Federal Trade Commission without charge while the supply lasts.

Distribution Methods and Costs, Part V, Advertising As a Factor in Distribution, October 30, 1944: 50 pages. Available from Superintendent of Documents, Government Printing Office, at 20 cents a copy while the supply lasts. *Summary, 9 pages,* available from Federal Trade Commission without charge while the supply lasts.

Distribution Methods and Costs, Part VI, Milk Distribution, Prices, Spreads and Profits, June 18, 1945: 58 pages. Available from Superintendent of Documents, Government Printing Office, at 15 cents a copy while the supply lasts. *Summary, 7 pages,* available from Federal Trade Commission without charge while the supply lasts.

Distribution Methods and Costs, Part VII, Cost of Production and Distribution of Fish in the Great Lakes Area, June 30, 1945: 59 pages. Available from Superintendent of Documents, Government Printing Office, at 15 cents a copy while the supply lasts. *Summary, 22 pages,* available from Federal Trade Commission without charge while the supply lasts.

Distribution Methods and Costs, Part VIII, Cost of Production and Distribution of Fish in New England, June 30, 1945; 118 pages. Available from Superintendent of Documents, Government Printing Office, at 20 cents a copy while the supply lasts. *Summary, 35 pages,* available from Federal Trade Commission without charge while the supply lasts.

The Cigarette Shortage, February 13, 1945; 33 pages. Available from Federal Trade Commission without charge while the supply lasts.

The publications of the Commission reflect the character and scope of its work and vary in content and treatment from year to year. Important among them are those presenting fact-finding studies, reports and recommendations relating to general business and industrial inquiries. Illustrated by appropriate charts and tables, these books and pamphlets deal with current developments, possible abuses, and trends in an industry, and contain scientific and historical background of the subjects discussed. They have supplied the Congress, the Executive agencies of the Government, and the public with information not only of specific and general value but of especial value as respects the need or wisdom of new and important legislation, to which they have frequently led as well as to corrective action by the Department of Justice and private interests affected. The Supreme Court has at times had recourse to them, and many

have been designated for reading in connection with university and college courses in business administration, economics, and law.

The 38 published volumes of *Federal Trade Commission Decisions* contain (1) the findings of fact and orders to cease and desist issued

by the Commission throughout the years; (2) the stipulations accepted by the Commission wherein respondents agree to cease and desist from unlawful practices; and (3) the decisions of the courts in Commission cases for the different periods covered by the different volumes. They constitute a permanent and authoritative record of the remedial measures taken by the Commission to stop violations of the laws it administers. The decisions establish for industry, business, and the individual the guideposts of fair competitive dealing. They also tell, case by case, the story of the multiplicity of unlawful practices which have been found to be detrimental to the public interest and of the accomplishments of the Commission in the prevention of such practices.

Decisions of the Federal courts reviewing Commission cases also from time to time are published in separate volumes and may be purchased from the Superintendent of Documents, Government Printing Office. Trade practice rules, the regulations under the Wool Products Labeling Act, and the Rules of Practice before the Commission are published in pamphlet form. These may be obtained from the Commission without charge.

RECOMMENDATION TO CONGRESS

A few months before the United States entered the war there was concluded the most recent and authoritative as well as the most extensive and intensive survey of our economic system ever undertaken. The Temporary National Economic Committee created by joint resolution of Congress for the purpose of that survey filed its final report in March 1941, after nearly 3 years of study and public hearings with sworn testimony. In submitting its final report the Committee recognized that public attention had been "diverted momentarily from the study of the problems of economic concentration" for which the Committee had been created, but pointed out that war conditions "served only to emphasize the need for readjustments after the present crisis is over." The Committee declared its faith in the competitive system of private enterprise as a solution for the problems of postwar depression and unemployment and made a number of specific recommendations for legislation designed to preserve and improve that system. It declared such system could be preserved only through a vigorous effort to decentralize industry and to implement and enforce the antitrust laws.

Although the representatives of the Federal Trade Commission on the Temporary National Economic Committee concurred in the various recommendations made by the latter body, the Commission, in deference to the absorption of Congress and the public with the war, has reiterated but one of the Committee's recommendations. That was a recommendation which the Commission had been making since 1930 with regard to an amendment of section 7 of the Clayton Act and designed to stay more effectively the increasing consolidations of competing corporations. More specifically, the Commission recommended the prohibition of the corporate acquisition of another corporation's properties under the same conditions that acquisition of its capital stock had been declared unlawful by Congress in 1914. The

Commission also concurred with the recommendation of the Tem-

porary National Economic Committee for prior governmental approval of acquisitions by corporations with German over a certain size.

With the wars wit Germany and Japan victoriously concluded, the Commission recommends that the Congress now take up for serious concrete consideration the various recommendations for legislation submitted by the Temporary National Economic Committee in March 1941, and by President Roosevelt when urging the formation of that Committee in April 1938. In this connection the Commission calls attention to the following statement by Senator Joseph C. O'Mahoney, Chairman of the Temporary National Economic Committee, submitted with the Committee's report in March 1941:

The termination of the war effort, putting to an end, as it may very suddenly, the industrial activity now gaining tremendous momentum, will bring with it problems more critical and more fraught with danger than those which followed the collapse of 1929. Unless the democratic society of America shall have prepared in advance for this hour there will be no alternative except government action, which will necessarily be as inconclusive as the action which has heretofore been taken. The unsolved problems of postwar depression will be heaped upon the unsolved problems of prewar depression and it is difficult to see how, in these circumstances, democracy can survive unless democracy prepares for peace now.

PART I. GENERAL INVESTIGATIONS

METHODS AND COSTS OF DISTRIBUTION

COMMISSION REPORTS TO CONGRESS ON ITS STUDIES DEALING WITH ADVERTISING, MILK AND MILK PRODUCTS, AND FISH

Within the past few years there has been widespread interest on the part with the general public, the Congress and among manufacturers with respect to the cost of distribution. The Commission's series of reports on Methods and Costs of Distribution, four of which were published during the fiscal year, have been in great demand and have been reprinted in various trade publications. There is wide recognition of the fact that the maximum postwar employment can only be attained by elimination of many uneconomic practices tending to higher price levels and contributing to inflation. The results of wartime transportation restrictions that have materially reduced delivery expenses, and economies resulting from War Food Order No.1 in the baking industry, have focused the attention of businessmen and students of distribution on the possibilities of distribution economies.

Reports on methods and costs of distribution of important food products, cement, lumber, paints and varnishes, petroleum products, automobiles, rubber tires and tubes, electrical household appliances and agricultural implements were published during the last preceding fiscal year. In the fiscal year ended June 30, 1945, reports on production and distribution costs were submitted to the Congress, as follows :

Part V--Advertising as a Factor in Distribution; Part VI--Milk Distribution, Prices, Spreads and Profits; Part VII--. Cost of Production and Distribution of Fish in the Great Lakes Area; and Part VIII--Cost of Production and Distribution of Fish in New England.

ADVERTISING AS A FACTOR IN DISTRIBUTION

Without attempting to cover comprehensively the field of advertising as an established and effective method of selling goods, the report on *Advertising as a Factor in Distribution* summarizes data respecting advertising expenditures in relation to sales for 2,716 manufacturing corporations reporting under the Commission's Corporation Reports project as well as more detailed information respecting media used and expenditures made by 548 manufacturing corporations compiled in connection with the distribution methods and cost study. It also covers 439 wholesalers grouped to represent 9 principal commodities handled, and 1,527 retailers, similarly grouped by lines.

The report recognizes that advertising may be so used in some of its forms as to result in sales at relatively high consumer cost and also may be the means of bolstering and perpetuating the strong position of large concerns at the expense of small, less financially strong competitors. The report gives special attention to the

somewhat controversial subject of the type of advertising and sales promotion known as cooperative advertising, in which individual manufacturers make

MILK DISTRIBUTION, PRICES, SPREADS, PROFITS 11

special allowances for advertising and sales promotion with some but with all of their customers. In some instances, allowances are not given to immediate customers, but are made to subsequent owners farther down in the distribution chain.

In 1940, the advertising expenditures of 2,716 manufacturers with aggregate sales of about \$30,000,000,000 in 91 different lines of production varied widely from 0.06 cent per dollar of sales for 16 shipbuilding companies to 13.94 cents per dollar for 20 drug and medicine manufacturers. Of the 91 industry groups studied, 64 spent, on the average, less than 2 cents per dollar of sales; 19 spent from 2 to 5 cents, and 8 spent from 5 to 13.94 cents per dollar of sales. The 6 groups spending most heavily per dollar of sales were drugs and medicines, cereal preparations, cigarettes, soaps and cooking fats, distilled liquors and malt beverages, all of which spent more than 8.9 cents per dollar of sales.

Measured in terms of percentages of total advertising expenditures, the 6 types of advertising most extensively used by 548 manufacturers of 17 lines of consumer goods, including food, clothing, building materials, farm machinery, and petroleum products, whose aggregate advertising expenditures were \$71,498,607, were: Radio, 18.3 percent; national magazines, 17.4 percent; newspapers, 15.2 percent; material furnished to dealers, 13.3 percent; outdoor posters, 7.3 percent; and joint advertising with dealers, 6.4 percent. The remaining 22.4 percent was distributed among mailed material; trade journals, indoor posters, and miscellaneous other forms of manufacturers' advertising.

The range in the cost of advertising for 439 wholesalers in 9 lines of trade, having net sales of \$439,216,000 and advertising expenditures of \$1,552,000, was from a minimum of 0.03 cent per dollar of sales for men's and boys' clothing, to 1.08 cents per dollar of sales for paints and varnishes.

Retailers' advertising costs, for 1,527 retailers in 9 important lines of trade, with aggregate sales of \$481,156,000, and advertising expenditures of \$6,823,000, were: Lumber, 0.59 cent; chain store grocers, 0.66 cent; independent grocers, 0.73 cent; motor vehicle tires and tubes, 1.28 cents; petroleum products, 1.37 cents; paints and varnishes, 1.59 cents; electrical appliances and carpets and rugs, 2.53 cents; men's clothing, 3.61 cents; and women's clothing, 4.33 cents for each dollar of sales.

MILK DISTRIBUTION, PRICES, SPREADS, PROFITS

The Commission made a study of *Milk Distribution, Prices, Spreads and Profits* in which it was found that the average prices paid by milk distributors in 1940 ranged from 3.34 cents per quart in Shawano, Wis., to 8.23 cents per quart in Richmond, Va. Shawano is located in territory where much of the milk is used for manufacturing purposes, farmers in the Richmond area sell milk largely for resale as fluid milk.

About half of the distributors paid from 4.75 to 6.50 cents per quart in different markets. These are average cost prices at the point the distributor took title to the milk, and include intercompany purchases and, consequently, are somewhat higher than the average prices received by producers. In general, distributors east of the Allegheny Mountains paid prices that averaged from 1.5 to 2 cents higher per quart for milk than those operating in the less densely populated agricultural and dairying areas from the Alleghenies to the Missouri River. In a considerable part of this area the bulk of milk production is sold in the lower-priced processors' market (I. e., for cheese, butter, condensed and evaporated milk, ice cream, etc., production) so that higher prices are not necessary to induce production adequate to supply the retail fluid milk market as in the East and South.

Prices paid for milk, by distributors operating in any given distribution area, also vary with the amount of assembling, processing, and transportation performed before it is purchased by the distributor. The distributor who buys directly from farmers may obtain his supply in different regions for 5 cents or less per quart, while distributors who operate in areas of small fluid milk production or purchase milk shipped in by assemblers may pay prices of 6 or even 8 cents per quart in a considerable number of markets.

Retail delivered prices vary widely from market to market. The average retail prices realized for quarts in glass sold by 44 distributors in 30 markets ranged from a low of 9.57 cents for a distributor in Nashville, Tenn., to a high of 16.79 cents for a distributor in Norfolk, Va. The Nashville distributor paid 5.01 cents per quart for his milk while the Norfolk distributor paid 8 cents. The Nashville distributor's margin was 4.56 cents per quart, or nearly one-half cent less than the average price paid for the milk, while that of the Norfolk distributor was 8.79 cents, or 0.79 cent more than the price the distributor paid for his milk.

Margins realized on fluid cream sold by 20 distributors, some of whom sold only at wholesale, varied with the type of trade served. Retail sales by 9 distributors at average prices ranging from 45.63 cents per quart for 20 to 25 percent butterfat cream in Nebraska, to 80.57 cents per quart for 40 percent cream in Massachusetts, yielded retail spreads ranging from 11.46 to 46.87 cents per quart of cream sold.

Wholesale sales by 18 companies yielded average prices ranging from 25.83 cents per quart for 25 to 30 percent cream to 58.9 cents per quart for 30 to 35 percent cream and yielded average margins for different sellers ranging from 2.05 to 23.78 cents per quart.

Average gross margins or spreads between the cost and selling price of butter varied from a loss of 13.85 cents per pound for a company in New York City that manufactured butter only from milk and cream returned from retail routes, to a maximum of 10.02 cents per pound. In most instances, the spread per pound of butter fell within a range of 2 to 7 ½ cents per pound.

The average rates of net profit, exclusive of income from outside investments, on the business investment—that is, the total investment less outside investment—were as follows, for five groups of dairy product concerns:

MILK DISTRIBUTION, PRICES, SPREADS, PROFITS 13

Rates of return on investment

Business rate	Number of companies	Average of return <i>Percent</i>
Evaporated and condensed milk	18	20.1
Ice cream	27	16.7
Butter	13	10.4
Cheese	4	13.1
Fluid milk distributors	82	5.4

The 62 processors of milk averaged 14.7 percent On their investment, compared with 5.4 percent for the 82 distributors of fluid milk.

Further evidence of the superior earning capacity of milk products manufacturers, in 1940, is to be noted in the fact that only 2 of the 62 milk products manufacturers reported losses as compared with 21 of the 82, or roughly 1 in 4, of the milk distributors. The highest rate of profit for the year among the 62 products manufacturers was 146 percent as compared with 26.9 percent for 1 company among the 82 milk distributors.

The normal relationship between prices paid to producers for milk for retail fluid and manufacturing uses in any milkshed is that the farmer receives a higher price for milk sold at retail as fluid milk than for milk purchased for certain manufacturing uses. The average price received by the farmer, therefore, varies with the proportions of his milk that are sold for different uses.

The spread between the price paid to the farmer, the farmer's cooperative, or a wholesale milk dealer who had bought the milk from the farmer, varied widely in different sections of the country and for different milk distributors. Data were obtained, for 1940, from distributors operating in 34 cities located in 18 States and the District of Columbia. Most distributors sold both at retail and wholesale and the results are for the total business; consequently, they are somewhat less than the total spread from farmer to fluid milk consumer.

Summary Of spreads between the average cost of milk, per quart, to milk distributors and their average sale price for 44 companies, by states, in 1940

State or district spread	Average cost (cents)	Average spread (cents)	State or district	Average cost (cents)	Average cost (cents)
Alabama	6.81	6.66	North Carolina	5.99	6.05
California	4.88	5.63		6.64	7.86
District of Columbia	7.70	5.07	Ohio	4.34	5.33
Florida	8.20	6.39		4.95	6.30
	7.47	7.32		5.75	5.17
Illinois	4.40	5.36		4.98	4.80
Kentucky	5.53	5.59		5.46	6.29
Maryland	5.83	5.03	Pennsylvania	5.74	5.11
Massachusetts	6.65	4.37		5.54	4.96

	7.00	6.12		5.90	5.40
	7.36	4.48		6.06	5.60
	6.68	5.89		5.93	5.56
	7.24	5.36	Tennessee	4.50	4.47
Michigan	6.68	2.70		5.01	3.43
	4.56	4.80		4.66	5.81
Minnesota	4.01	6.00	Virginia	8.17	5.72
Missouri	4.90	5.40		8.23	5.70
	5.16	5.49		8.00	8.08
	5.23	6.33	Wisconsin	5.27	5.18
Nebraska	4.70	5.10		5.77	5.58
	6.95	5.24		4.71	5.06
New York	7.01	5.39		3.34	6.58

COOPERATIVE STUDY OF FISH PRODUCTION AND DISTRIBUTION

The Commission's study of the methods of distribution and cost of production and of distribution of fish was undertaken at the request of the Office of the Coordinator of Fisheries of the United States Department of the Interior, which is charged under Executive Order 9204 with the responsibility for developing and assuring sustained production of aquatic food supplies essential to the conduct of the present war; and is called upon to make proper recommendations to other Government agencies which administer certain phases of fishery economics; for example, to the Office of Price Administration in the field of price regulation and to the War Manpower Commission in the field of manpower and labor.

The Federal Trade Commission likewise had a broad interest in making a comprehensive survey of the marketing methods and production and distribution costs in the principal fishing areas because there is a constant conflict of economic interests among fishermen, boat operators, primary and secondary fish wholesalers in the different fishing areas, and between the fish wholesalers in the fishing areas and the wholesale and retail trade.

The Commission appreciates the valuable assistance it received from the Coordinator of Fisheries and his assistants in the Washington office and from the personnel in the regional offices of the Great Lakes and New England areas.

COST OF PRODUCTION AND DISTRIBUTION OF FISH IN GREAT LAKES AREA

Approximately 1.75 percent of the quantity and 5.5 percent of the total value of the fish catch in the United States in 1941 was caught in the Great Lakes region. The totals for that year in this region were 78,065,000 pounds, valued at \$6,470,300. In 1940, 5,142 fishermen were employed on the Great Lakes, and 499 fishing vessels and 1,785 fishing boats were in operation. A wide variety of fish is caught in the Great Lakes region. In 1942, in excess of 500,000 pounds of each of 16 species were caught.

Most of the fish caught are taken in gill nets, trap nets, and pound nets. In 1938, the Fish and Wildlife Service reports 47.1 percent caught by gill nets, 28.3 percent by trap nets, and 11.1 percent by pound nets; or a total of 86.5 percent by these three methods.

The average proceeds, average cost and average profit per pound, for a number of boats engaged in each of the three types of fishing, for 1941, 1942, and 1943, were:

Average proceeds, cost, and profit (Great Lakes area)

Year	Proceeds per pound			Cost per pound			Profit		
	Gill net	Trap net	Pound net	Gill net	Trap net	Pound net	Gill net	Trap net	Pound net
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>
1941	16.53	7.30		13.60	6.00		2.93	1.30	
1942	18.94	7.51	7.44	12.56	6.17	7.00	6.38	1.34	0.38
1943	23.00	10.98	13.74	15.38	7.45	7.47	7.62	3.53	6.27

The costs, proceeds, and profit per pound were all much higher for gill-net operators than for either trap-net or pound-net operators. The gill-net fisheries are compensated for their higher costs by higher proceeds for the choicer varieties of fish caught in the deeper water.

Wages and cost and maintenance of nets constituted the major items of cost of production for each method of fishing in each of the years 1941-43. These average costs, in cents per pound, were:

*Average costs, in cents per pound, of wages and maintenance of nets, 1941-43
(Great Lakes area)*

Type of fishing	Wages			Maintenance			
	1941 <i>Cents</i>	1942 <i>Cents</i>	1943 <i>Cents</i>	1941 <i>Cents</i>	1942 <i>Cents</i>	1943 <i>Cents</i>	
Gill net	6.74	7.54	10.47	4.09	2.32	2.32	
Trap net	3.19	3.27	4.15	1.01	1.09	1.23	
Pound net		4.55	4.90		1.53	1.34	
		Percent of proceeds					
Gill net	40.77	39.81	45.52	24.74	12.25	10.09	
Trap net	43.70	43.54	37.80	13.84	14.51	11.20	
Pound net		61.16	35.66		20.56	9.75	

The increase in labor costs is accounted for by the higher daily wage now paid to fishermen who work for wages and by the increase in volume and value of the catch to those who work on shares. For example, in one case, the daily wages paid to gill-net fishermen in 1943 and 1944 was from \$9 to \$10 a day as compared with \$5 to \$6 a day during 1940 and 1941. The earnings of the crew of another boat who were paid on the basis of the share in the catch increased from an average of \$1,342 per man in 1941, to \$2,246 in 1943.

Information concerning the cost of distribution was obtained from a representative number of wholesalers and retailers of fresh fish and seafoods in the Great Lakes and inland areas of the United States. The wholesalers include concerns that are located on the various lake fronts and purchase fish directly from the fishermen and sell to other wholesalers located in inland cities who in turn sell to retailers, hotels, restaurants, and other food purveyors in their respective localities. These two types of wholesalers are termed primary wholesalers and secondary wholesalers. The primary wholesaler also performs the function of the secondary group to some extent, and both groups sell some fish at retail.

The facts with respect to the cost of distribution of fish by primary and secondary wholesalers and through chain store retailers in 1941, 1942, and 1943 are summarized in the following table:

Cost of fish distribution by primary and secondary wholesalers and through chain store retailers, 1941-43

PRIMARY WHOLESALERS

Item	1941	1942	1943	Increase, 1943 over 1941 (percent)
Quantity sold in pounds	12,205,823	12,996,834	13,089,301	7.2
Net sales	\$1,129,197	\$1,536,533	\$2,156,398	91.0
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	
Average cost per pound	7.33	9.47	13.47	83.8
Average sale price per pound	9.25	11.82	16.47	78.1
Average cost of distribution per pound	1.81	2.17	2.33	28.7
Net profit per pound before Federal income taxes	.11	.18	.67	509.1

SECONDARY WHOLESALERS

	14 companies	13 companies	14 companies	
Quantity sold in pounds	38,666,414	38,621,728	43,863,842	13.4
Net sales	\$6,807,468	\$8,953,364	\$12,270,857	80.3
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	
Average cost per pound	14.60	19.45	23.47	60.8
Average sale price per pound	17.61	23.18	27.97	58.8
Average cost of distribution per pound	2.64	2.89	2.97	12.5
Net profit per pound before Federal income taxes	.37	.84	1.53	313.5

CHAIN STORE RETAILERS

Quantity sold in pounds	14,676,745	16,710,128	19,051,569	29.8
Net sales	\$2,760,904	\$3,895,198	\$5,897,503	113
	<i>Cents</i>	<i>Cents</i>	<i>Cents</i>	
Average cost per pound	13.24	17.35	24.45	84.7
Average sale price per pound	18.81	23.31	30.96	64.6
Average cost of distribution per pound	3.76	3.89	4.69	24.7
Net profit per pound before Federal income taxes	1.81	2.07	1.82	.6

The greater increase in the average price received per pound over the increase in costs gave both classes of wholesalers marked increased profits per company, as shown in the following statement for the Great Lakes area:

Year	Primary wholesalers		Secondary wholesalers	
	Per pound <i>Cents</i>	Per company	Per pound <i>Cents</i>	Per Company
1941	0.11	\$2,751.22	0.37	\$10,108.90
1942	.18	4,595.47	.84	25,084.38
1943	.67	17,539.60	1.53	48,077.81

Secondary wholesalers located in cities having a population of 500,000 or over

operated on smaller gross margins of profit than secondary wholesalers located in smaller cities. The gross margin in cents per pound and per dollar of sales was also much lower for secondary wholesalers operating in cities in New York and Pennsylvania than for those in the Lake Region of Illinois and Michigan, or in Indiana, Kentucky, Iowa, and Minnesota, or Nebraska, Colo-

COST OF PRODUCTION, DISTRIBUTION OF FISH IN NEW ENGLAND 17

rado, and Utah. The highest gross margin in cents per pound was found in Nebraska, Colorado, and Utah for 1941 and 1943, and in Indiana, Kentucky, Iowa, and Minnesota in 1942. In cents per dollar of sales, the highest margin was for cities in Indiana, Kentucky, Iowa, and Minnesota for each of the 3 years.

The cost of distribution, including provision for bad debts, was much lower for wholesalers operating in New York and Pennsylvania both in cents per pound and in per dollar of sales, in each of the 3 years, than for any of the other three regions. The highest cost in cents per pound and in per dollar of sales was for wholesalers operating in the States of Indiana, Kentucky, Iowa, and Minnesota.

The increase in demand for fish and the more rapid increase in selling prices over costs resulted in large increases in the net profits to both the fishermen and distributors. Profits to gill-net fishermen increased 160 percent in 1943 compared with 1941; and for trap-net fishermen the increase in 1943 compared with 1941 was 171 percent. The results for primary and secondary wholesalers were even more impressive. In 1943 the profits to primary wholesalers increased 509 percent over 1941, and for secondary wholesalers the increase was 314 percent. For chain store retailers there was only a 1 percent increase in net profit in 1943 over 1941.

COST OF PRODUCTION AND DISTRIBUTION OF FISH IN NEW ENGLAND

The New England fishing industry, in 1940, employed some 18,500 men to operate about 650 large boats and some 8,500 small ones using a wide variety of fishing gear, including various types of lines, trap nets, purse seines, gill nets and with the advent of power boats, the otter trawl net dragged along the ocean bottom. The fishing grounds range from the shore line of New England to the Newfoundland banks.

The New England industry is highly organized. Boat owners have a trade association known as Federated Fishing Boats of New England and New York, Inc. Ownership of boats eligible to membership in the association ranged from individuals and partnerships owning one or more boats to fleets of trawlers, or other types of boats often owned in whole or in part by large concerns such as Gorton Pew Fisheries Co., Ltd., General Seafoods Corp., and Booth Fisheries Corp., all of which combine production with the processing and wholesaling of fresh and frozen fish and the canning, smoking and distribution of tinned and dried fish and fishery products.

The labor force, including both crew and shore labor, is quite extensively unionized. The boat crews work under definite partnership contracts known as lays, under which they receive their compensation in the form of a predetermined share of the proceeds from the sale of each fishing trip. The predominant type of lay divides the catch into a specified number of shares, of which the boat owner, who may also be the captain,

receives a specified number, while the remaining shares are divided, one to each member of the crew, with specified premiums or extras for the captain and certain other crew members.

The distribution function for fresh fish begins with the landing at the shore line. Wholesalers buy from the boats and may perform some

or all of the various functions of boxing, icing, and sale to other wholesalers or to retailers in the form fish are landed from boats, or the fish may be frozen whole and stored, or filleted and sold unfrozen, or frozen and stored, or they may be cut, smoked, dried, salted, or canned for storage and distribution later. Other purchasers of fresh fish at the shore line include what are known as secondary wholesalers of fresh and frozen fish Who normally distribute to purveyors of meals and also sell at retail, and retailers, ranging from the push-cart fish peddler and the exclusive fish retailer through a great variety of food stores ranging from the meat market to grocery chains and food supermarkets. The distribution of canned, smoked, and dried fish is largely through staple grocery wholesalers to retailers of various types.

Boston has the most extensively organized wholesale fish market in the United States in the form of the New England Fish Exchange, an organization of wholesalers dealing on the Boston Fish Pier. The Exchange leases the pier, determines the rules under which fish will be landed and sold thereon and conducts daily open market auctions at which boat owners, or their captains, sell their fish to members of the exchange, and to others holding cards authorizing them to buy thereon.

At New England landing ports other than Boston, which do not have organized exchanges or auctions, sales are matters of negotiation between individual boat captains, who represent the interests of both the boat owner and the crew, and the different Wholesalers dealing in the market. The interest of the crews in the selling has caused the union to set up rules to govern unorganized market selling in markets such as New Bedford and Gloucester. These market rules are separate from the union agreement with boat owners. The union's power to enforce them lies in its ability under its closed shop contracts to withdraw crews from ununionized boats and refuse to replace them.

Out of this welter of criss-crossed market interests, and also because fish production is highly seasonal, with market gluts when fish are running, it follows that there would be much friction and disagreement among the sometimes parallel and sometimes divergent interests of crew members, boat owners, and wholesalers. In times of low prices and glutted production, boat owners, because of their mutual interest in maintaining or increasing prices, have, on occasion, joined with the union in efforts to limit production either by limiting the maximum catches which may be taken per trip, or by lengthening lay-overs in ports, or by agreeing with crews on the minimum prices at which they will land fish of particular varieties in specified ports. Such joint agreements have been developed in times of market gluts. The union is in a position to enforce them by withdrawing crews from boats or by bringing about refusal of unionized shore labor to unload fish or service boat s whose captains do not observe the agreements.

When war broke out in 1941, the Government commandeered a number of the larger fishing vessels, thereby reducing the New England industry's production capacity. At the same time, increased wartime demands for meats and seafoods threw an extra burden on the fisheries industry and by 1943 the prices of the principal varieties of fish landed in New England were from about 1.8 to 3 or more times what they were in 1940. In July 1943, the Government stopped the spiraling of fish prices in New England by fixing ceiling prices at the landing docks,

and maximum prices for fresh fish when sold by wholesalers of four types: Primary wholesalers; retailer-owned cooperative wholesalers; cash-and-carry wholesalers; and service-and-delivery wholesalers. Also, effective on January 27, 1944, fixed maximum retail mark-ups in cents per pound were announced for 45 kinds of fresh fish and 3 kinds of seafood when handled respectively by 4 classes of retailers. The net effect of fixing ceiling prices for producers and wholesalers and maximum margins for retailers was to reduce the wholesale and retail prices of fish from the high levels prevailing during the first 6 months of 1943, but to leave them still distinctly higher than they were in 1940 or 1941.

In fixing New England prices ex-vessel, the same maximum prices were applied to all landing ports, whereas, under normal operating conditions, prices on the exchange at Boston were somewhat higher than those at other ports. The effect was that so long as a sellers' market prevailed and sales could be made at ceiling prices, it was a matter of indifference to boat owners and crews whether they sold in Boston or in other ports. Therefore, boats put into whatever port was nearest to the grounds where they were fishing. Boston got less fish and ports such as Gloucester and New Bedford got more fish than would normally be delivered at those points. The basis for new wholesalers was laid especially in outlying ports. Boston experienced little change in the number of wholesalers, but in New Bedford and Gloucester mushroom growth of both wholesalers and filleters developed.

Another effect to be noted was that since no one could bid higher than the ceiling at any port, competitive buying was practically suspended so long as ceiling prices prevailed. If a captain had a bid of ceiling price from several wholesalers, he closed his sale by handing his ticket to the wholesaler of his choice. Under these conditions, his choice might be influenced by a side payment, or the giving of something of value on the side. By the middle of 1944 quantities of fish and scallops were being landed, especially in the markets where new wholesalers had been established, but little of these quantities was available to the regular shore line wholesale and retail trade.

The fact that the wholesale prices fixed carried differentials between primary, retailer-owned cooperative, cash-and-carry and service-and-delivery wholesaling, made it advantageous to wholesale who normally did two or more of this types of business to sell as much as possible in the higher margin brackets. The result was that the wholesalers tended to move at least one step toward the consumer in the distribution chain in pricing their fish. On the supply side, some wholesalers bought or chartered boats outright, took shares in boats or otherwise sought to obtain control over the disposition of fish landed.

When retail margins were fixed, independent retailers (I. e., other than chain and very large retail fish dealers) were permitted to add higher retail margins in determining their ceiling prices than the larger dealers. Since the smaller dealers normally purchase in small quantities from cash-and-carry or service-and-delivery secondary wholesalers, they would pay higher prices for their fish than chain stores and large retailers purchasing in larger quantities from primary wholesalers. The addition of the small dealer's higher retail margin to his higher wholesale price for fish

would result in ceiling prices for the small dealer materially higher than those of the chain store. If, for any reason, the chain store saw fit to price below its ceiling, the

handicap of the independent retailer would be correspondingly increased.

In addition, the tendency for certain kinds of fish and seafood to disappear at the shoreline and reappear through devious channels at black-market prices produced a situation under which a considerable number, particularly of smaller retailers, in reporting retail prices to the Massachusetts Department of Agriculture, Division of Markets, in May 1944 stated that they were unable to buy fish of certain kinds and styles at wholesale prices except at a loss.

The study of the New England area covered the average cost of producing fish of all varieties caught by several different methods of fishing, and the average cost per bushel of herring caught with stop nets. The average pounds caught per boat, the average cost of production per pound subdivided as between the remuneration of captain and crew, and all other operating expenses, and the average selling price and profit per pound for fish caught with the different types of gear, are shown in the following tabulation:

Average cost of production, selling price, and profit per pound for fish caught with different types of gear, 1941-43 (New England area)

Year	MEDIUM OTTER TRAWLERS						
	Average pounds caught per boat <i>Pounds</i>	Average per pound					Average profit per boat
		Captain and crew share <i>Cents</i>	Other oper- ating costs <i>Cents</i>	Total cost <i>Cents</i>	Profit <i>Cents</i>	Average selling price <i>Cents</i>	
1941	2,023,035	1.084	1.066	2.150	0.093	2.243	\$1,881
1942	1,902,284	1.945	1.395	3.340	.334	3.674	6,362
1943	2,089,778	2.850	1.629	4.479	.642	5.121	13,402
SMALL OTTER TRAWLERS							
1941	1,076,186	1.127	0.921	2.048	0.070	2.118	\$752
1942	952,087	1.883	1.248	3.131	.266	3.397	2,535
1943	580,545	3.142	2,310	5.452	.127	5.579	737
COMBINATION OTTER TRAWLERS AND SEINERS							
1941	1,280,718	1.738	0.757	2.495	0.292	2.787	\$3,740
1942	1,633,997	3.481	.787	4.268	.908	5.176	14,837
1943	1,963,942	4.147	.898	5.045	1.225	6.270	24,058
GILL NETS							
1941	1,269,550	1.311	1.070	2.381	0.820	3.201	\$10,140
1942	1,429,245	2.513	1.418	3.931	1.922	5.853	27,470
1943	838,106	3.172	2.573	5.745	1.308	7.053	10,962
TRAP NETS							
1941	721,519	0.805	0.506	1.311	0.204	1.515	\$1,472
1942	576,427	1.890	.900	2.790	.791	3.581	4,560
1943	730,632	1.805	.862	2.667	.713	3.380	5,209
HERRING CAUGHT WITH STOP NETS 1							
	<i>Bushels</i>						
1941	6,579	40.00	17.27	57.27	2.73	60.00	\$179
1942	14,591	39.99	17.11	57.10	2.91	60.01	425

1943	5,811	60.67	31.86	92.53	2 1.53	91.00	289
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1 All data in bushels and cents per bushel.

2 Loss

It will be noted that the average selling prices, or proceeds, more than doubled from 1941 to 1943 for all types of fishing and gear except herring. Costs per pound likewise increased sharply, but not in the same proportion for different types of boats and fishing gear, and profits per pound likewise increased quite sharply for all types of gear, except for herring caught with stop nets, for which 1943 operations showed a loss of 1.53 cents per bushel.

When the average profits per pound are applied to the average poundage caught per boat, as has been done in the last column of the table, the fact is strikingly brought out that 1943 was more profitable to boat owners than 1941 for all types of gear except small otter trawlers and stop net herring fishermen. The result was that the owners of medium sized trawlers costing before the war from \$40,000 to \$50,000 each increased their earnings about sevenfold; with the result that the total cost of a boat would be returned in profit in about 4 years at the 1943 rate. Combination otter trawlers and seiners, which often were boats of smaller size representing smaller capital investments, would get their investment back in profit at the 1943 rate in even less time, as would also gill netters and trap netters who use small boats sometimes costing only a few thousand dollars each. Herring fishermen, however, showed little profit in any year, and in 1943 operated at an average loss of about \$89 per boat.

The facts with respect to the average cost of distribution of fish by primary and secondary wholesalers and through independent fish retailers in the New England area, in 1941, 1942, and 1943, are summarized in the following tabulation:

Data with respect to average cost of distributing fish by primary wholesalers, secondary wholesalers, and independent retailers, in New England, 1941-43

PRIMARY WHOLESALERS

Item	1941	1942	1943	Increase or decrease(-) 1943 over 1941 Percent
Total net sales	\$545, 160.21	\$725, 591.02	\$1,266, 610.68	
132.3				
Profit per company before Federal taxes	2,785.71	2,250.00	14,001.17	426
	[In cents per dollar of sales]			
Cost of fish	86.96	88.75	88.31	15
Distribution cost	12.02	10.49	9.48	-211
Net profit before Federal taxes	1.02	.76	2.21	1167

SECONDARY WHOLESALERS

Total net sales	\$498,471.48	\$607,317.96	\$947,297.15	90.0
Profit per company before Federal taxes	4,840.33	5,840.55	14,689.48	203.5
	[In cents per dollar of sales]			
Cost of fish	76.66	78.88	81.16	59
Distribution cost	18.49	16.31	11.09	-400
Net profit before Federal taxes	4.85	4.81	7.75	598

INDEPENDENT RETAIL DEALERS

Total net sales	\$124,033.19	\$150,185.33	\$234,319.67	88.9
Profit per company before Federal taxes:	1 692.20	2,592.02	13,076.18	2 404.5

	[In cents per dollar of sales]			
Cost of fish	61.46	64.63	67.32	9.5
Distribution cost	39.65	31.92	21.52	4
Net profit before Federal taxes	1 1.11	3.45	11.16	2235

1 Loss.

2 1943 over 1942.

The striking fact shown in the above statement is the large increase in profits arising from an increase in volume of sales and a reduction of distribution costs per dollar of sales resulting therefrom. As already pointed out, wages, which are the largest factor in both production and distribution costs, increased greatly but overhead and other fairly stable costs per dollar of sales were reduced. For primary wholesalers, an increase in net sales of 132 percent, accompanied by a decrease in distribution costs of 21 percent per dollar of sales, resulted in an increase in the average amount of profit per company of over 402 percent. For secondary wholesalers, a 90 percent increase in net sales, accompanied by a 40 percent decrease in distribution costs per dollar of sales, yielded an increase of over 203 percent in profits per company. For independent retail dealers, an increase of approximately 89 percent in net sales, accompanied by a reduction in distribution costs of nearly 46 percent, converted a loss in 1941 to profits in 1942 and 1943, the 1943 profit per company being nearly 405 percent greater than that for 1942. This showing emphasizes the necessity of having the facts respecting volume of business, costs, and total investment, so that sound conclusions may be arrived at concerning the profitableness of business operations.

The average total cost of distribution of fish for the 3 years, 1941-43, in the New England area, (1) from the fisherman's boat to the primary wholesaler to the retail dealer to the consumer, and (2) from the fisherman's boat to the primary wholesaler to the secondary wholesaler to the retail dealer to the consumer, is summarized in the following tabulation:

Distribution of cost of fish and cost of distribution from primary wholesaler through the retailer to the consumer, and through the primary and secondary wholesalers to the retailer to the consumer (New England area)

Item	Through primary wholesaler to retailer to consumer	Through primary and secondary wholesalers to retailer to consumer
	<i>Cents per dollar of sales</i>	<i>Cents per dollar of sales</i>
Cost of fish	57.39	45.56
Distribution expenses:		
Wages and salaries	20.28	24.01
Rent	3.56	4.08
Barrels, boxes, paper, etc	2.30	3.28
Delivery expenses	2.79	3.10
Ice and storage	1.31	1.63
Insurance	.85	1.09
Corporate taxes	.83	1.08
Heat, light and power	.69	.93
Depreciation	.54	.90

Telephone and telegraph	.41	.67
Advertising	.36	.50
Repairs and maintenance	.47	.45
Miscellaneous	1.33	2.02
Total cost	35.72	43.74
Wholesalers and retailers profits	6.89	10.70
	42.61	54.44
Cost to the consumer.	100.00	100.00

The showing is that the inland consumer's retail dollar purchased distinctly less fish than the dollar spent by the consumer near the New England coast fishing areas. This was due both to the interposition of an additional wholesaler and to additional transportation handling and other costs involved in distributing fresh fish to more distant markets.

INVESTIGATION OF CIGARETTE SHORTAGE

COMMISSION FINDS SCARCITY NOT DUE TO LAW VIOLATIONS BUT PRINCIPALLY TO HEAVY SHIPMENTS TO ARMED FORCES AND ALLIES

As a result of complaints received by the Commission, and on request of the Chairman of the Interstate Commerce Committee of the Senate, the Commission undertook an inquiry to determine whether the cigarette shortage, particularly in the civilian trade was attributable in any degree to price fixing or other trade restraints or agreements in the industry. Additional information was obtained as to the causes of the shortage, and particularly whether the scarcity of cigarettes was attributable to the crop-control program of the Department of Agriculture, to regulations of the Office of Price Administration with respect to prices, or to regulations applied to the industry by the War Production Board and the War Manpower Commission.

The investigation was conducted during the latter part of 1944, and the Commission made its report February 13, 1945. It covered activities of 10 leading manufacturers producing more than 95 percent of all cigarettes manufactured and sold in the United States; jobbers in New York, Pennsylvania, Maryland, Ohio, Michigan, and Illinois; and retailers and retailer associations.

Statistical and other information was secured from the records of several State tax departments, the Bureau of Internal Revenue, Department of Agriculture, War Manpower Commission, Office of Price Administration, and War Food Administration.

The Commission found and reported, substantially, that (1) the cigarette shortage was not attributable to illegal contracts or understandings as between manufacturers or jobbers or retailers, or to the violation of any law under the jurisdiction of the Commission; (2) that certain undesirable practices such as hoarding and tie-in selling had developed in marketing cigarettes; (3) that the crop control plan as administered by the Department of Agriculture was not a contributing factor in the shortage; (4) that restrictions imposed by the War Manpower Commission, War Production Board, and Office of Price Administration, although curtailing in some measure the rate of increase of production, had not prevented a substantial increase in the aggregate number of cigarettes manufactured; and (5) that the shortage was directly attributable to the volume of cigarettes moving to the armed services and to the Allies, plus an increased demand from the domestic market. The report made suggestions for improvements in the self-imposed rationing plans of manufacturers and wholesalers.

PRIORITIES INVESTIGATIONS

SURVEYS OF INDUSTRIES ENGAGED IN ESSENTIAL WAR PRODUCTION CONDUCTED FOR WAR PRODUCTION BOARD

In January 1942, the War Production Board, pursuant to Executive orders, designated the Federal Trade Commission as an agency to conduct investigation of certain basic industries to ascertain the facts concerning their compliance with the Board's orders relative to the allocation of the supply and the priorities of delivery of materials.

In furtherance of the Government's program to divert from civilian uses certain materials essential to the successful prosecution of the war, the Commission, at the request of W. P. B., has made investigations to determine whether thousands of companies in 24 industries producing critical materials were complying with the rules and regulations governing priorities. The Commission conducted these investigations through its Legal Investigation Division.

Surveys undertaken for the Board (and its predecessor, the Office of Production Management) during and prior to the fiscal year ended June 30, 1945, are summarized in the following table:

Priority compliance surveys conducted for War Production Board

Industry surveyed	Number of companies surveyed
Steel industry	31
Copper, primary fabricators of	94
Copper base alloy ingot makers	76
Chromium and nickel, processors of	717
Jewel bearings, consumers of	172
Metal-working machines, invoicing and distribution of	406
silverware, manufacturers of	19
Aluminum, foundries using	940
Contractors, prime, forward buying practices of	38
Tin	381
Quinine, manufacturers and wholesalers of	38
Glycerin, users of	244
Capital equipment	42
Electric lamps, manufacturers of	166
Fuse manufacturers	19
silverware manufacturers and silver suppliers	26
Commercial cooking and food and plate warming equipment, manufacturers of	71
Furnaces, hot air, household	53
Costume jewelry, manufacturers of	45
Antifreeze solutions, manufacturers of	7
Textile mills, cotton	60
Paint, varnish, and lacquer manufacturers	86
Fruit growers and shippers	19
Insignia, manufacturers of	32
Total number of companies surveyed	14,302

¹ total does not include subsidiary companies. If subsidiaries were included the number of companies actually surveyed would be larger than that shown in the table.

Reports made to War Production Board.--Reports on each of the investigations were made by the Commission directly to the War Production Board. The investigations were of a highly confidential nature for use by the Board in enforcing compliance with its orders and regulations and in further consideration of its policies relating to production for war purposes. Where deliberate and willful violations were disclosed, the cases concerned were prepared for possible criminal prosecution. The War Production Board has advised that the Commission, in conducting investigations relating to war activities, had

rendered highly beneficial service to the Board in its effort to achieve maximum production of war materials.

WARTIME ACTIVITIES

War-related advertising analyzed and reported.--The Commission during the fiscal year surveyed, analyzed, summarized, and periodically reported, to the War Production Board at its request such advertising as appeared to contain any pertinent war-related references to price rises or trends, rationing, textiles, upholstered furniture, furs, and other selected commodities; advertisements advising the public to "buy now" or containing statements that materials are or will be scarce or that the quality of new materials or products offered for sale is equivalent to or better than merchandise formerly offered; and other war-related subjects.

In connection with the Commission's regular advertising survey, that advertising which might be violative of the announced advertising policies of the War Production Board was collated, analyzed, and summarized for that agency in 11 analytical reports covering newspaper advertising in 21 metropolitan areas on 5 groups of critical merchandise; and 7 additional analytical summarizations and reports respecting radio advertising practices as they pertained to the same 5 groups of merchandise. The radio and newspaper advertising projects for W. P. B. required a selected assembly and transfer to that war agency of some 1,798 marked published advertisements and 2,629 commercial radio continuities.

The reports thus furnished related to the improper use in wartime of advertising appeals of doubtful nature and were based upon the normal survey of commercial advertising conducted by the Commission, as described on page 72.

Interdepartmental service.--For more than 40 years the Commission (and its predecessor, the Bureau of Corporations) has been collecting and maintaining a vast fund of information concerning the Nation's important industries. The Commission has been called upon to furnish to regular Government departments, and especially to the agencies created during the war emergency, an increasing amount of these data, and frequently it has been requested to prepare special reports as the basis for the actions of the war agencies responsible for economic controls.

Trade practice rule work in wartime.--Trade practice rules issued by the Commission for industries engaged in war production, as well as production or distribution for essential civilian needs, had an important effect in maintaining a fair competitive balance in the respective industries and trades and in affording an overall stabilizing influence considered helpful to advancement of the war effort and to protecting the public interest in the prevailing economy of scarcity and stress. The substantial results achieved in this respect were brought about at small cost.

Rules of fair trade practices promulgated by the Commission for more than 150 industries, besides affording material contribution to the war program, place the respective industries in an advantageous position to meet the impact of postwar conditions. Such fair trade practice provisions are designed to foster and promote free enterprise on a fair competitive basis without monopolistic or discriminatory

trade restraints which stifle small businesses and suppress competition to the detriment of the public.

Wool Act an aid to war program.--Effective support of the war program was afforded by the Wool Products Labeling Act which is administered by the Commission. The act requires that products containing or purporting to contain wool shall be labeled to reveal their true content, thus protecting the consumer as well as producers, manufacturers, and distributors from the unrevealed presence of substitutes and mixtures and preventing the evils of misbranding. Wool being a critical war material and essential to the health and well-being of the entire population, it is a matter of far-reaching importance that not only shall clothing and other necessary products containing wool be equitably distributed to meet essential needs, but also that manufacturers, distributors, dealers, and the buying public shall be protected from the fraud, deception, and unfair competition flowing from misbranding, concealment, or misrepresentation of true content of product. The statute and its operation affords such protection.

Membership on wartime committees.--The Chairman of the Federal Trade Commission is ex officio a member of the Price Administration Committee of the Office of Price Administration and serves as the Commission's representative in its continuing relationships with the Foreign Economic Administration, the Bureau of Industrial Conservation of the War Production Board, and the committee for the development and utilization of the country's present and future petroleum resources and facilities, of which the Petroleum Coordinator for War is Chairman. The Chairman also represents the Commission on the Advisory Committee of the House Committee on Agriculture, which, pursuant to House Resolution 38, Seventy eighth Congress, first session, was authorized to study the marketing and distribution of agricultural commodities.

The Commission was represented by Commissioner Freer on the Interdepartmental Committee on Financial Statistics and by its Chief Economist on the Interdepartmental Cartel Committee and the Treasury Department Committee on Incentive Taxation, the latter organized to discuss ways of stimulating postwar production and employment.

The Medical Advisory Division of the Commission served on request as advisor to the Medical and Health Supply Section of the Division of Civilian Supply, War Production Board. The director of the division also performed liaison duties for the Commission in connection with the work of the National Research Council's Committee on Drugs and Medical Supplies, which serves in an advisory capacity to the War Production Board.

PART II. GENERAL LEGAL WORK

DESCRIPTION OF PROCEDURE

A case before the Federal Trade Commission may originate in any one of several Ways: Through complaint by a consumer or a competitor; from Federal, State, or municipal sources; or upon observation by the Commission. The Commission itself may initiate an investigation to determine whether the laws administered by it are being violated.¹ No formality is required in making application for complaint. A letter setting g forth the facts in detail is sufficient, but it should be accompanied b y all evidence in possession of the complaining party in support of the charges made.

INFORMAL PROCEDURE

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

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

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

If the Commission decides that a formal complaint should issue, the case is referred to the Chief Counsel for preparation of the complaint

¹ A brief statement of the provisions of these laws appears on p. 1.

and trial of the case. Should the Commission permit disposition by stipulation, in lieu of formal complaint, the case is referred to the Chief Trial -Examiner or to the Director of the Radio and Periodical Division for negotiation of stipulation and submission thereof to the Commission for approval.

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

PROCEDURE UPON FORMAL COMPLAINTS

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

A formal complaint is issued in the name of the Commission acting in the public interest. It names the respondent, Or respondents, alleges a violation of law, and contains a statement of the charges. The party complaining to the Commission is not a party to the formal complaint and the complaint does not seek to adjust matters between parties; rather, the prime purpose of the proceeding is to prevent, for the protection of the public, those unfair methods of competition and unfair or deceptive acts or practices forbidden by the Federal Trade Commission Act and those practices within the Commission's jurisdiction which are prohibited by the Clayton Act, as amended by the Robinson-Patman Act, the Export Trade Act, and the Wool Products Labeling Act of 1939.

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

Where evidence is to be taken either in a contested case or in one where the respondent has failed to file answer, the matter is set down for hearing before a trial examiner, which hearing may be held anywhere in the United States, the Commission being represented by one of its trial attorneys and the respondent having the privilege of appearing in his own behalf or by attorney.

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

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

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

complaint is dismissed, an appropriate order is entered.

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

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

Under the Clayton Act, an order to cease and desist does not become final by lapse of time. The order must be affirmed by a United States circuit court of appeals on application for review by the respondent or upon petition of the Commission for enforcement. Thereafter, appropriate contempt proceedings may be brought in the particular court of appeals for violation of the court order.

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

PROVISIONS OF WHEELER-LEA AMENDMENT TO FEDERAL TRADE COMMISSION ACT FOR PREVENTING DISSEMINATION OF FALSE ADVERTISEMENTS

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

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

Commission or set aside by the court on review.

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

LEGAL INVESTIGATION

INQUIRIES PRIOR TO FORMAL COMPLAINT OR STIPULATION

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

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

Cases thus developed, unless closed without action, progress upon direction of the Commission to the status of either formal complaint Or stipulation to cease and desist.

At the beginning of the fiscal year, in addition to cases pending as the result of the continuing survey of radio and advertising (see pp.72 to 75), there were pending for investigation 2 111 preliminary or un-docketed cases, and 199 additional applications of this character were received during the year, making a total of 310 on hand, of which 214 were investigated. Of the investigated matters, 209 were docketed for action and 5 closed without docketing because of lack of jurisdiction or other reasons. There remained 96 preliminary cases of this type pending for investigation at the end of the fiscal year.

Two hundred and twenty applications for complaint which had been docketed without preliminary investigation were pending for regular investigation at the beginning of the year. Subsequently, 375 additional cases of this type were received, making a total of 595 such cases docketed for investigation. Of these, 288 were investigated and transmitted to the Commission for action, leaving 307 cases of this character pending for investigation at the chose of the year.

During the year, 322 further investigations were made, including inquiries into alleged violations of cease and desist orders and stipulations, investigations for the Chief Counsel, and others of a supplemental and special nature. At the end of the year, 103 such matters awaited completion of investigation.

Thus, the legal investigation staff completed 824 investigations under the laws administered by the Commission, and also disposed of 9,769 pieces of incoming and outgoing mail, involving varying degrees of research and study.

Price fixing and other trade restraints. --One of the fundamental purposes behind the passage of the Federal Trade Commission Act in

² Statistics reported on pp.73 to 75, and pp.30 to 34, concerning the legal investigation work are division records and not the consolidated record of the Commission, and therefore do not coincide with the figures reported in the tabular summary of the legal work for the entire Commission appearing on pp.59 to 62.

1914 was the establishment of an agency to detect and eliminate illegal trade restraints in their incipiency before they had developed into monopolies. At the beginning of the fiscal year, 31 cases of this were either awaiting investigation or being investigated. During year, 66 new cases were instituted, making a total of 97 restraint-of-trade matters on the calendar. In the same period, 41 investigations of this type were completed for consideration and disposition by the Commission, leaving 56 pending on the active investigational calendar as of June 30, 1945.

Price fixing continues to be the most frequently recurring charge among the restraint-of-trade cases, although practically the whole category of trade restraints will be found among the charges in the cases pending before the Commission during the fiscal year. These include such practices as conspiracy to boycott, or threats of boycott; interference with sources of supply; collusive bidding; coercive practices; commercial bribery; threats of infringement suits not made in good faith; full line forcing and tying contracts; various forms of delivered-price and zoning systems; and the misuse of patents for monopolistic purposes.

The following general classifications of commodities involved are listed to convey an idea of the widespread nature of restraint-of-trade investigations: Automotive equipment; beverages; building materials and supplies; chemicals; cosmetics; dental supplies and equipment; dresses; dry ice; films; fire extinguishers; fruit and vegetables; furniture; furs; groceries; jewelry; milk; paper and paper products; plumbing and heating equipment; publications; rubber products; school supplies; sea food; straw; textiles; tobacco; trimmings and novelties; twine, cord and yarn; and veterinarian medicines.

In addition to the original investigations undertaken during the year, 20 matters were completed which involved formal docketed cases. These consisted of a variety of matters, many requiring complete investigation to determine whether the terms of Commission cease and desist orders were being observed. In the event violations occurred, evidence was procured in appropriate form to support an action for civil penalties. Investigations of this nature are as extensive as those made in the original development of a case, and in some instances, more difficult. At the close of the fiscal year, 5 cases of this nature were pending on the investigational calendar.

Of the 97 restraint-of-trade investigations in progress during the fiscal year, 3 resulted from applications for complaint filed by Federal, State, or municipal agencies; 3 were submitted by trade associations; and 22 were initiated by the Commission on its own motion. The majority, however, continued to originate as a result of complaints made by individuals and concerns whose business was being jeopardized by alleged unfair and illegal practices. The group last mentioned was responsible for 69 of these applications.

Clayton Act, section 2, as amended by Robinson-Patman Act.--The Robinson-Patman Act, approved June 19, 1936, amended section 2 of the Clayton Act and restated in more inclusive form the basic principle of prohibiting price discriminations which injuriously affect competition. It also prohibits per se certain classes of discrimination which may involve price only indirectly, without regard to

their competitive effects in specific cases, thus supplementing and strengthening the previous legislation.

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

Experience in the administration of the act has made it possible for the Commission, through the development of certain information by preliminary inquiry, more readily to clear up misunderstandings among complainants as to the scope of the act and its application to specific situations, as well as to make a more accurate selection for investigation of matters involving probable violation of law. The Commission has endeavored, in view of limited funds and personnel available, to confine investigations, insofar as feasible, to matters of substantial importance and to eliminate the expenditure of time and money in the investigation of those which preliminary inquiry discloses possess little practical importance. The necessary diversion of personnel for work in connection with the war program has necessitated further emphasis on this effort.

During the year the Commission instituted field investigations of alleged violations of the Robinson-Patman Act in 65 cases and completed investigations in 60. At the beginning of the year, 52 matters were on hand for investigation, and at the close of the year, 57. As in previous years, the administration of the statute touched widely varied fields of industry and commerce and involved many classes of commodities. The proceedings of the Commission and the decisions of the courts in Robinson-Patman Act cases have served as useful guides for members of industries in determining their pricing and distribution policies. It is apparent that these guides have been beneficial both in effecting the voluntary elimination of unlawful or doubtful practices before they become the subjects of investigation and in discouraging the inception of such practices.

Stock acquisitions, mergers, and consolidations.--Under section 7 of the Clayton Act, the Commission is vested with authority to prohibit the acquisition by one corporation engaged in commerce of the capital stock of a competing corporation similarly engaged, or the acquisition by a holding company of the capital stock of two or more corporations, engaged in commerce, when the effect may be to substantially lessen competition, restrain commerce in any section or community, or tend to create a monopoly in any line of commerce. The Commission however, is without authority under the statute to prevent the acquisition by one corporation of the property and assets of a competing corporation or corporations.³

The Commission considered five preliminary matters and three applications for complaint under section 7 during the fiscal year. Commodities involved included evaporated milk, prefabricated homes, upholstery fabrics, watches, lamps and directional signals, malt beverages, crushed stone and gravel, and groceries. Four of the preliminary matters were closed after investigation and one was pending at the

close of the year. One complaint was issued and five

³ See recommendation to Congress, pp. 8 and 9.

applications for complaint were pending at the close of the year. The complaint, involving malt beverages, was in course of trial at the close of the year.

*Investigations involving food, drugs, devices, and cosmetics.*⁴ --The Wheeler-Lea amendment to the Federal Trade Commission Act greatly enlarged the preexisting need for medical and other scientific and expert opinion and evidence. In aid of this need the Commission established the Medical Advisory Division. In the administration of the Wheeler-Lea amendment, special attention is given to therapeutic representations made concerning, and pharmacological actions of, medicinal preparations, the use of which might be injurious, and to devices likely to be injurious to health.

Since enactment of the Wheeler-Lea amendment, the Commission has completed 2,199 field investigations of alleged violations of section 12 of the Federal Trade Commission Act, which relates to false advertising of food, drugs, devices, and cosmetics. Of these, 168 were completed during the fiscal year. This number includes new cases as well as old cases reinvestigated to determine whether Commission cease and desist orders, and stipulations executed by advertisers and accepted by the Commission, were being violated, and whether additional practices not previously prohibited were being carried on in contravention of the law.

At the close of the year, 173 applications for complaint respecting alleged false advertising of food, drugs, devices, and cosmetics were under investigation, 27 of which related to drug and cosmetic preparations and devices alleged to be injurious to health.

Wool Products Labeling Act. --Investigations of applications for complaint alleging violations of the Wool Products Labeling Act and of the regulations promulgated thereunder present many complex problems, particularly to accurately identify the true fiber content of wool products, the labeling of which is questioned, and to ascertain whether the false and improper labeling is willful and with intent to violate the criminal provisions of the law. In many instances the products must be traced through the various classes of traders handling them in order to determine who is primarily responsible for the alleged infractions or violations. It is also necessary in most cases to study and examine the books and records of manufacturers and others to accurately identify the various constituent fibers, and their weights, which actually make up the products under investigation, and frequently laboratory tests are required.

Generally, violations of the Wool Act are coupled with false advertising, misrepresentation and other unfair or deceptive acts or practices or unfair methods of competition, necessitating investigations and proceedings under both the Wool Products Labeling Act and the Federal Trade Commission Act.

Since the effective date of the act, there have been completed 176 field investigations of applications for complaint involving alleged false and improper labeling, 52 during the fiscal year.

At the close of the fiscal year, 31 such applications were in process of investigation. (For details concerning administration and enforcement of the Wool Act, see p.69.)

4 Additional statements and statistics covering the work of the Commission relating to radio and periodical advertising cases involving food, drugs, devices, and cosmetics are given on pp.72 to 75.

Investigations under Export Trade Act.--In line with its responsibility of administering the Export Trade (Webb-Pomerene) Act, the Commission directed the Legal Investigation Division to make periodic investigations of the organization and operation of export trade associations organized and functioning under the act, and in particular to ascertain from time to time whether the associations (*a*) are artificially or intentionally enhancing or depressing domestic prices; (*b*) are used to eliminate competition in the purchase of raw materials in the United States; (*c*) are in any way restraining trade within the United States; and (*d*) are engaging in unfair methods of competition in foreign trade.

Preliminary investigations were completed of the activities and operations of 19 export trade associations whose members are important producers and distributors of coated abrasives, cement, copper, carbon black, dried milk, dried and fresh fruits, electrical apparatus, lumber, metal lath, phosphate, pipe fittings, railway equipment, screws, sulphur, soda pulp, and textiles. Investigation of 4 other associations was pending at the close of the year. (For further details of the administration of the Export Trade Act, see p.77.)

DISPOSITION OF CASES BY STIPULATION

Under certain circumstances the Commission, instead of disposing of cases by the formal complaint and trial method, affords respondents the privilege of signing a statement of fact and an agreement to cease and desist from unfair methods of competition and unfair or deceptive acts or practices in commerce.

A total of 286 such stipulations in which individuals, firms and corporations agreed to discontinue unlawful practices were approved by the Commission during the fiscal year. These included 220 general stipulations which were negotiated by the Trial Examiners Division, and 66 pertaining especially to radio and periodical advertising cases which were negotiated by the Radio and Periodical Division.

The policy of the Commission with respect to the circumstances under which cases may be disposed of by stipulation is set forth in the Commission's Statement of Policy on page 94.

FORMAL COMPLAINTS

During the fiscal year the Commission issued 164 formal complaints alleging violations of the laws it administers. Of this total, 128 charged violation of the Federal Trade Commission Act; 22, violation of the Clayton Act; 1, violation of the Federal Trade Commission and Clayton Acts; and 13, violation of the Wool Products Labeling and Federal Trade Commission Acts.

I. COMPLAINTS UNDER FEDERAL TRADE COMMISSION ACT

A. ALLEGED COMBINATIONS TO RESTRAIN TRADE AND FIX PRICES

(Complaints referred to are identified by accompanying docket numbers)

The Commission issued two complaints in which the respective respondents were charged with combining and conspiring to restrain

trade and suppress competition in the sale of their products. One complaint (5311) was directed against a trade association and its officers and members engaged in the sale of dried prunes. The other (5324) involved several trade associations and their officers and members engaged in the sale of furniture. In each complaint it was alleged that the agreements and practices of the respective respondents had the effect of enhancing prices for their products and tended to eliminate competition and to create monopoly.

In another complaint (5253) seven corporations controlling more than 85 percent of all the white lead produced and sold in the United States were charged with combining and conspiring to promote and maintain monopolistic and noncompetitive prices and conditions in connection with the sale of their products. The complaint alleged that, among other unlawful practices, they maintain a zone-delivered pricing system whereby their price offers to all purchasers of a class throughout any one of the zones are matched. (This complaint also charged six of the respondent corporations with price discriminating in violation of the Robinson-Patman Act. See p.36.)

B. FALSE ADVERTISING AND MISREPRESENTATION

A total of 112 complaints charged false and misleading advertising. They may be classified broadly as follows, although some involved more than one classification:

Thirty complaints alleged false and misleading representations with respect to the therapeutic properties of medicinal preparations and in some cases the advertisements also were alleged to be false and misleading because they failed to reveal the potential danger from the use of the products advertised; 8 charged misrepresentation concerning the properties of cosmetics; 35, misrepresentation as to the origin, composition, condition, quality, ingredients, price and quantity of the products advertised; 16, misrepresentation as to results to be obtained through the use of the products; 9, misrepresentation as to business status; 7, misrepresentation of correspondence school courses; 1, disparagement of competitors' products; 4, misleading and deceptive use of trade names; and 1, misrepresentation of so-called "armored" Bibles and prayer books claimed to afford protection from injury and death to members of the armed forces.

C. MISCELLANEOUS COMPLAINTS

Complaints classified under this heading covered such practices as supplying and using lottery devices to promote the sale of merchandise; deceptive practices in the sale of photographic enlargements; oppressive and coercive methods by a wholesaler to compel retail liquor dealers to purchase a stipulated quantity of sparkling wine in order to obtain still wine; misrepresentations with respect to baby chicks; failure to disclose rayon fiber content in fabrics simulating silk; and failure to properly label various grades of window glass.

II. COMPLAINTS UNDER WOOL PRODUCTS LABELING ACT

Thirteen complaints alleged that wool products were misbranded in violation of the Wool Products Labeling Act of 1939 and the rules and regulations promulgated thereunder, in that they did not have labels attached disclosing the kinds and percentages of the different fibers of which the fabrics were made, including the respective percentages of wool, reprocessed wool, or reused wool, together with the identity of the manufacturer or distributor or reseller of the products. (For details concerning administration and enforcement of the act, see p.69.) Some of these complaints also charged false and misleading advertising in violation of the Federal Trade Commission Act. (5198, 5218, 5242, 5254, 5261, 5263, 5280, 5315, 5322, 5327, 5344, 5345, 5350).

III. COMPLAINTS UNDER CLAYTON ACT

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

ROBINSON-PATMAN ACT

One complaint (5253) charged six producers of white lead with violation of section 2 (a) of the Clayton Act, as amended by the Robinson-Patman Act, which prohibits discrimination in price when it may have adverse effects on competition. Each of the respondents was charged with systematically selling white lead to many purchasers at a price higher than that at which it sells white lead of like grade and quality to other purchasers. (See p.35 for that portion of the complaint alleging violation of the Federal Trade Commission Act.)

B. ALLEGED VIOLATION OF SECTION 2 (c) OF CLAYTON ACT AS AMENDED BY

ROBINSON-PATMAN ACT

Seventeen complaints alleged violation of section 2 (c) which prohibits the granting or acceptance of brokerage fees except for services rendered in connection with the interstate sale or purchase of merchandise. Ten of the complaints (5189, 5197, 5228, 5267, 5279, 5284, 5285, 5296, 5297 and 5303) involved sea food products; 5 (5217, 5270, 5273, 5282 and 5295) involved other food products; 1 (5333) involved turpentine, linseed oil, etc.; and 1 (5338), women's wearing apparel.

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

Two complaints were issued under sections 2 (d) and 2 (e) which prohibit, respectively, a seller paying anything of value to a customer for services or facilities rendered unless such payment is made available to all competing customers on proportionally equal terms; or furnishing a customer any services or facilities not accorded to all customers on proportionally equal terms.

One of these complaints (5226) charged that a large corporation producing cellulose acetate rayon fabrics secretly paid its "prestige" customers, including garment manufacturers and their retailer customers, varying sums of money as Compensation

for advertising and promoting the sale of women's wearing apparel made from the respondent corporation's fabrics and sold under its widely advertised

trade-mark. Such payments allegedly were not made available on proportionally equal terms or on any terms to other garment manufacturers or their retailer customers competing with the respondent's "prestige" customers. The complaint also alleged that the respondent discriminated in favor of certain purchasers by entering into cooperative advertising arrangements with them and by not according such services to all other customers on proportionally equal terms.

The second complaint brought under sections 2 (d) and 2 (e) contained similar allegations and was directed against a corporation engaged in converting acetate rayon fabrics into finished materials which it sells to garment manufacturers for use as linings in wearing apparel (5243).

D. ALLEGED VIOLATION OF SECTION 3 OF CLAYTON ACT

Two manufacturers of rubber prophylactics were named respondents in separate complaints alleging violation of section 3 of the Clayton Act, which prohibits the negotiation of exclusive-dealing contracts where the effect may be to substantially lessen competition or tend to create a monopoly. The complaints charged that the respective respondents sell their products to wholesale drug organizations and retail drug chains on the condition that they shall not deal in competitive products nor sell the respondents' products to any purchaser other than retail drug stores (5277 and 5278).

E. ALLEGED VIOLATION OF SECTION 7 OF CLAYTON ACT

One complaint charged a brewery with acquiring the capital stock of a competing brewery, in violation of section 7 of the Clayton Act, which prohibits such capital stock acquisitions where the effect may be to substantially lessen competition, restrain trade, or tend to create a monopoly of any line of commerce (5187).

ORDERS TO CEASE AND DESIST

The Commission during the fiscal year issued 140 orders to cease and desist from the use of unfair methods of competition and other violations of the laws it administers. The following cases are illustrative of the orders issued:

I. ORDERS UNDER FEDERAL TRADE COMMISSION ACT

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

Bidders on Government contracts.--Nine orders were directed against more than a score of respondents found to have participated in collusive and fraudulent bidding on contracts for supplying materials to rehabilitate the shipyards of the Cramp Shipbuilding Co., Philadelphia, where the Government had authorized a Navy shipbuilding program. The orders involved the sale of electrical equipment,

mill-work and lumber building materials, metal fencing, and machinery. The Commission found that the general contractor, Charles F. Rohleder, and the respondent sellers cooperated in the preparation of fictitious and noncompetitive bids and price quotations and submitted them to the Cramp company and the Navy Department for consideration and approval as genuinely competitive bids and price quotations.

Six of the orders were issued, respectively, against J. R. Duffy Manufacturing Co., Philadelphia, and others (4801); American Steel

& Wire Co. of New Jersey, Cleveland, and others (4802); Delta Equipment Co., Philadelphia, (4803); Grater-Bodey Co., Norristown, Pa., and others (4804); The O'Brien Machinery Co., Philadelphia (4805); and Charles F. Rohleder, Philadelphia, and others (4806). Under identical orders, the respondents in each of the six groups were directed to cease and desist from entering into or continuing any conspiracy or planned common course of action to submit collusive or fictitious noncompetitive bids; to interfere with the procurement or consideration of competitive bids by the prospective purchaser; to present a false appearance of competition among bidders; or to file a bid by one person when the prices and terms therein are determined by another or when the bid is not bona fide.

In the other three proceedings orders were entered against Westinghouse Electric Supply Co., New York (4798); Grater-Bodey Co., Norristown, Pa., and others (4799); and J. P. Rainey & Co., Philadelphia (4800). These orders were similar in character to the six set out above and in general required the respondents to cease and desist from continuing or engaging in the procuring, preparation, or submission of fraudulent bids or price quotations to any Federal agency or other buyers.

Rudolf Lesch Fine Arts, Inc., New York, and others.--Six corporations engaged in the sale of art pictures and allied products were ordered to cease and desist from entering into or continuing any conspiracy or planned common course of action to fix uniform discounts for their products or discounts based upon classifications of customers; to circulate lists showing such classifications; or to hold meetings to fix uniform discounts or to make such classifications (4693).

Eastman Kodak Co., Rochester, N. Y.--This company was ordered to cease and desist from entering into any contract or understanding with its dealer-customers which requires such dealer-customers to resell its magazine and Kodachrome film at not less than the minimum prices fixed by the company--such film not being in free and open competition with commodities of the same general class (4322).

Graphic Arts Club of Charlotte, Inc., Charlotte, N. C., and others.--The respondent club and its directors, officers and 13 member commercial printers were ordered to cease and desist from conspiring to fix uniform prices, discounts, or terms of sale for their products; to quote prices or make bids predicated upon schedules in the Franklin Printing Catalog or other similar publication; to file with the club or any other agency proposed price quotations or bids, or to otherwise exchange information as to prices to be quoted (4517).

Auburn Die Co., Inc., Auburn, Maine, and others.--Eleven firms manufacturing steel cutting dies used in shoe manufacturing were ordered to cease and desist from conspiring to fix uniform prices for, or uniform charges for alterations or repairs to dies; to publish or use common price lists; or to discuss such subjects at meetings for the purpose of establishing or maintaining uniform prices or charges (4921).

Liquid Tight Paper Container Association, Philadelphia, and others.--This association and eight manufacturers of cylindrical liquid tight paper containers were ordered to cease and desist from entering into or continuing any conspiracy to engage in the following practices: Fixing percentage quotas of business for each member manufacturer; fixing uniform delivered prices, discounts, or terms of sale; fixing

standard uniform sizes, colors, and quality of materials for the purpose of restraining competition; using delivered price zones and fixing uniform price differentials between zones; and fixing resale prices and refusing to allow usual jobber discounts to those jobbers who do not soil at the manufacturers' prices and terms (4675).

Utah Wholesale Grocery, Salt Lake City, and others.--Four wholesale grocers in Utah were ordered to cease and desist from conspiring to boycott manufacturers and jobbers who sold to their competitors; by coercion, to cause them to divert to others shipments in transit to such competitors; and to reduce prices on merchandise handled by both the respondents and their competitors so as to cause the competitors to sustain a loss (4643).

National Retail Tea & Coffee Merchants Association, Inc., Chicago, and others -- This association and its 170 members known as "home service merchants" were prohibited from conspiring to induce or coerce manufacturers to discontinue selling to competitors of the respondents; to communicate among themselves for such purpose; to use any scheme to prevent a competitor from freely purchasing merchandise usually handled by him, or to prevent anyone from entering into business in competition with the respondents (4776).

Lemuel Firth, Gloucester, Mass., and others.--Nineteen owners and masters of fishing boats operating out of Gloucester were ordered to cease and desist from entering into or carrying out any planned common course of action or agreement restricting the quality of fish to be caught and sold to dealers; fixing the prices at which fish are to be sold to dealers in any market or establishing or maintaining any price differential among different markets; prescribing the length of time a boat carrying fish to market shall remain in port; holding meetings for the purpose of reaching agreements governing the quantity of fish to be caught or the price at which they are to be sold; or engaging in any practice substantially similar to the foregoing, with the purpose or effect of establishing or maintaining uniform prices for fish (5065).

B. FALSE ADVERTISING OF DRUGS, DEVICES, AND COSMETICS

Healthaids, Inc., Jersey City, N. J., and others--An order to discontinue disseminating false advertisements concerning the therapeutic properties of "Serutan," a laxative, was issued against Health-aids, Inc., the manufacturer of the preparation; The Journal of Living Publishing Corporation, New York, and Victor H. Lindlahr, who is editor of Journal of Living and is employed by Healthaids, Inc., to promote the sale of the preparation by articles in the magazine and by radio lectures. The respondents were ordered to cease and desist from representing that the preparation is a cure or remedy for constipation, will restore or maintain natural elimination, promote normal or regular action by the digestive or eliminative organs or muscles, or has any therapeutic value in the treatment of constipation in excess of the temporary relief afforded by its laxative action (4332).

The Carlay Co., Chicago, and others.--In connection with the sale of "Ayds," a so-

called weight-reducing product which the Commission found was nothing more than caramel candy enriched with certain vitamins and minerals, the respondents were ordered to cease disseminating any advertisement which represents that excess weight may be removed through use of the product in conjunction with the

respondents' weight-reducing plan without the necessity of restricting the diet. The order also prohibits the disseminating of any advertisement which represents that the respondents' product and plan aid in the remove excess weight unless the advertisement discloses clearly that the plan includes adherence to a restricted diet and that such adherence is essential to weight reduction (4898).

Giljan Medicine Co., Inc., and The Key Advertising Co., both of Cincinnati.--Giljan Medicine Co. manufactures and markets a laxative preparation under the names "Giljan" and "Giljan Laxative Compound," and the advertising company prepares and disseminates advertising for the preparation, which was represented as a "new, scientific formula of juices made from 18 of nature's finest health-giving herbs." The Commission found that, with 4 exceptions, none of the 18 ingredients was present in sufficient quantity to have any therapeutic value. The respondents were ordered to cease and desist from disseminating advertisements representing that the formula for the preparation is new or scientific, that it is a remedy or cure for some 20 diseases and symptoms named by the respondents in their advertising, or that it has any therapeutic value beyond that of a laxative. The order further directed the respondents to discontinue disseminating any advertisement which fails to reveal that the preparation should not be used in the presence of symptoms of appendicitis; provided, however, that such advertisement need only contain the statement: "CAUTION: Use only as directed," if the directions for use on the label or in the labeling contain a warning to the same effect (5216).

Royal Lee, trading as Vitamin Products Co. , Milwaukee.--The order directed the respondent to discontinue representing that his vitamin preparations designated Catalyn, Vitamin A Complex, Vitamin B Complex, Vitamin C Complex , and Vitamin D Complex constitute competent nutritional or corrective treatment for the prevention or cure of numerous and diverse diseases and ailment enumerated in his advertisements; or that the preparations designated Vitamin E Complex, Vitamin F Complex, and Vitamin G Complex are a competent nutritional treatment for or preventive of many conditions and ailments listed in his advertising matter. The respondent was also ordered to cease representing that a synthetic vitamin is incapable of curing or relieving diseases or symptoms of vitamin deficiency as effectively as a like vitamin obtained from his preparations. The Commission found that certain representations concerning the effectiveness of other of the respondent's preparations in the treatment of various ailments and conditions were false and misleading and ordered them discontinued (4733).

Mayo Bros. Vitamins, Inc., and others, Los Angeles.--An order to discontinue unqualified use of the words "Mayo Bros." in a trade or corporate name or as a name for medicinal preparations was issued against this corporate respondent, which traded as Mayo Bros., and its officers, Irby L. Mayo, Oran Frank F. Mayo, and Paul T. Murry. The preparations involved were advertised and sold under the names Mayo Bros. Vitamin B₁, Mayo Bros. Vitamin B Complex and Mayo Bros. Family Formula. The Commission found that the respondents through their various uses of the name "Mayo Bros.", represented' falsely that their preparations were produced or sponsored by the Mayo Clinic of Rochester, Minn. The order permits use of the

name "Mayo Bros." if the respondents unequivocally disclose in their advertising that they are not connected with the Mayo clinic. The respondents also were directed to discontinue certain false misrepresentations concerning the therapeutic properties of their products (5044).

Ed. W. Arnold Co., Logansport, Ind., and others.--These respondents were ordered to cease and desist from disseminating advertisements which represent falsely that an electrically heated bath cabinet they sell is a cure or remedy for or possesses therapeutic value in the treatment of diabetes, blood disorders, asthma, kidney trouble, colds, heart trouble, and numerous other ailments; that it is a cure or remedy for rheumatism, lumbago, or neuritis; or that it reduces obesity and builds up people who are under weight. The Commission found that the therapeutic value of the bath cabinet is limited to such temporary benefits as may result from the application of heat and that substantially the same results may be obtained from an ordinary warm tub bath. The respondents also were ordered to discontinue representing that a mechanical massaging device they market reduces body weight, relieves constipation, induces sleep, or affords to the surface of the body benefits equivalent to those produced by exercise (4818).

L. R. Kallman & Co., Chicago.--Engaged in the sale of cosmetics, this respondent was ordered to cease representing that the preparation known as "Chin-Ep" will prevent flabbiness along the throat line and cause the user to have or retain a youthful throat line; and that the product designated "Digitite" will tighten the skin of the hands and give them a youthful appearance (4966).

C. UNFAIR PRACTICES OTHER THAN MISREPRESENTATION OF DRUGS, DEVICES, AND COSMETICS

Hastings Manufacturing Co., Hastings, Mich.--The order in this case directed the respondent corporation to cease and desist from certain unfair trade practices designed to persuade distributors to discontinue handling piston rings other than those manufactured by the Hastings company. The order prohibited the company from purchasing distributors' stocks of competing piston rings, making loans to distributors of Hastings rings, or guaranteeing to distributors increased profits, when such practices are for the purpose of inducing distributors to handle the Hastings line exclusively (4437).

Fountain pen manufacturers.--W. A. Sheaffer Pen Co., Fort Madison, Iowa (4337); The Parker Pen Co., Janesville, Wis. (4338); Eversharp, Inc., Chicago (4590), and L. E. Waterman Co., New York (4617), were ordered to cease making unqualified representations that their fountain pens are unconditionally guaranteed for the life of the user or for any other designated period, when a service charge, usually 35 cents, is made for repairs or adjustments. The respondents were ordered to discontinue using such terms as "Lifetime," "Guaranteed for Life," "Life Contract Guarantee," "Guaranteed Forever," or "Guaranteed for a Century" to describe or refer to their pens, and representing that the pens are unconditionally guaranteed for any designated period of time, unless the respondents, without expense to the user, make repairs or replacement of parts which may be necessitated during the designated period by any cause other than willful damage or abuse. The orders did not prohibit the respondents from

representing truthfully that the service on their pens (as distinguished from the pens themselves) is guaranteed for life or other designated period, even though a charge is imposed in connection With such servicing, providing the terms of the guarantee, including the amount of the charge, are clearly and conspicuously disclosed in immediate conjunction with such representations.

Arthur Von Senden Co., Inc., Pittsburgh.--This respondent, selling so-called "armored" Bibles and prayer books for use by men in the armed forces, was ordered to cease and desist from representing that such metal-covered books are capable of stopping or deflecting bullets, shrapnel, or bayonet thrusts, or of affording physical protection to the persons carrying them (5154).

"Free goods" offers.--Orders in 16 so-called "free goods" cases were modified by the Commission, after hearings, so as to prohibit the use of the word "free" or any similar term to designate, describe, or refer to merchandise which is not a gift or gratuity and delivered unconditionally. Typical of these modified orders was one in which the respondents were directed to cease representing, designating, or describing watches or other articles, delivered only upon the condition that some other articles be purchased and paid for as "free," "included free" or "included free of extra charge," or in any other manner indicating that the watch or other article is a gift or gratuity (3461).

II. ORDERS UNDER WOOL PRODUCTS LABELING ACT

This act and the rules and regulations thereunder provide that woolen or purported woolen merchandise shall have attached thereto a stamp, tag, label, or other means of identification showing the kinds and percentages of the different fibers of which the product is made, including the respective percentages of wool, reprocessed wool, or reused wool; the maximum percentage of any nonfibrous loading or adulterating material used; the name of the manufacturer of the product, or the manufacturer's registered identification number and the name of the qualified distributor or reseller. The label or a proper substitute must be on the article when it is delivered to the consumer. The Commission issued three orders under the act, as follows:

Benjamin Chaitt, Elmira, N.Y.; Isaac Chaitt, Harrisburg, Pa.; Max Chaitt, Lancaster, Pa., and Elizabeth Carl, Lebanon, Pa.--The Commission found that these respondent operators of retail clothing stores, after certain garments were delivered to them and before they were offered for sale, mutilated, or removed labels which had been affixed by the manufacturers and which purported to show the information required by the Wool Act and the rules and regulations promulgated thereunder. They were ordered to cease and desist from causing or participating in the mutilation or removal of any label purporting to show the required information (5041).

Samuel Rudovsky and Max Braunstein, trading as Rudd Manufacturing Co., New York.--The respondents, manufacturers of men's and boys' clothing, were found to have misbranded wool products by failing to securely attach to them a tag or label showing conspicuously the information required by the Wool Act and the rules and regulations issued thereunder. The order directed them to discontinue such

misbranding (5047).

Ceil Malk, Inc., Brooklyn.--In this case a retailer of women's garments was ordered to cease and desist from misbranding wool products by not attaching the required labels, and from mutilating labels which had been placed on the products by the manufacturers (5138).

III. ORDERS UNDER THE CLAYTON ACT

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

Morton Salt Co., Chicago.--The Commission ordered the respondent to cease and desist from discriminating in the price of salt among wholesale and retail dealers, when the differences in price are not justified by differences in the cost of manufacture, sale or delivery resulting from differing methods by, or quantities in, which such product is sold, (a) by selling to some wholesalers and to some retailers at prices different from the prices charged other wholesalers and retailers, respectively, who compete in selling such product, provided, however, that this shall not prevent price differences of less than 5 cents per case which do not tend to lessen competition; and (b) by selling to a retailer at prices lower than those charged wholesalers whose customers compete with such retailer (4319).

Caradine Hat Co., St.-Louis.--This respondent was ordered to cease and desist from discriminating in price between different purchasers of hats of like grade and quality (where the differences in price are not justified as set out in the next preceding case) by selling such products to some purchasers at prices lower than the prices charged to other customers competing with the favored ones (5151).

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

Sixteen orders were directed against violations of the so-called brokerage section of the Robinson-Patman Act, which prohibits the payment or acceptance of brokerage fees except for services rendered in connection with the interstate sale or purchase of merchandise.

Food dealers paying unlawful brokerage to buyers.-- Respondents in six orders were directed, in connection with the interstate sale of their merchandise, to cease and desist from paying to any buyer anything of value as a commission, brokerage or other compensation, or any allowance or discount in lieu thereof, upon purchases made by such buyer for his own account. The respondents named in such orders, and the principal commodities they sell, are:

B F. Shriver Co., Westminster, Md., canned vegetables (5217); L. P. Maggioni & Co., Savannah, Ga., canned seafood (5129); Funsten Co., San Francisco, and others, canned sea food (5131); Coast Fishing Co., Wilmington, Calif., canned sea food (5197); Marine Products Co., San Diego, Calif., canned sea food (5137); and The

Halfhill Co., Los Angeles, canned sea food (5267).

The respondents in four of these cases (5131, 5197, 5137, and 5267) also were ordered to discontinue making such unlawful payments to any agent or intermediary acting for or subject to the direct or indirect control of the purchaser to whom the sale is made.

Food dealers accepting unlawful brokerage from sellers -In eight orders the following respondents, in connection with their interstate

purchases of merchandise, were directed to cease and desist from accepting from any seller anything of value as a commission, brokerage or other compensation, or any allowance or discount in lieu thereof, upon purchases made for their respective accounts:

Austelle-Flintom Co., Orangeburg, S.C., canned fruits and vegetables (5130); Southgate Brokerage Co., Inc., Norfolk, Va., food products (4821); Fraering Brokerage Co., Inc., New Orleans, canned food and fish (4823); Glover & Wilson, Little Rock; Ark., canned fruits and vegetables (4835); W. M. Meador & Co., Inc., Mobile, Ala., food products (4928); H. D. Childers Co., Mobile, Ala., food products (4938); Hutchings Brokerage Co., Mobile, Ala., food products (5059); and Britt-McKinney Co., Greenville, S. C., canned food and fruits (4792).

Jasper W. Efird, New York, and others. - Jasper W. -Efird is purchasing agent for 38 incorporated department stores, also respondents in the proceeding, which he and members of his family control and operate in 3 Southern States. The Commission found that he accepted unlawful commissions, brokerage and lump payments from sellers and manufacturers of department store merchandise and that such payments were used by him for the sole benefit of the corporate respondents to maintain a buying office in New York. Efird was ordered to cease accepting anything of value as brokerage, commission or other compensation, or any allowance or discount in lieu thereof, from any seller, when the purchases are made for his own account, or when he is acting as buying representative of the purchaser, or when in making such purchases he is acting for or subject to the control of the purchaser. The order also prohibited the 38 corporate respondents from receiving such unlawful payments upon purchases made for their own accounts (3955).

Arthur M. Florman and Leo Florman, trading as A. M. Florman & Bro., New York. - The Commission found that while acting as resident buying agents of millinery for, and when under the control of, about 40 retail stores throughout the country, these respondents accepted remuneration in the form of unlawful commissions or brokerage fees from the sellers from whom they purchased millinery for their clients. The order directed against such practice was similar to the one issued against the individual respondent Jasper W. Efird in the case described immediately above (4227).

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

Holzbeierlein & Sons, Inc., Washington, D. C. - This baking company was ordered to cease and desist from paying anything of value to District Grocery Stores, Inc., or any other customer, for advertising services furnished by the customer, unless such payment is available to all other competing customers on proportionally equal terms (5020).

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

Elizabeth Arden, Inc., New York, and others.--The Commission ordered these manufacturers and distributors of cosmetics and toilet preparations to cease discriminating among competing purchasers by furnishing demonstrator or other services to any retailer when such

services are not accorded on proportionally equal terms to other retailer purchasers located in the same city or who resell such products in competition with retailers who receive such services (3133).

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

Associated Merchandising Corp., New York, and others.--This respondent and its 21 member corporations operating large retail department stores in Various cities were ordered to cease and desist from knowingly inducing or receiving discriminations in price through discounts, rebates, or other allowances on purchases from any manufacturer or seller greater than the discounts or other allowances currently allowed by such manufacturer or seller to competitors of the respondents; from knowingly inducing or receiving any such discriminations based upon the total purchases of the respondents as a group, by or through respondent Associated Merchandising Corp., which are not currently allowed to the individual competitors of the respondents; from knowingly purchasing from manufacturers at prices lower than those charged the respondents' competitors, and from using collective action to induce manufacturers to make such discriminations. The order also prohibited the respondents from inducing any manufacturer to make such discriminations by employing A. M. C. or other agency to secure such discriminations by giving preference to those manufacturers who grant such discriminatory prices; by refusing to deal with manufacturers who refrain from granting the discriminations; or by giving preference in the resale of merchandise of those manufacturers who grant discriminatory prices (5027).

E. J. Brach & Sons, Chicago -The order in this case directed that the respondent, in connection with the purchase of glucose used in the manufacture of its candy, cease and desist from knowingly purchasing from any seller at prices lower than those charged by such seller to the trade generally; from inducing the sale by any seller at prices known to be less than the seller charges to the trade generally; and from knowingly inducing or receiving any discriminations in price prohibited by section 2 (a) of the Clayton Act as amended (4548).

TYPES OF UNFAIR METHODS AND PRACTICES

TYPICAL METHODS AND PRACTICES CONDEMNED IN ORDERS TO CEASE AND DESIST

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

acquisition, and certain kinds of competitive interlocking directorates.

1. The use of false or misleading advertising concerning, and the misbranding of, commodities, respecting the materials or ingredients of which they are composed, their quality, purity, origin, source attributes, or properties, or nature of manufacture, and selling them

wider such name and circumstances as to deceive the public. An important part of these include misrepresentation of the therapeutic and corrective properties of medicinal preparations and devices, and cosmetics and the false representation, expressly or by failure to disclose their potential harmfulness, that such preparations may be safely used.

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

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

4. Bribing buyers or other employees of customers and prospective customers, without the employer's knowledge or consent, to obtain or hold patronage, the business or trade secrets of competitors by espionage, or by bribing their employees, or by similar means.

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

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

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

9. Conspiring to maintain uniform selling prices, terms and conditions of sale through the use of a patent-licensing system.

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

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

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

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

14. Using concealed subsidiaries, ostensibly independent, to obtain competitive business otherwise unavailable, and making use of false and misleading representations, schemes, and practices to obtain representatives and make contacts,

such as pretended puzzle-prize contests purportedly offering opportunities to win handsome prizes, but which are in fact mere “come-on” schemes and devices in which the seller’s true identity and interest are initially concealed.

15. Selling or distributing punchboards and other lottery devices which are to be or may be used in the sale of merchandise by lot or

chance; using merchandising schemes based on lot or chance, or on a pretended contest of skill.

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

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

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

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

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

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

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

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

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

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

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

20. Using containers ostensibly of the capacity customarily associated by the

purchasing public with standard weights or quantities

of the product therein contained, or using standard containers only partially filled to capacity, so as to make it appear to the purchaser that he is receiving the standard weight or quantity.

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

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

(b) Making false claim of being the authorized distributor of some concern, or falling to disclose the termination of such relationship, in soliciting customers of such concerns, or of being successor thereto or connected therewith, or of being the purchaser of competitor's business, or falsely representing that competitor's business has been discontinued, or falsely claiming the right to prospective customer's special consideration through such false statements as that the customer's friends or his employer have expressed a desire for, or special interest in, consummation of seller's transaction with the customer.

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

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

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

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

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

(h) Falsely claiming that business is bonded, or misrepresenting its age or history, or the demand established for its products, or the selection afforded, or the quality or comparative value of its goods, or the personnel or staff or personages presently or theretofore associated with such business or the products thereof.

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

(j) Granting seals of approval by a magazine to products advertised therein and misrepresenting thereby that such products have been adequately tested, and misrepresenting by other means the quality, performance, and characteristics of such products.

22. Obtaining business through undertakings not carried out, and not intended to be carried out, and through deceptive, dishonest, and Oppressive devices calculated to entrap and coerce the customer or prospective customer such practices including--

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26. Coercing and forcing uneconomic and monopolistic reciprocal dealing

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

28. Employing various false and misleading representations and practices attributing to products a standing, merit, and value to the

purchasing public, or a part thereof, which they do not possess, such practices including--

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

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

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

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

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

(f) Making use of a misleading trade name and representing by other means that the nature of a business is different than is the fact, such as a collection agency engaged in tracing alleged delinquent debtors representing itself as being connected with a Government agency, a delivery system, or in search of missing heirs.

(g) Misrepresenting fabrics or garments as to fiber content; and, in the case of wool products, failing to attach tags thereto indicating the wool, reused wool, reprocessed wool or other fibers contained therein, and the name of the manufacturer or qualified reseller, as required by the Wool Products Labeling Act, or removing or mutilating tags required to be affixed to the products when they are offered for sale to the public.

29. Failing and refusing to deal justly and fairly with customers in consummating transactions undertaken through such practices as refusing to correct mistakes in filling orders or to make promised adjustments or refunds, and retaining, without refund, goods returned for exchange or adjustment, and enforcing, notwithstanding agents' alterations, printed terms of purchase contracts, and exacting payments in excess of customers' commitments.

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

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

CASES IN FEDERAL COURTS

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

During the fiscal year there were 29 cases in the United States courts in which the Commission was a party. Results favorable to the Commission were obtained in 27 cases, of which 2 were before the Supreme Court, 19 before circuit courts of appeals, and 6 before district courts.

In a case of outstanding importance, the Supreme Court granted the only petition for certiorari sought by the Commission and subsequently reversed the judgment of the lower court setting aside the Commission's order. (See *A E. Staley Manufacturing Co.*, p.55.)

In another important case it granted the respondent's petition for certiorari and uphold the judgment of the lower court affirming the Commission's order. (See *Corn Products Refining Co.*, p. 53.) It denied five petitions for certiorari Sought by respondents in instances where circuit courts of appeals had affirmed Commission orders.

Circuit courts of appeals affirmed 16 orders to cease and desist issued by the Commission (4 with modifications) and dismissed respondents' petitions for review in 3 cases. One order was reversed without prejudice to the right of the Commission to reopen the proceeding and offer additional evidence. In another case where a Commission order was reversed, the Commission will seek review by the Supreme Court through writ of certiorari. In 6 cases district courts entered judgments for civil penalties totaling \$10,182.72 for violation of Commission cease and desist orders which had become final.

Twenty-four petitions for review and two applications for enforcement of Commission cease and desist orders were filed during the year.

PETITIONS TO REVIEW CEASE AND DESIST ORDERS

Petitions in United States Circuit Courts of Appeals to review cease and desist orders issued under section 5 of the Federal Trade Commission Act and sections 2 and 3 of the Clayton Act are summarized below.

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

CASES DECIDED BY THE COURTS

American Drug Corp., St. Louis.--A Commission motion to dismiss the petition for review of its order vacating a previous cease and desist order was denied by the Eighth Circuit (St. Louis) (149 F. 2d 608.)

A P. W. Paper Co., Inc., Albany, N.Y.--With one judge dissenting, the Second Circuit (New York) reversed a Commission order banning the company's use of the words "Red Cross" and the symbol of the Greek red cross to falsely indicate approval of its products by the American National Red Cross. The court construed an act of Congress to permit the petitioner to continue the use of the words and symbol because of their

lawful use prior to January 5, 1905. The court said “the Commission may not absolutely forbid the use of the words and symbol to pre-1905 lawful users, but may require them

to state, so plainly as to avoid the creation of misleading inferences by such use, that the goods are not sponsored, approved, or in any manner connected with the American National Red Cross" (149 F. 2d 424.) The Commission will apply to the Supreme Court for a writ of certiorari to review this decision. (Petition for certiorari granted October 8, 1945.)

Associated Laboratories, Minneapolis-The Eighth Circuit (St. Louis) denied rehearing of its decision unanimously upholding a Commission order proscribing unwarranted claims for the therapeutic value of an apparatus used in colonic irrigation known as the "Gordon Detoxifier" (143 F. 2d 316).

Atlantic Packing Co., Philadelphia.--A Commission order directed against misuse of the word "Packing" petitioner's trade name was affirmed without dissent by the Third Circuit (Philadelphia) (150 F. 2d 757).

The Cement Institute, Chicago, and others.--The Seventh Circuit (Chicago) rejected the contention of the petitioner *Marquette Cement Manufacturing Co.*, Chicago, that the Commission was disqualified from trying and deciding the issues involved in this (The Cement Institute) case (147 F. 2d 589). The proceeding involves a nationwide combination to restrain competition in the price of Portland cement through the agreed use of a multiple basing-point delivered-price system.

Charles of the Ritz Distributors Corp., New York.--Unanimous affirmation of a Commission order prohibiting unwarranted claims for benefits to be derived from use of certain cosmetics was given by the Second Circuit (New York) (143 F. 2d 676).

Corn Products Refining Co. and Corn Products Sales Co., New York.--With one judge dissenting in part only, the Seventh Circuit (Chicago) slightly modified and in all other respects affirmed and enforced a Commission order directing the cessation of price discriminations and restrictive-dealing contracts in connection with the sale of glucose, in violation of sections 2 and 3 of the Clayton Act (144 F. 2d 211). A petition for rehearing was denied. "Because the questions involved are of importance in the administration of the Clayton Act in view of the widespread use of basing-point price systems," the Supreme Court granted certiorari (323 U. 5.706). After hearing, it concluded that the violations of sections 2 (a) and (e) of the Clayton Act, found by the Commission and sustained by the court below, fell within the prohibitions of that statute and that the Commission's conclusions were "amply supported by its findings and the evidence." The judgment of the Seventh Circuit was unanimously affirmed (324 U.S. 726).

Dearborn Supply Co., Chicago.--A Commission order condemning the failure of the petitioner's advertisements to reveal the harmful consequences that may result from indiscriminate use of "Mercolized Wax," a cosmetic preparation containing ammoniated mercury, was vacated and set aside by the Seventh Circuit (Chicago), but without prejudice to the Commission's right to reopen the proceedings and offer additional proof (146 F. 2d 5).

Decker; Products Co., and others, Pelham, N. Y.--After denial by the court of appeals (Washington, D. C.) of their petition for rehearing, these petitioners sought a review by the Supreme Court of the decision of the lower court dismissing their petition for review of a Com-

mission order denying their motion to dismiss a Commission complaint. The Supreme Court denied their petition for certiorari. The complaint charged false and misleading advertising in connection with the Sale of an exhaust muffler attachment advertised as a device to save gasoline and effect other economies in the operation of automobiles (323 U.S. 786).

Joan Clair Gelb, known as Joan C. Vaughan, Leon A. Spilo, Stamford, Conn., and Morris Gelb, New York.--The Second Circuit (New York) modified in one particular a Commission order directed against misrepresentation of hair dyes and affirmed it as so modified (144 F. 2d 580).

Gulf Oil Corp., Pittsburgh.--Unqualified endorsement of a Commission order forbidding misrepresentation of the effectiveness of an insecticide known as "Gulf Livestock Spray" was given by the Fifth Circuit (New Orleans) (150 F. 2d 106).

Houbigant, Inc., Cheramy, Inc., and Houbigant Sales Corp., New York.--The Supreme Court (323 U. S. 763) denied petition for certiorari by which these petitioners sought a review of the decision of the Second Circuit (New York) affirming unconditionally a Commission order prohibiting the misrepresentation of domestically compounded perfumes as imported (139 F. 2d 1019).

Howe & Co., Seattle.--In this case the Ninth Circuit (San Francisco) granted the Commission's motion to clarify its cease and desist order (by defining the term "Hollywood") and unanimously affirmed and enforced it as so modified (148 F. 2d 561). A petition for rehearing was denied. The order forbade the misleading use of the terms "Hollywood" and "Favorite of the Stars" in advertising and selling cosmetics not manufactured in Hollywood. (Petition for certiorari granted October 8, 1945.)

Lekas & Drivas, Inc., New York.--After a slight modification, the Second Circuit (New York) without dissent upheld a Commission order banning misrepresentation of the therapeutic properties of olive oils (145 F. 2d 976).

Michel Lipman and Jack Silverman, trading as Chief Statistician and as J. Silverman & Associates, San Francisco, and William Edgar Spicer, Washington, D. C.--Based upon a stipulation providing for the disposition of this case in accordance with the court's decision in a companion case (See *Jack Silverman and others*, p. 55), the Ninth Circuit (San Francisco) entered its decree affirming and enforcing a Commission order directing the petitioners, in connection with their business of selling and distributing mailing cards designed for use in obtaining information concerning debtors, to cease and desist making misrepresentations as to the nature of their business and their alleged connection with the United States Government (148 F. 2d 823).

Lottery case.--The only Commission case of this type to reach the courts during the year involved *Modernistic Candies, Inc., Chicago*, which petitioned the Seventh Circuit (Chicago) for review of a Commission order directed against lottery methods in the sale of chewing gum. The court unqualifiedly endorsed the Commission's order (145 F. 2d 454).

Andrew J. Lytle and Richard Carl Lytle, trading as Vocational Placement Bureau, Debtors Finance Bureau, and Bureau of Records of Employment, Akron, Ohio, and William Edgar Spicer, Washington, D. C.--Because of the failure of these petitioners to prosecute their

petition for review, the Sixth Circuit (Cincinnati) dismissed the case. The Commission's order proscribed misrepresentations suggesting connection with the United States Government by the petitioners in their business of selling and distributing mailing cards designed for use in obtaining information concerning debtors.

Modern Marketing Service, Inc., Chicago, and others--The Seventh Circuit (Chicago) unanimously affirmed a Commission order directing the cessation of price discriminations in violation of section 2 (c) of the Clayton Act (149 F. 2d 970).

Samuel H. Moss, Inc., New York.--Unqualified approval of a Commission order prohibiting discrimination in price of made-to-order rubber stamps in violation of section 2 (a) of the Clayton Act, was given by the Second Circuit (New York) (148 F. 2d 378). (Petition for certiorari granted October 8, 1945.)

Parke, Austin & Lipscomb, Inc., and Smithsonian Institution Series, Inc., New York. - Following unanimous affirmation by the Second Circuit (New York) of a Commission order forbidding misrepresentation, in connection with the sale of books, of the petitioners' relationship with the Smithsonian Institution (142 F. 2d 437), the Supreme Court denied petition for certiorari filed by the petitioners (323 U.S. 753).

Post Institute Sales Corp., and others, New York.--This case was dismissed by the Second Circuit (New York) on the motion of the Commission, for failure of the petitioners to prosecute. The order of the Commission involved what it found to be false and misleading advertising of hair and scalp preparations.

Preparatory Training Institute, Trenton, N. J.--Because this petitioner failed to prosecute its petition for review, the Third Circuit (Philadelphia), on motion of the Commission, dismissed the case. The Commission order in question directed the cessation of misrepresentations concerning a correspondence course for preparing students for United States civil service examinations.

Segal Lock & Hardware Co., Inc., New York, and others.--The Second Circuit (New York) gave its unconditional approval to a Commission order directed against misrepresentation of the "pickproof" qualities of petitioners' locks (143 F. 2d 935). A petition for certiorari was denied (323 U.S. 791).

Jacob Siegel Co., Philadelphia.--A Commission order directed against the misleading use of the name "Alpacuna" to designate overcoats and topcoats containing no vicuna fiber was unanimously affirmed by the Third Circuit (Philadelphia) (150 F. 2d 751).

Jack Silverman, trading as J. Silverman & Associates, General Forwarding System and Commercial Pen Co., San Francisco.--Without dissent, the Ninth Circuit (San Francisco) gave its unqualified endorsement to a Commission order directing the petitioners, in connection with their business of selling and distributing mailing cards designed for use in obtaining information concerning delinquent debtors, to cease and desist from making various misrepresentations with reference to the nature of their business (145 F. 2d 751).

A. E. Staley Manufacturing Co. and The Staley Sales Corp., Decatur, Ill.--After rebriefing and reargument in connection with the Commission's modified findings as to the facts, the Seventh Circuit (Chicago), with one judge dissenting, vacated the Commission's order directing the petitioners to cease and desist from discriminating

in the delivered

price of glucose in violation of Section 2 (a) of the Clayton Act, as amended by the Robinson-Patman Act (144 F. 2d 221). The Supreme Court granted the Commission's petition for certiorari (323 U.S. 702), and unanimously reversed the judgement of the Seventh Circuit and remanded the case with instructions to enforce the Commission's order (324 U.S. 746).

Standard Education Society, and others, Chicago .--The Commission filed with the Second Circuit (New York) its report as special master concerning alleged violations of a Commission order to discontinue misrepresentation of encyclopedias, previously approved by the Supreme Court (302 U. S. 112). Subsequently the Second Circuit, on motion of the Commission, entered an order discharging the Commission as special master and denying its application for a decree of enforcement; A motion by the respondents to amend the court's decree of May 20, 1938, affirming the Commission's order, was denied (148 F. 2d 931).

Stetson Felt Mills, St. Paula-Unconditional approval was given by the Eighth Circuit (St. Louis) to a Commission order banning misrepresentations in connection with the sale of rugs (144 F. 2d 737).

Surveying-Drafting-Coaters Section of Scientific Apparatus Makers of America, Philadelphia, and others .--After unanimous approval by the Seventh Circuit (Chicago) of a Commission order directed against a combination in restraint of trade (142 F. 2d 321), the Supreme Court denied petition for certiorari filed by *Eugene Dietzgen Co.*, New York, one of the concerns affected by the Commission's order (323 U.S. 730). Products used by engineers, surveyors, and draftsmen were involved in the case.

J. E. Todd, Inc., Kenmore, N. Y.--By a unanimous decision, the court of appeals (Washington, D. C.) upheld a Commission order prohibiting false claims for the therapeutic value of a medicinal preparation designated "Todd's Capsules" (145 F. 2d 858).

Ultra-Violet Products, Inc., Los Angeles .--The Ninth Circuit (San Francisco) handed down a decision fixing the form of decree modifying, affirming and enforcing a Commission order proscribing misrepresentations of the therapeutic value of an ultra violet ray lamp designated "Life bite."

United States Alkali Export Association, Inc., New York, California Alkali Export Association, Oakland, Calif , and others, v. United States .--The Supreme Court affirmed an order of the district court (New York) denying a motion to dismiss a suit brought by the Attorney General against petitioners for violation of the Sherman Antitrust Act. The Supreme Court held that the district court has jurisdiction of a complaint under section 4 of the Sherman Act when the complaint shows upon its face that the charges therein relate exclusively to acts done by, or under the leadership of, an export trade association registered with the Federal Trade Commission under the Webb-Pomerene Export Trade Act, although there is no allegation that the Commission has referred findings and recommendations to the Attorney General under section 5 of the Webb-Pomerene Law for such action thereon as he may deem proper.

United States Steel Corp., American Bridge Co., Carnegie-Illinois Steel Corp., American Steel & Wire Co. of New Jersey, and Tennessee Coal, Iron & Railroad Co. .--The Third Circuit (Philadelphia) denied the Commission's motion to strike certain portions of petitioners'

petition for review of the Commission's order, which was directed against the use of "Pittsburgh plus" prices for rolled-steel products in violation of the Clayton and Federal Trade Commission Acts.

Zenith Radio Corp., Chicago.--The Seventh Circuit (Chicago) denied petitioner's motion that an order be entered approving its report on compliance with the court's decree affirming and enforcing a Commission order forbidding advertisements exaggerating the range of receptivity of radio receiving sets. The report had been rejected by the Commission.

CIVIL PENALTIES UNDER FEDERAL TRADE COMMISSION ACT

Six cases which had been certified to the Attorney General of the United States under section 16 of the Federal Trade Commission Act were disposed of, and judgments for civil penalties in the sum of \$10,182.72 were entered, as follows:

Rogers Redemption Bureau, and others, Minneapolis--District Court for the District of Minnesota; judgment for \$400.

Lanteen Laboratories, Inc., and others, Chicago.--District Court for the Northern District of Illinois; judgment for \$2,526.22.

Kongo Chemical Co., New York.--District Court for the Southern District of New York; judgment for \$200.

Irving Roy Jacobson, Madison, Wis.--District Court for the Western District of Wisconsin; judgment for \$1,000.

G. Leach & Co., Reading, Pa.--District Court for the Eastern District of Pennsylvania; judgment for \$1,033.40.

Rango Tablet Co., Los Angeles.--District Court for the Southern District of California; judgment for \$5,023.10.

CASES PENDING IN THE COURTS

Acme Asbestos Covering & Flooring Co., Chicago, and others.--Sixth Circuit (Cincinnati), price-fixing combination in insulating materials.

American Association of Law Book Publishers, Rochester, N. Y., and others.--Second Circuit (New York), price-fixing combination in law books and legal publications.

American Drug Corporation, St. Louis.--Eighth Circuit (St. Louis), false and misleading advertising of medicinal preparation "Sinasiptec" as a cure for sinus trouble.

Associated Laboratories, Inc., Long Island City, N. Y.--Second Circuit (New York), misrepresentation of benefits to health and figure to be derived from use of "Kelp-A-Malt Tablets."

S. Buchsbaum & Co., Chicago.--Seventh Circuit (Chicago), misuse of term "Elasti-Glass" to designate or describe merchandise made of vinylite or any other similar synthetic resinous compound.

The Carlay Co., and others, Chicago.--Seventh Circuit (Chicago), misrepresentations in connection with sale of a candy product "Ayds" for removal of excess weight.

The Cement Institute, Chicago, and others.--Seventh Circuit (Chicago), Nation-wide combination to restrain competition in the price of Portland cement through the agreed

use of a multiple basing-point delivered-price system.

Dearborn Supply Co., Chicago.--Seventh Circuit (Chicago), failure to reveal the harmful consequences that may result from indiscriminate

use of "Mercolized Wax," a cosmetic preparation containing ammoniated mercury. The case is pending before the Commission after taking of additional testimony as result of court's decision. (See p. 53)

Eastman Kodak Co., Rochester, N. Y.--Second Circuit (New York), suppression of competition by petitioner's resale-price-maintenance policy.

Eli Eghan, trading as Ox'o-Gas Co., New York.--Second Circuit (New York) misrepresentation of solution designated "Ox'o", advertised and sold as capable of increasing the efficiency of automobile engines or mileage.

Elizabeth Arden, Inc. , Elizabeth Arden Sales Corp., and Florence N. Lewis, New York.--Second Circuit (New York), violation of section 2 (e) of the Clayton Act by discrimination in the furnishing of demonstrator services to retailers.

Lemuel Firth , and others, Gloucester, Mass --First Circuit (Boston), restraint of competition in catching and selling fish.

General Seafoods Corp., Boston, and others.--First Circuit (Boston), advertising and selling rosefish as "Ocean Perch Fillets."

Hastings Manufacturing Co., Hastings, Mich.--Sixth Circuit (Cincinnati), various unfair practices resulting in suppression of competition in sale of automobile piston rings.

Jack Herzog & Co., New York.--Second Circuit (New York), on application by the Commission for enforcement of order banning price discrimination in violation of section 2 (c) of the Clayton Act in connection with sale of furs.

Lottery device cases.--One case involving the use of lottery methods concerns *Charles Deer and Jack Deer, trading as Savoy Manufacturing Co.*, engaged in the sale of miscellaneous merchandise, pending in the Second Circuit (New York). The case of *Nelson C. Brewer, trading as Chas. A. Brewer & Sons, and Everett B. Brewer; Chicago*, the world's largest manufacturers of punchboards and push cards, now pending in the Sixth Circuit (Cincinnati), involves the sale of punch-boards and other lottery devices for use by others in the sale of miscellaneous merchandise.

Manhattan Brewing Co., Chicago.--Seventh Circuit (Chicago), mis-leading use of the word "Canadian" in brand or trade name for beer or ale not brewed in Canada.

The Milk & Ice Cream Can Institute, Cleveland, and others.--Seventh Circuit (Chicago), price-fixing combination.

Morton Salt Co., Chicago.--Seventh Circuit (Chicago), price discrimination in violation of section 2 (a) of the Clayton Act.

National Crepe Paper Association of America, Philadelphia, and others.--Seventh Circuit (Chicago), price-fixing combination.

Parker Pen Co., Janesville, Wis.--Seventh Circuit (Chicago), misrepresentation of fountain pens through use of statements such as "Guaranteed for Life" and "Life Guaranteed."

Progress Tailoring Co., Chicago.--Seventh Circuit (Chicago), false and misleading advertising in connection with the sale of men's clothing.

Rigid Steel Conduit Association, New York, and others.--Seventh Circuit (Chicago), price-fixing combination.

Scotch Woolen Mills, Chicago.--Seventh Circuit (Chicago), misleading use of the

words “Scotch” and “Mills” in trade name.

Southgate Brokerage Co., Norfolk.--Fourth Circuit (Richmond), price discrimination in violation of section 2 (c) of the Clayton Act.

Judson L. Thomson Manufacturing Co., Waltham, Mass.--First Circuit (Boston), violation of section 3 of the Clayton Act in connection with the sale of rivets and rivet-setting machines.

United States Maltsters Association, Chicago, and others.--Seventh Circuit (Chicago), price-fixing combination.

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

Vacu-Matic Carburetor Co., Wauwatosa, Wis.--Seventh Circuit (Chicago), misrepresentations concerning benefits to be derived from use of mechanical device for attachment to automobile engines.

David M. Weiss, New York.--Second Circuit (New York), on application by the Commission for enforcement of order directed against price discrimination in violation of section 2 (c) of the Clayton Act in connection with sale of furs.

TABLES SUMMARIZING LEGAL WORK OF THE COMMISSION AND COURT PROCEEDINGS, 1915-45

TABLE 1.--*Applications for complaints*

FISCAL YEAR ENDED JUNE 30, 1945 1915, TO		CUMULATIVE SUMMARY, MAR. 16, JUNE 30, 1945	
Pending beginning of year	828		
Applications docketed 19,671	683	Applications docketed	
Previous action reconsidered:		Previous action reconsidered:	
To complaints	0	To complaints	10
Settled by stipulation to cease and desist	0	Settled by stipulations to cease and desist	23
Settled by acceptance of TPC rules	0	Settled by acceptance of TPC rules	6
Dismissed	0	Dismissed	81
Closed without further proceedings ¹	3	Closed without further proceedings ¹	45
Total for disposition	1,514	Total for disposition	2036
To complaints	142	To complaints	
4,858			
Settled by stipulations to cease and desist	248	Settled by stipulations to cease and desist	6,461
Settled by acceptance of TPC rules	0	Settled by acceptance of TPC rules	97
Consolidated with other proceedings	7	Consolidated with other proceedings	19
Dismissed	0	Dismissed	3,863
Closed without further proceedings ¹	247		

Total for disposition	1,514	Closed without further proceedings	1
3,748			
Pending end of year	870	Total disposition	19,186
		Pending June 30, 1945	80

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

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TABLE 2.--*Complaints*

FISCAL YEAR ENDED JUNE 30, 1945		CUMULATIVE SUMMARY, MAR. 16, 1915,	
		TO JUNE 30, 1945	
Pending beginning of year	448		
Complaints docketed	164	Complaints	5
Previous action reconsidered:		Previous action reconsidered:	
Orders to cease and desist	2	Orders to cease and desist	66
Settled by stipulations to cease and desist	0	Settled by stipulations to cease and desist	1
Dismissed	0	Dismissed	11
Closed without further proceedings ¹	0	Total for disposition	5
Closed without further proceedings ¹	2	Complaints rescinded	12
Total for disposition	614	Orders to cease and desist	3
Complaints rescinded	0	Settled by stipulations to cease and desist	62
Orders to cease and desist	140	Settled by acceptance of TPC rules	7
Settled by stipulations to cease and desist	4	Dismissed	15
Settled by acceptance of TPC rules	7	Closed without further proceedings ¹	4
Dismissed	15	196	
Closed without further proceedings ¹	4	Total disposition during year	170
196		Pending end of year.	444
Total disposition during year	170	Total disposition	4
Pending end of year.	444	Pending June 30, 1945	444

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

TABLE 3.--*Court proceedings--orders to cease and desist--petitions for review to circuit court of appeals*

FISCAL YEAR ENDED JUNE 30, 1945		CUMULATIVE SUMMARY, MAR. 16, 1915,	
		TO JUNE 30, 1945--continued	
Pending beginning of year.	33		
Appealed	16	Petitions withdrawn	59
Total for disposition	49	Total disposition	337
Decisions for Commission	16	Pending June 30, 1945	27
Decisions for others	3		
Petitions withdrawn	3	10-YEAR SUMMARY, JULY 1, 1935, TO JUNE 30,	
Total disposition during year	22	1945	
Pending end of year	27	Pending July 1, 1935	3
Total for disposition	216	Appealed	23
		Total of disposition	216
CUMULATIVE SUMMARY, MAR. 16, 1915,		Decision of Commission	13
TO JUNE 30, 1945		Decisions for others	12
		Petitions withdrawn	44
Appealed	364	Total disposition	189
Decisions for Commission	179	Pending June 30, 1945	27
Decisions for others ¹	99		

¹This table lists a cumulative total of 99 decisions in favor of respondents in Commission cases before the United States Circuit Courts of Appeals. However, the Grand Rapids furniture (vener) group (with 25 different docket numbers) was in reality 1 case, with 25 different subdivisions. It was tried, briefed, and argued as 1 case and was so decided by the court of appeals. The same held true of the curb-pump group (with 12 different subdivisions), the Royal Milling Co. group (with 6 different subdivisions), and the White Pine cases (12 subdivisions). In reality, therefore, these 55 docket numbers mean but 4 cases; and, if cases and not docket numbers are counted, the total decisions in favor of the respondents would be 48.

NOTE.--During the fiscal years 1919-45, inclusive, 58 petitions by the Commission for enforcement of orders to cease and desist were passed upon by courts. Of these proceedings, 54 were decided in favor of the Commission; 4 in favor of adversaries. Petitions for enforcement of orders issued under the Federal Trade Commission Act were made unnecessary by amendment of the Federal Trade Commission Act (Mar.21, 1938) making orders finally effective unless review is sought by respondents within 60 days after service of an order.

TABLE 4.--*Court proceedings-orders to cease and desist-petitions for review to the Supreme Court of the United States*

FISCAL YEAR ENDED JUNE 30, 1945,		CUMULATIVE SUMMARY, MAR. 16, 1915,	
		TO JUNE 30, 1945--continued	
Pending beginning of year	0	Decisions for others	13
Appealed by Commission	1	Petitions withdrawn by Commission	2
Appealed by others	5	Certiorari denied Commission	9
Total for disposition	6	Certiorari denied others	39
Decisions for Commission	2	Total disposition	92
Decisions for others	0	Pending June 30, 1945	0
Petitions withdrawn by Commission	0	10-YEAR SUMMARY, JULY 1, 1935, TO	
Certiorari denied Commission	0	JUNE	
Certiorari denied others	4	30, 1945	
Total disposition during year	6	Pending July 1, 1935	0
Pending end of year	0	Appealed by Commission	4
		Appealed by others	33
CUMULATIVE SUMMARY, MAR. 18, 1915, TO		Total for disposition	37
JUNE 30, 1945		Decisions for Commission	5
		Decisions for others	1
Appealed by Commission	47	Certiorari denied Commission	1
Appealed by others	45	Certiorari denied others	30
Total for disposition	92	Total disposition	37
Decisions for Commission	29	Pending June 30, 1945	0

TABLE 5.--*Court proceedings--mandamus, injunction, etc.-district courts and circuit courts of appeals*

FISCAL YEAR ENDED JUNE 30, 1945,		CUMULATIVE SUMMARY,	
MAR. 16, 1915,		TO JUNE 30, 1945--continued	
Pending beginning of year	0	Decisions for others	18
Instituted by Commission	1	Petitions withdrawn by Commission	5
Instituted by others	1	Petitions withdrawn by others	7
Total for disposition	2	Total disposition	112
Decisions for Commission	0	Pending June 30, 1945	1
Decisions for others	0	10-YEAR SUMMARY, JULY 1, 1935, TO	
Petitions withdrawn by Commission	1	JUNE 30, 1945	
Petitions withdrawn by others	0	Instituted by Commission	55
Total disposition during year	1	Instituted by others	22
Pending July 1, 1935	0	Total for disposition	77
Pending end of year	1	Decisions for Commission	64
CUMULATIVE SUMMARY, MAR. 18, 1915, TO		Decisions for others	7
JUNE 30, 1945		Petitions withdrawn by Commission	1
Instituted by Commission	72	Petitions withdrawn by others	4
Instituted by others	41	Total disposition	76
Total for disposition	113		

TABLE 6.--*Court proceedings--mandamus, injunction, etc.--Supreme Court of the United States*

FISCAL YEAR ENDED JUNE 30, 1945 MAR. 16, 1915,		CUMULATIVE SUMMARY, TO JUNE 30, 1945--continued	
Pending beginning of year	0		
Appealed by Commission	0	Decisions for others	5
Appealed by others	1	Certiorari denied Commission	1
		Certiorari denied others	4
Total for disposition	1	Total disposition	12
Decisions for Commission	0	Pending June 30, 1945	0
Decisions for others	0		
Certiorari denied Commission	0		
Certiorari denied others	1	10-YEAR SUMMARY, JULY 1, 1935,	1, 1935,
TO			
		JUNE 30, 1945	
Total disposition during year	1	Pending July 1, 1935	0
		Appealed by Commission	1
Pending end of year	0	Appealed by others	2
		Total for disposition	3
CUMULATIVE SUMMARY, MAR. 16, 1915, TO JUNE 30, 1945		Decisions for Commission	1
Appealed by Commission	8	Decisions for others	0
Appealed by others	4	Certiorari denied others	2
Total for disposition	12	Total disposition	3
Decisions for Commission	2	Pending June 30, 1945	

PART III. TRADE PRACTICE CONFERENCES

UNFAIR COMPETITIVE PRACTICES PREVENTED THROUGH RULES OF FAIR COMPETITION

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

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

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

The substantial good achieved by the trade practice rules now in effect for more than 150 industries points to the possibilities of future developments in this field for the benefit of the national economy. To this end numerous additional industries are directing their atten-

tion to the matter of the establishment of trade practice rules as an effective means of insuring fair competition in the postwar period.

Trade practice conference procedure --The procedural steps and requirements applicable to industry proceedings for the establishment of trade practice rules are covered in the Commission's Rules of Practice. These are made available in leaflet form to persons concerned. Any interested party or group in an industry, large or small, may apply to the Commission for conference proceedings to establish rules of fair practices. No special formality is required in making such application. A letter or other communication requesting that the Commission initiate conference proceedings will suffice.

Prior to making application for conference proceedings, trade committees, industry members, or other parties in interest may meet with the Commission's staff for the purpose of obtaining a full understanding of the proceedings and their objectives. After application is made, similar preliminary discussions are usually had with members of the Commission's staff, thus providing guidance and assistance in working out constructive solutions of the various competitive problems. In the course of the proceedings industry-wide conferences are held and, before final approval by the Commission of any rules, public hearings on proposed rules are had to afford all interested or affected parties opportunity to present their views, suggestions, or objections, and to appear and be heard.

Trade Practice Conference Administration.--The various activities relating to trade practice rules, the holding of industry conferences, administration and compliance work, and all other duties incident to the trade practice conference procedure are conducted by the Commission through the Trade Practice Conference Division. This division is also charged with the duties relating to administration of the Wool Products Labeling Act and the rules and regulations promulgated thereunder (See p.69.)

GROUP I AND GROUP II RULES DEFINED

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

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

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

TRADE PRACTICE CONFERENCE ACTIVITIES DURING YEAR

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

New rules promulgated during fiscal Year.--Trade practice rules for the following seven industries were promulgated during the fiscal year: Button jobbing, hearing aid, low pressure refrigerants, razor and razor blade, tuna, water heater, and wood-cased lead pencil. Rules promulgated for the tuna industry represent a revision and extension of the rules previously issued. These industries have an estimated annual volume of business of over \$280,000,000 in the aggregate. In 1944 the razor and razor blade industry produced about 3 ½ billion blades, the wood cased lead pencil industry well over 1 billion pencils, and the water heater industry more than 2 million water heaters.

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

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

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

INDUSTRY RULES AND THEIR ADMINISTRATION

Administration of rules.--This work covers the necessary compliance activities, interpretation of rules, and their application to specific situations arising in different industries. It concerns not only rules promulgated during the fiscal year but also those issued in prior years and remaining in effect.¹ The codified provisions aggregate many hundreds of rules.

The necessary correspondence was conducted throughout the year in regard to existing rules, particularly as affecting compliance with the provisions and in general affording assistance to industry members in the proper application and observance of rules. Likewise, members of industries and other interested parties or groups frequently conferred with representatives of the Commission where necessary or desirable in connection with the operation of the rules. In many

¹ Rules when promulgated for an industry are issued in pamphlet form and are available to interested parties upon request to the commission.

cases of alleged objectionable practices in conflict with the rules, correction or adjustment was effected through cooperative effort. Results obtained demonstrated a primary objective of the trade practice rules, namely, the wholesale elimination of unfair competitive methods without the expense of litigation. However, in the few cases where compulsory proceedings were necessary to effect correction, appropriate action was taken.

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

TYPES OF PRACTICES COVERED IN APPROVED RULES

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

Misbranding; misrepresentation in various forms, including false or misleading advertising; deceptive packaging; defamation of competitors or disparagement of their products; impersonation or misrepresentation to obtain competitors' trade secrets; price discriminations to injure, prevent, or destroy competition; discriminations and harmful practices in matters of rebates, refunds, discounts, allowances, credits, brokerage, commissions, services, facilities, returns, etc.; commercial bribery in purchasing or selling supplies; inducing breach of competitor's contract; false invoicing; imitation of competitor's trade-marks, trade names, brands, etc.; substituting inferior products for those ordered; passing off substandard or defective products as and for regular or first-quality merchandise; deceptive use of so-called "free goods" deals; deceptive pricing; lottery schemes; use of consignment distribution to close competitors' trade outlets; use of deceptive types of containers simulating standard and generally recognized types; use of deceptive depictions (photographs, engravings, cuts, etc.) in describing industry products; selling below cost with the purpose and effect of suppressing competition, restraining trade, or creating a monopoly; and use of "loss leaders" as a deceptive or monopolistic practice.

Other subjects embraced in the rules are: Enticing away employees of a competitor; giving "push money," "gratuities," etc., under circumstances involving commercial bribery, deception, or restraint of trade; use of deceptive or misleading guarantees, warranties, price quotations, price lists, terms of sale, etc.; deception in use of competitors' containers; full-line forcing as a monopolistic weapon; combination or conspiracy to fix prices, suppress competition, or restrain trade; unfair bidding methods; misrepresentation as to possible earnings or opportunities afforded on completion of correspondence school courses, or as to Government connection with, or endorsement of, any school, or respecting any training or services offered by such school; falsely representing offers as "special" or "limited"; deceptive sales of regular lines as "closeouts" to induce belief bargains are available; representing products as conforming to recognized industry standards when such is not the fact; misuse of such words or terms as "perfect," "perfect cut," "commercially perfect," "real," "genuine," "natural," etc., in describing precious stones or their imitations; misuse of term "Crookes" as applied to sun glasses; misrepresenting kind, quality, thickness, or backing of mirrors; use

of fictitious animal designations in descriptions of furs; misrepresenting character, extent, or type of business engaged in; representing retail prices as wholesale; use of false or deceptive testimonials; use of "blind" advertisements in such manner as to mislead or deceive.

Also, misuse of terms "pullorum tested," "blood tested," etc., as applied to baby chicks; deceptive use of the terms "waterproof," "water repellent," "dustproof," or "warpproof," as applied to luggage or related products; false representations respecting tube capacity of radio sets and their range or receptivity; misuse of such terms as "all-wave," "world-wave," "world-wide wave," etc.; misuse of words "bristle," "pure bristle," etc., in sale of toilet brushes; deceptive use of "help wanted" or other employment columns in publications; interfering with competitor's right of purchase or sale; representing domestic products as imported, or imported products as domestic; use of misleading or deceptive representations in procuring sales representatives; use of deceptive titles or names in selling books under the subscription plan; misusing terms relating to types of construction or weave of textiles; misuse of terms "extra fancy," "extra select," "extra quality," "deluxe," "choice," etc., to describe tuna fish products; misuse of words "lisle cotton," "cotton lisle," "crepe," etc., to describe hosiery products; deceptive use of terms "hand spun," "hand woven," "hand loomed," "hand painted," and "hand embroidered" in describing linen products; and various other forms of misrepresentation, including false or misleading advertising and deceptive labeling respecting the quantity, quality, grade, size, material, content, composition, origin, use, manufacture, preparation, or distribution of any industry product; and aiding or abetting another in the use of an unfair trade practice.

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

INFORMATIVE LABELING

Informative labeling enters extensively into the work of the Commission under the trade practice conference rules. It is also a primary objective of the Wool Products Labeling Act, which is administered by the Commission (see p.69). Fiber identification, or what is generally referred to as "Truth in Fabrics," forms a large part of such informative labeling work. While consumer goods containing or

purporting to contain wool are subject to Wool Act labeling, similar fiber identification of other textiles, and informative labeling of various lines of merchandise outside the field of textiles, are covered by trade-practice conference rules.

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

Constructive results of far-reaching character flow from the informative labeling rules established under trade practice conference procedure.

Products containing rayon in whole or in part are covered by the rules for the rayon industry, promulgated October 26, 1937. Those containing silk in whole or in part are covered by the rules for the silk industry, issued November 4, 1938. Corresponding rules for linen and part linen merchandise were promulgated February 1, 1941. Informative labeling for all types of hosiery is the subject of trade practice rules for the hosiery industry, issued May 15, 1941. Similar rules covering fur garments and fur products generally were promulgated June 17, 1938. Informative labeling provisions on the subject of shrinkage of woven cotton merchandise were put into effect on June 30, 1938. Other textile provisions are found in the rules promulgated for the infants' and children's knitted outerwear industry, June, 1939; uniform industry, May 18, 1940; and ribbon industry, 30, 1942.

Established informative labeling provisions also are contained in the different sets of trade practice rules promulgated for the following industries on the dates mentioned: Rubber tire, October 17, 1936; toilet brush manufacturing, December 31, 1937; wholesale jewelry, March 18, 1938; paint and varnish brush manufacturing, January 14, 1939; putty manufacturing, June 30, 1939; mirror manufacturing, July 19, 1939; curled hair, January 12, 1940; luggage and related products, September 17, 1941; sun glass, December 23, 1941; razor and razor blade, June 19, 1945; and wood cased lead pencil, June 29, 1945.

Rules providing for informative disclosure in advertising and selling methods also have been issued for such industries as macaroni, noodles and related products, July 7, 1938; tomato paste manufacturing, September 3, 1938; sardine, March 5, 1940; tuna (revised and extended rules), June 23, 1945.

PART IV. WOOL PRODUCTS LABELING ACT

INFORMATIVE LABELING FOR PROTECTION OF INDUSTRY AND THE PUBLIC

The Wool Products Labeling Act of 1939 was enacted by Congress to enable purchasers to know the true content of articles which are made or appear to be made in whole or in part of woolen fiber and to safeguard producers, manufacturers, merchants, and the public generally against the deception and unscrupulous competition arising from nondisclosure of content and misbranding. Approved by the President October 14, 1940, and effective July 14, 1941, the act provides for its administration and enforcement by the Federal Trade Commission.

Products required by the act to show, by stamp, tag, label, or other means of identification, their fiber content are those which contain, purport to contain, or are represented as containing "wool," "reprocessed wool," or "reused wool" and which are manufactured for, or introduced into, "commerce" as defined by section 2, excepting carpets, rugs, mats and upholsteries exempted by section 14.

The act requires that the label disclose the kind and percentage of each different fiber contained in the product, including the respective percentages of "wool," "reprocessed wool" and "reused wool." Disclosure of maximum percentage of loading and adulterating material, if any, and the name of the manufacturer of the wool product or the name of the qualified distributor or reseller, is also to be made on the label. This label or a proper substitute therefor specified by the statute is to remain and be on the merchandise when it is delivered to the consumer.

Products to which the act applies embrace in general all articles of clothing or wearing apparel, blankets, etc., made or purporting to be made in whole or in part of wool; also the yarns and fabrics of the wool textile industry and the products of manufacturing industries using such yarns and fabrics. The products covered are indispensable to the daily needs of the entire population and essential to health and well-being. Honesty and fair dealing in the manufacture and distribution of such vital commodities are necessarily matters of prime importance to the public. These products come from approximately 70 industries and are marketed through distributor and dealer outlets estimated to number in excess of 250,000.

Rules and regulations under the Wool Act.--The act authorizes and directs the Commission to make such rules and regulations as may be necessary and proper for its administration and enforcement. Comprehensive rules and regulations were issued by the Commission, effective July 15, 1941. They are published in booklet form and available to all concerned. They afford instruction and guidance as to how manufacturers, distributors, dealers, and others may proceed in various situations and assure themselves of being within the re-

quirements of the law in its application to merchandise covered by the act.¹ Collaboration of industry members and other interested parties was invited in the preparation of the rules and regulations. Hearings were held and all concerned were afforded opportunity to contribute their views and suggestions in arriving at rules which would be of maximum assistance to business and be consonant with law, and would also afford full protection of the public interest. The cooperation of members of industry and others was of material assistance to the Commission.

Manufacturers' registered identification numbers--Under rule 4 of the regulations, the Commission affords manufacturers of wool products residing in the United States opportunity to have assigned to them manufacturers' registered identification numbers. Such a number may be used upon the manufacturer's label in lieu of his name as a means of identifying the manufacturer when the label carries the name of the dealer or reseller. At the close of the fiscal year, 5,329 registered identification numbers had been assigned to manufacturers pursuant to their applications duly filed under this rule. Numbers may be canceled when the firm goes out of business or changes its form of organization or for other sufficient reasons. Up to the close of the fiscal year, a total of 1,112 manufacturers' registered identification numbers had been canceled.

Continuing guaranties--As a means of protecting distributors, dealers, and other resellers from the charge of misbranding when relying in good faith upon the manufacturer's statement of content, provision is made in section 9 of the act whereby such protection may be afforded by a guaranty on the part of the supplier. It may be either (1) a separate guaranty specifically designating the wool product guaranteed, or (2) a continuing guaranty filed with the Commission applicable to all products handled by a guarantor and in such form as the Commission may prescribe. The form prescribed by the Commission is set forth in rule 33 of the rules and regulations. This rule also provides for renewal of the continuing guaranties annually and whenever any change in ownership or management of the guarantor is made. At the close of the fiscal year, 5,659 continuing guaranties had been properly filed with the Commission. These have been duly recorded and are maintained as documents open to public inspection.

Enforcement--In cases of alleged violation requiring corrective action by formal proceedings, the use of the cease and desist order procedure under the Federal Trade Commission Act, which is authorized by the Wool Act, has been utilized and has proven adequate and effective without resorting to the supporting peremptory remedies specifically provided by the Wool Act. Such peremptory remedies are available when needed, and in cases of deliberate or wilful violation misdemeanor proceedings may be applied.

Administrative compliance work includes inspections, examinations, and correction of labeling practices of specific concerns. Inspections of labeling during the year concerned manufacturers, distributors, and other marketers to the extent of several thousands. Field inspections covered in excess of 11 ½ million articles. Compliance in

¹ The Commission has issued a publication (w31) setting forth Illustrations, with explanatory

matter, of certain forms of labels and tags which are acceptable under the act. Manufacturers, distributors, dealers, and other interested parties may obtain the leaflet upon request to the Commission.

cases of improper labeling under the act was for the most part effected through cooperative effort and voluntary action on the part of the respective concerns involved, thus avoiding the necessity of resorting to compulsory remedy to protect the public interest. Relatively few cases have arisen in which voluntary cooperative action has not been sufficient to effect correction and where it has been necessary to invoke mandatory relief.² The administrative compliance work proved both effective and economical in the large volume of instances arising.

Wool Act administration--The general administration of the Wool Products Labeling Act and of the rules and regulations issued thereunder is carried out by the Commission through its Trade Practice Conference Division under the supervision of the Director thereof. Duties thereunder include supervision and direction of the field inspection work, the issuance of rules and regulations as may be required from time to time, the recording of continuing guaranties for public record under section 9 of the act, issuance and revocation of manufacturers' registered identification numbers, general application of the provisions of the act and the regulations, and supervision of the administrative compliance work.

² For complaints alleging violations of the Wool Products Labeling Act, see p.36 ; for Commission orders directed against such violations, see p. 42.

PART V. RADIO AND PERIODICAL ADVERTISING

**SPECIAL PROCEDURE PROVIDES CONTINUOUS SURVEY OF
PUBLISHED AND BROADCAST MATTER**

The Commission maintains its Radio and Periodical Division to provide a direct and expeditious handling of certain cases involving false and misleading advertising, violative of the provisions of the Federal Trade Commission Act.¹

Advertisers, publishers, broadcasting stations, and advertising agencies may reach agreements to cease and desist in such cases as are appropriate for negotiating a stipulation, thereby disposing of the issue involved and obviating the necessity of formal trial.

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

In cases where the advertising is determined by the Commission to be false or misleading and circumstances warrant, the advertisers are extended the privilege of disposing of the matters through an informal procedure, more fully explained on page 94, which permits their executing stipulations to cease and desist from the use of the acts and practices involved. A large majority of the cases are adjusted in this manner.

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

In cases where advertising agencies have prepared or participated in the preparation of advertisements found objectionable, they are included as parties to the stipulation.

In this phase of its activity, the only object of the Commission is to prevent false and misleading advertisements. It does not undertake to dictate what an advertiser shall say, but merely indicates what he

¹ Statistics reported on pp.73 to 75, and pp. 30 to 34 concerning the legal investigation work are division records and not the consolidated record of the Commission, and therefore do not coincide with the figures reported in the tabular summary of the legal work for the entire Commission appearing on pp. 59 to 62.

may not say under the law. The Commission believes its work in this field has contributed substantially to the improvement that has been evident in recent years in the character of all advertising.

Newspaper and magazine advertising.--In examining advertisements in current publications it has been found advisable to call for some newspapers and magazines on a continuous basis due to the persistently questionable character of the advertisements published. However, as to publications generally, of which there are some 19,360, it is physically impossible to survey continuously all advertisements of a doubtful nature; also it has been found unnecessary to examine all the issues of publications of recognized high ethical standard whose publishers carefully censor copy before acceptance.

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

Through such systematic calls during the fiscal year ended June 30, 1945, the Commission procured 1,430 editions of representative newspapers of established general circulation and 765 editions of magazines and farm and trade journals of interstate distribution. Among these periodicals were included 173 issues of farm journals, 63 issues of trade journals and specialty publications, and 43 issues of domestic foreign-language publications.

In these newspapers, magazines, and farm and trade journals, 286,744 advertisements were examined, of which 16,551 were noted as containing representations that appeared to warrant investigation as to the facts.

Mail-order advertising.--The Commission procured mail-order catalogs and circulars containing an aggregate of 14,361 pages, examination of which resulted in 709 advertisements being marked as containing possibly false and misleading representations. Of the 53 mail-order houses included in the survey, 5 had combined annual sales in excess of \$1,712,599,700.

Radio advertising.--For the duration of the war, the Commission issues calls twice yearly for each individual radio station instead of four times yearly, as formerly. National and regional networks respond on a continuous weekly basis, submitting copies of the commercial advertising parts of all programs wherein linked hook-ups are used involving two or more stations. Producers of electrical transcription recordings each month submit typed copies of the commercial portions of all recordings produced by them for radio broadcast. This material was supplemented by periodic reports from individual stations listing the identities of recorded commercial transcriptions and related data.

The Commission received copies of 559,700 commercial radio broadcast continuities and examined 562,260. The continuities received amounted to 1,329,534 typewritten pages and those examined totaled 1,334,584 pages, consisting of 556,540 pages of network script, 760,044 pages of individual station script, and some 18,000 pages of script representing the built-in advertising portions of transcription recording productions destined for radio broadcast thorough) distribution of multiple pressings of such recordings to individual stations. An average of 4,263 pages of radio script was

read each

working day. From this material 10,574 advertising broadcast statements were marked for further study as containing representations that might be false or misleading.

Cooperation of radio and publishing industries.--In general, the Commission has received the cooperation of the 4 Nation-wide network chains, 19 regional network groups, and transcription producers engaged in preparing commercial radio recordings; and of 850 commercial radio stations, 503 newspaper publishers, and 446 publishers of magazines, farm journals and trade publications. It has observed a desire on the part of these broadcasters and publishers to aid in the elimination of false and misleading advertising.

Sources of radio and periodical cases.--During the fiscal year 90 percent of the radio and periodical cases resulted from the routine survey of advertising material as described above and 10 percent from complaints by or information received from other Government agencies, competitors, and other members of the public.

Analysis of questioned advertising.--An analysis of the questioned advertisements, which were assembled by cases and given legal review, discloses that they pertained to 1,114 commodities in the proportions indicated below:

CLASSIFICATION OF PRODUCTS

<i>Commodity</i>	<i>Percent</i>
Food, drugs, devices; cosmetics:	
Food (human)	3.9
Food (animal)	1.9
Drugs	67.9
Cosmetics	18.6
Devices	2.1
	94.4
Other products:	
Specialty and novelty goods	.9
Automobile, radio, refrigerator, and other equipment	.2
Home study courses	.4
Tobacco products	.2
Miscellaneous, including apparel, fuels, house furnishings, building materials	3.9
	5.6
Total	100.0

Owing to the war emergency, attention during this fiscal year was directed principally to the advertising of food, drugs, devices, cosmetics, and rationed commodities.

*Number of cases handled.*²--During the fiscal year contact letters were sent to advertisers in 200 cases, and the Commission accepted 66 stipulations involving radio and periodical advertising, of which 5 were supplemental and 4 were amended stipulations. The 66 stipulations included 10 in which advertising agencies signed jointly with the advertisers.

A total of 234 cases was disposed of by various methods of procedure. Of this number, 60 were considered settled upon receipt of reports or other evidence showing compliance with previously negotiated stipulations; 70 were closed without prejudice to the right of the Commission to reopen if warranted by the facts, 13 of them for

2 Additional statements and statistics covering the work of the Commission in investigating cases Involving false advertising of food, drugs, devices, and cosmetics are given on p.33.

lack of jurisdiction or lack of evidence sufficient to establish a violation of law, 46 because of discontinued practices or insufficient public interest, 8 because of corrective action by the Post Office Department and 3 because the proposed respondents were not responsible for the advertising; 2 were referred to the Chief Counsel for such consideration as was deemed appropriate in connection with pending cases. In 16 cases the Commission directed the issuance of complaint, 13 because advertisers failed to stipulate, 2 because of violation of previous stipulations and 1 because the privilege of stipulation was not extended to the advertiser. Field investigations were ordered in 17 cases.

The Commission filed without action 21 applications for complaint and referred 7 to the Post Office Department.

At the close of the year 688 Cases were pending as compared with 722 at the close of the previous fiscal year.

Procedure in advertising cases.--If it appears to the Commission that a published advertisement may be misleading, a contact letter is sent to the advertiser and request is made for a sample of the product advertised, if this is practicable, and the quantitative formula if the product is a compound. Representative specimens of all advertising copy containing all claims made for the product during a 6-month period also are requested.

Upon receipt of these data, scientific opinions are obtained based upon the sample and formula. Upon receipt thereof, a list of such claims as then appear to be false or misleading is sent to the advertiser, together with a statement based upon the scientific opinion. The advertiser is invited to submit informally by letter or in person or by counsel any evidence he chooses in support of his claims.

If, after a consideration of all available evidence at hand, including that furnished by the advertiser, the questioned claims appear not to be false or misleading, the division reports the matter to the Commission with the recommendation that the case be closed. If it appears from the weight of the evidence that the advertising is false or misleading, the matter is referred to the Commission with recommendation either that complaint issue or that the negotiation of an appropriate stipulation be authorized, provided the advertiser should desire to dispose of it by such voluntary agreement to cease and desist from the use of the acts and practices involved.

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

PART VI. MEDICAL AND SCIENTIFIC OPINIONS

COMMISSION UTILIZES SUCH DATA IN CONSIDERING CASES RELATING TO FOOD, DRUGS, DEVICES, AND COSMETICS

Scientific facts and opinions concerning the composition of and claims made for food; drugs, devices, and cosmetics are furnished to the Commission by its Medical Advisory Division, which arranges for analyses of samples of products under investigation and gathers information with respect to their nature.

Medical opinions and scientific information useful in the preparation of complaints issued and stipulations accepted by the Commission, and in the trial of formal cases involving such products, are provided by the division. During the fiscal year its members prepared 176 formal written medical opinions and, in addition, rendered a great many verbal opinions of the same character. They also devoted a substantial part of their time to assisting the legal staff in its preparation for and trial of cases where questions of science were involved.

Because of the wide, direct influence of advertising on the public health, many outstanding experts in the medical sciences are interested in claims made by advertisers for food, drugs, devices, and cosmetics. Fifty-nine such experts served without compensation as Commission witnesses at hearings during the year, their testimony being essential to a determination of the scientific facts involved.

The Commission also maintains contact with, and makes full use of the facilities offered by other departments of the Government to which it refers matters for scientific opinions and information. It extends cooperation to and receives effective cooperation from such agencies as the United States Public Health Service, National Bureau of Standards, Food and Drug Administration, and the Department of Agriculture's bureaus relating to agricultural chemistry, entomology, plant industry, animal industry, dairy industry, and home economics; as well as from nongovernment hospitals, clinics, and laboratories.

PART VII. FOREIGN TRADE WORK

EXPORT TRADE ACT

The Export Trade Act (Webb-Pomerene Law) of April 10, 1918, provides for the organization of export groups or associations which shall not be deemed in violation of the Sherman Act if the associations comply with provisions of the Export Trade Act.

Such an association must be entered into for the sole purpose of engaging in export trade and must actually so engage; and it may not restrain the trade of a domestic competitor; artificially or intentionally enhance or depress prices in this country, substantially lessen competition or otherwise restrain trade in the United States.

The law provides that export associations shall file reports and documents with the Federal Trade Commission. There are now 49 associations filing papers with the Commission, representing 496 member companies.

EXPORTS IN 1944 TOTAL \$75,738,416

Operation of the Webb law associations has been vitally affected by war conditions. Their exports dropped from \$307,354,000 in 1940 to \$162,036,000 in 1942 and to \$75,738,416 in 1944. Dissolution of the steel export association in 1943 contributed to the reduction in exports for 1944. Shipments by export associations during the past three years were:

Commodity	1942	1943	1944
Metals and metal products 263	\$116,028,502	\$73,146,380	\$19,445,
Products of mines and wells 11,582,586	7,552,138	11,208,013	
Lumber and wood products 10,071,372	7,332,569	8,751,203	
Food products	18,733,390	21,383,615	5,381,425
Miscellaneous products 29,257,770	12,389,401	20,303,789	
Total	162,036,000	134,793,000	
75,738,416			

ASSOCIATIONS FORMED DURING FISCAL YEAR

New associations formed during the fiscal year, and the months in which they filed papers with the Commission, are:

Door Export Co., Tacoma,, Wash., representing 8 door manufacturers in Washington and Oregon, September 1944; Steam Locomotive Export Association, Inc., New York, representing 2 manufacturers in New York and Philadelphia, November 1944; Friction Materials Export Association, Inc., New York, representing 11 manufacturers in New

York, New Jersey, Connecticut, Pennsylvania, Ohio, Illinois, and Michigan, January 1945; U. S. International Book Association, Inc., New York, representing 13 book publishers in New York, Boston, and Philadelphia, March 1945; and AMTEA Corp. (American Machine Tool Export Association), New York, representing 4 manufacturers in Wisconsin, Ohio, and Pennsylvania, April 1945.

EXPORT ASSOCIATIONS ON FILE WITH THE COMMISSION

The 49 associations filing papers with the Commission at the close of the fiscal year were:

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

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

AMTEA Corp. (American Machine
Tool Export Association),
Empire State Building,
New York.

American Provisions Export Co.,
80 East Jackson Boulevard,
Chicago.

American Soda Pulp Export Association,
230 Park Avenue,
New York.

American Spring Manufacturers Export Association,
30 Church Street,
New York.

American Tire Manufacturers Export Association,
30 Church Street,
New York.

California Alkali Export Association,
608 Latham Square Building,
Oakland, Calif.

California Dried Fruit Export Association,
1 Drumm Street, Goodyear
San Francisco.

California Prune Export Association,
1 Drumm Street,
San Francisco.

California Raisin Export Association,
1 Drumm Street,
San Francisco.

Carbon Black Export, Inc.,
500 Fifth Avenue,
New York.

Copper Exporters, Inc.,
50 Broadway,
New York.

Door Export Co.,
1212 Washington Building,
Tacoma, Wash.

Douglas Fir Export Co.,
530 Henry Building,
Seattle.

Easco Lumber Association,
216 Pine Street,
San Francisco.

Electrical Apparatus Export Association,
70 Pine Street,
New York.

Electrical Export Corp.,
122 East Fifty-first Street,
New York.

Export Screw Association of the United
23 Acorn Street,
Providence, R. I.

Flints Export Agency,
50 Broad Street,
New York.

Florida Hard Rock Phosphate Export Association,
Lakeland, Fla.

Flour Millers Export Association,
859 National Press Building,
Washington, D. C.

Friction Materials Export Association,
Inc.,
370 Lexington Avenue,
New York.

General Milk Co., Inc.,
19 Rector Street,
New York.

Tire & Rubber Export Co.,
The,
1144 East Market Street,
Akron, Ohio.

Metal Lath Export Association, The,
Room 1504,
205 East Forty-second Street,
New York.

Pacific Forest Industries,
1219 Washington Building,
Tacoma, Wash.

Pacific Fresh Fruit Export Association,
333 Pine Street,
San Francisco.

Pencil Industry Export Association,
37 Greenpoint Avenue,
Brooklyn.

Phosphate Export Association,
393 Seventh Avenue,
New York.

Pipe Fittings & Valve Export Associa-

Durex Abrasives Corp.,
63 Wall Street, 347
New York.

tion, The,
Madison Avenue,
New York.

Potash Export Association, Inc.,
420 Lexington Avenue,
New York.

Redwood Export Co.,
405 Montgomery Street,
San Francisco.

Rubber Export Association, The,
1185 East Market Street,
Akron, Ohio.

Steam Locomotive Export Association, Inc.,
Room 1624,
30 Church Street,
New York.

Sulphur Export Corporation,
420 Lexington Avenue,
New York.

Texas Rice Export Association,
407 Jensen Drive,
Houston, Tex.

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

Typewriter Manufacturers Export As-
sociation,
1611 Forty-fourth Street NW.,
Washington, D. C.

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

United States Insulation Board Export
Association,
120 South LaSalle Street,
Chicago.

United States International Book
Association, Inc.,
347 Fifth Avenue,
New York.

Walnut Export Sales Co., Inc.,
540 Postal Station Building,
Indianapolis.

Walworth International Co.,
60 East Forty-second Street,
New York.

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

Wesco Lumber Association,
Room 500, 2 Pine Street,
San Francisco.

Wine & Brandy Export Association of
California,
85 Second Street,
San Francisco.

Wire Rope Export Trade Association,
The,
c/o Wm. P. Laseter, Chairman,
Room 2006, 19 Rector Street,
New York.

COMMISSION INQUIRIES UNDER EXPORT TRADE ACT

The Commission conducted investigations during the year as to operation of several export associations, under section 5 of the Export Trade Act.

Summonses and bills of particulars were issued to the Florida Hard Rock Phosphate Export Association, Phosphate Export Association, Carbon Black Export, Inc., General Milk Co., Inc., Electrical Apparatus Export Association, and Sulphur Export Corp. Hearings were held in the phosphate, carbon black and sulphur inquiries but had not been reached in the milk and electrical association cases at the close of the fiscal year.

One of these inquiries was completed and resulted in the Commission making recommendations for the readjustment of the business of the Florida Hard Rock Phosphate Export Association. These recommendations provide:

1. That Florida Hard Rock Phosphate Export Association withdraw from and rescind its agreements with Phosphate Export Association and the North African Group (Office Cheriefien des Phosphates of Rabat, Morocco, Comptoir des Phosphates D'Algerie et de Tunisie, of Tunis) and with Phosphate Export Association, the North African Group and Curacao (Mijnmaatschappij Curacao of Amsterdam) requiring that deductions for shipments of Florida Hard Rock phosphate from the United States made by American nonmembers of the Association be made from the quota of American shipments of hard rock phosphate to Europe stipulated for in said agreements, and that said Association refrain from entering into like or similar covenants

in the future.

2. That Florida Hard Rock Phosphate Export Association withdraw from and rescind any and every agreement or understanding with C. & J. Camp, Inc., a corporation, and Mutual Mining Co., a corporation, the owners of Fernandina Terminal at Fernandina, Fla., which confine or restrict in any way the use of said terminal, for the processing and shipment of hard rock phosphates, solely to the members of said Association. That said association refrain in the future from entering into any negotiations, arrangements or understandings with the Seaboard Airline Railway or any other common carrier with reference to hard rock phosphate shipments made or to be made by non member producers or shippers, or the rates quoted or to be quoted on such shipments, or the availability or use of terminal facilities to accommodate such shipments.

3. That Dunnellon Phosphate Mining Co., Societe Anonyme La Floridienne, J. Buttgenbach & Co., and C. & J. Camp, Inc., the members of Florida Hard Rock Phosphate Export Association, rescind and cancel their intra-association agreement requiring the deduction of the tonnage of hard rock phosphate sold by each member in domestic trade in the United States from the European quota therein allotted to the seller, and to refrain in the future from entering into or effectuating any like or similar agreements or understandings.

4. That C. & J. Camp, Inc. and Societe Anonyme La Floridienne, J. Buttgenbach & Co., rescind and cancel their agreement requiring that the tonnage of hard rock phosphate sold by either of these members in the domestic market of the United States be deducted from the quota of European shipments allotted to such member under the agreement referred to in the preceding paragraph hereof, and that they refrain in the future from entering into or effectuating any like or similar agreements or understandings.

5. That Florida Hard Rock Phosphate Export Association, in the future, seasonably file with the Commission all information required by the Export Trade Act to be filed annually, and furnish all information and documentary evidence requested or required by the Commission, pursuant to said act, whether called for by report forms, by questionnaires or communications, by personal visitation or otherwise.

The California Alkali Export Association and the United States Alkali Export Association, each organized under the Export Trade Act, are defendants in a civil suit brought by the Department of Justice in the District Court of the United States for the Southern District of New York. The complaint, filed in March 1944, alleges violation of the Sherman Anti trust Act. (See p.56 for Supreme Court ruling in this case.)

CONGRESSIONAL INQUIRIES

During the fiscal year several Congressional committees have been interested in Webb law operation.

In 1945 a joint session of the Senate Special Committee Investigating Petroleum Resources and a Subcommittee of the Senate Judiciary Committee gave consideration to S. 11 (79th Cong., 1st sess.), which provided for registration of international cartel agreements. Representatives of the Federal Trade Commission testified at the Committee hearing on May 18, 1945.

The Subcommittee on Foreign Trade of the Senate Special Committee to Study Problems of American Small Business held hearings in 1945 on S. Res. 28 (79th Cong., 1st sess.). Upon request of the subcommittee, the Commission prepared a report on Operation of the Export Trade Act, with special reference to the extent of small business participation in export associations, and submitted it to the subcommittee in June 1945.

TRADE REGULATION AND UNFAIR COMPETITION ABROAD

The Commission has continued its observation of measures adopted by other countries looking to the regulation of trade and industry and the suppression of unfair competition. Space does not permit a detailed discussion, but a few of the more important measures may be briefly noted:

Argentina.--Presidential Decree No.20262, August 1, 1944, created a Department of Industry and Commerce to take over supervision of industry, commerce, power, technology, trade statistics, national defense, the National Rationing Council, and the special commodity commissions.

Canada.--Act for the Support of the Prices of Agricultural Products during the Transition from War to Peace was passed on August 15, 1944.

Colombia.--Presidential Decree No. 2300, September 26, 1944, created the National Supply Institute to facilitate production, importation and distribution of articles of prime necessity and to regulate exportation and prices thereof.

Cuba.--Presidential Decree No. 1934 of July 1, 1944, declared infractions of resolutions of the Office of Price Regulation and Supply and of the Director General of the Cuban Coffee Stabilization Institute-to be crimes of disobedience and subject to penalties. Decree No 3877 on October 30, 1944, fixed penalties for noncompliance with profiteering orders. A decree on August 19, 1944, required general wage increases for persons engaged in commercial, industrial and agricultural activities, to meet the increased cost of living.

Ecuador.--Legislative decree on December 4,1944, established price control for food and articles of prime necessity through creation of local Food Price Control Boards, and prescribed measures to regulate their distribution through a National Distributing Agency.

Mexico.--Decree on June 1, 1944, created a Federal Industrial Development Commission to plan, finance, organize, and establish industries indispensable to the national industrialization of the country.

Uruguay.--Law of June 15, 1944, authorized the President to acquire the corn crop from the farmers in order to set up buffer stocks to prevent a fall in prices, to buy thin pigs and sell them at cost to corn producers, and to take steps to obtain better processing, storage and use of grain and meat.

Venezuela.--Presidential Decree on August 15, 1944, created the National Supply Commission to take over functions of the National Price Regulation Board, the National Transport Board, and the Import Control Commission.

PART VIII. FISCAL AFFAIRS
APPROPRIATION ACT PROVIDING FUNDS FOR COMMISSION WORK

The Independent Offices Appropriation Act, 1945 (Public Law 358, 78th Cong.), approved June 27, 1944, provided funds for the fiscal year 1945 for the Federal Trade Commission as follows:

FEDERAL TRADE COMMISSION

For salaries and expenses of the Federal Trade Commission, including personal services in the District of Columbia; contract stenographic reporting services; supplies and equipment, lawbooks, books of reference, periodicals, garage rentals; traveling expenses, including not to exceed \$900 for expense of attendance, when specifically authorized by the Commission, at meetings concerned with the work of the Federal Trade Commission; newspapers not to exceed \$500, foreign postage, and witness fees and mileage in accordance with section 9 of the Federal Trade Commission Act; \$2,011,070, of which not less than \$172,410 shall be available for the enforcement of the Wool Products Labeling Act: *Provided*, That no part of the funds appropriated herein for the Federal Trade Commission shall be expended upon any investigation hereafter provided by concurrent resolution of the Congress until funds are appropriated subsequently to the enactment of such resolution to finance the cost of such investigation.

For all printing and binding for the Federal Trade Commission \$43,000.

Total, Federal Trade Commission, \$2,054,070.

APPROPRIATIONS FOR FISCAL YEAR

Appropriations available to the Commission for the fiscal year ended June 30, 1945, under the Independent Offices Appropriation Act approved June 27, 1944, amounted to \$2,054,070. This sum was made up of two items: (1) \$2,011,070 for the general work of the Commission, and (2) \$43,000 for printing and binding.

In addition to this sum, a working fund of \$5,000 was made available from appropriations of the Department of the Interior to provide for the cost of an investigation of the Fishing and Fish-processing Industries, undertaken at the request of the Coordinator of Fisheries; in all; \$2,059,070.

Appropriations, allotments, expenditures liabilities, and balances for the fiscal year ended June 30, 1945

	Amount available	Amount expended	Liabili- ties	Expendi- tures and	
Balances					
				liabilities	
Federal Trade Commission, 1945- salaries, Commissioners and all other authorized expenses	\$2,011,070.00	\$1,905,462.37	\$48,261.59	\$1,954,724.26	\$56,345.74
Printing and binding, Federal Trade Commission, 1945	43,000.00	7,701.35	32,027.34	39,728.72	327128
Working fund, Federal Trade Commission, 1945	5,000.00	1,078.70	2,015.35	3,094.05	1,905.95
Total fiscal year 1945	2,059,070.00	1,915,242.45	82,304.55	1,997,547.03	61,522.97
Unexpended balances:					
Federal Trade Commission, 1944	52,713.96	12,445.54	3,044.40	15,490.24	57,223.72
Printing and binding, Federal Trade Commission, 1944	29,267.71	18,941.97	8,025.00	26,966.97	230074
Working fund, Federal Trade Commission, 1944	62,305.73	6,550.01	205.10	6,785.11	5552362
Federal Trade Commission, 1943	133,579.95	884.25		884.25	132695.73
Printing and binding, Federal Trade					

Commission, 1943	16,963.90				16963.90
Working fund, Federal Trade Commission, 1943	14,024.43	111.78		111.78	13912.55
Working fund, Federal Trade Commission (emergency management), 1942 and 1943	4,365.63	1 16.80		1 16.80	4352.43
Federal Trade Commission, 1942	1 166.74	1 271.24		1 271.24	1045.00
Federal Trade Commission, 1941	5.60	1.30		1.30	4.30
Repayments, lapsed appropriations	1 136.11			1 136.11	136.11
Total	2,402,133.20	1,953,783.45	93,579.08	2,047,362.53	354,770.67

1 Denotes red figure.

Detailed statement of costs for the fiscal year ended June 30, 1945

	Salary	Travel Expense	Other	Total
Commissioners	\$49,999.20	\$339.87	\$1.55	\$50,340.62
Offices of commissioners	43,842.04			43,842.04
Office of the secretary	36,807.42			36,807.42
Total	130,048.66	339.87	1.55	130,990.08
Administration:				
Budget and finance	20,196.15			20,196.15
Legal research and compiling	12,880.93			12,880.93
Library	14,272.75			14,272.75
Mail and files	11,833.88			11,833.88
Personnel supervision and management	28,913.71			28,913.71
Information service	15,597.53			15,597.53
Publication and procurement	65,699.06			65,699.06
Records	46,234.68			46,234.68
Stenographic	66,250.09			66,250.09
Communications			11,337.48	11,337.48
Contract service			2,170.21	2,170.21
Equipment			6,583.54	6,583.54
Rents			6,557.95	6,557.95
Supplies			8,756.33	8,756.33
Transportation of things			427.74	427.74
Travel expense		50.00		50.00
Total	281,878.78	50.00	35,833.25	317,762.03
Legal:				
Preliminary inquiries	132,735.56	6,658.22	278.78	139,672.56
Applications for complaint	350,341.33	21,198.53	988.39	372,528.25
Complaints	596,702.36	46,721.72	33,187.89	676,611.97
Export trade associations	29,030.25	1,129.76	14.74	30,174.75
Trade practice conferences	33,544.08	1,080.64	8.42	34,633.14
Wool Products Labeling Act	121,089.14	10,559.89	220.94	131,869.97
Legal aids to the Commission	27,487.57			27,487.57
Total	1,290,930.29	87,348.76	34,699.16	1,412,978.21
General investigations:				
Export trade study	33,999.82	99.40	.22	34,099.44
Food industry financial reports	1,406.75			1,406.75
Cigarette inquiry	17,072.02	902.23	16.49	17,990.74
Total	52,478.59	1,001.63	16.71	53,496.93
Work for other Government agencies	9,041.12	2,268.88	2.85	11,912.85
Printing and binding			26,643.35	26,643.35
Summary:				
Commissioners and secretary	130,648.66	339.87	1.55	130,990.08
Administration	281,878.78	50.00	35,833.25	317,762.03
Legal	1,290,930.29	87,348.76	34,699.16	1,412,978.21
General investigations	52,478.59	1,001.63	16.71	53,496.93
Work for other Government agencies	9,641.12	2,268.88	2.85	11,912.85
Printing and binding			26,043.35	26,643.35
Total	1,765,577.44	91,009.14	97,196.87	1,953,783.45

RECAPITULATION OF COSTS BY DIVISIONS

Commissioners and secretary	\$127,171.78	\$632.12	\$4.80	\$127,808.70
Chief counsel	346,076.06	26,711.38	13,706.94	386,494.38
Accounts, statistics, and economic investigations	118,344.50	3,929.88	51.77	122,326.15
Chief examiner	452,557.07	31,583.31	691.66	484,832.04
Trial examiner	121,148.90	14,059.28	5.73	135,213.91
Radio and periodical	113,754.67	1.50		113,756.17
Medical Advisory	22,632.90	2,414.38	131.01	25,178.35
Trade practice conferences	150,991.59	11,627.29	228.16	162,847.04
Legal aids to the Commission	27,487.57			27,487.57
Administrative	285,412.34	50.00	55,733.45	341,195.79
Printing and binding			26,643.35	26,643.35
Total	1,765,577.44	91,009.14	97,196.87	1,953,783.45

APPROPRIATIONS AND EXPENDITURES, 1915-45

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

Year	Nature of appropriations	Appropriations and liabilities	Expenditures	Balance
1915	Lump sum	\$184,016.23	\$90,442.05	\$93,574.18
	Printing and binding	12,386.76	9,504.10	2,882.60
1916	Lump sum	430,964.08	379,927.41	51,636.67
	Printing and binding	15,000.00	14,997.55	2.45
1917	Lump sum	542,025.92	448,890.66	93,135.26
	Printing and binding	25,000.00	23,610.54	1,389.48
1918	Lump sum	1,578,865.92	1,412,280.19	166,585.73
	Printing and binding	30,000.00	11,114.06	18,885.94
1919	Lump sum	1,693,622.18	1,491,637.39	201,984.97
	Printing and binding	14,934.21	14,934.21	0
1920	Lump sum	1,206,587.42	1,007,593.30	198,994.12
	Printing and binding	28,348.97	28,348.97	0
1921	Lump sum	938,609.94	842,991.24	95,618.70
	Printing and binding	37,182.56	37,182.56	0
1922	Lump sum	952,505.45	878,120.24	74,385.21
	Printing and binding	22,801.73	22,801.73	0
1923	Lump sum	952,020.11	948,293.07	3,727.04
	Printing and binding	22,460.21	22,400.21	0
1924	Lump sum	990,000.00	900,020.93	29,979.07
	Printing and binding	20,000.00	19,419.25	580.75
1925	Lump sum	990,000.00	988,082.37	1,917.63
	Printing and binding	20,000.00	19,866.14	133.86
1926	Lump sum	990,000.00	976,957.02	13,042.98
	Printing and binding	18,000.00	18,000.00	0
1927	Lump sum	980,000.00	943,881.99	36,118.01
	Printing and binding	17,000.00	17,000.00	0
1928	Lump sum	967,850.00	951,965.15	15,884.85
	Printing and binding	16,500.00	16,500.90	0
1929	Lump sum	1,135,414.83	1,131,521.47	3,893.36
	Printing and binding	27,777.69	27,777.69	0
1930	Lump sum	1,440,971.82	1,430,084.17	10,887.65
	Printing and binding	35,363.58	35,363.58	0
1931	Lump sum	1,932,857.81	1,808,463.35	124,454.46
	Printing and binding	39,858.73	39,858.73	0
1932	Lump sum	1,808,097.19	1,749,484.00	58,612.59
	Printing and binding	30,000.00	30,000.00	0
1933	Lump sum	1,421,714.70	1,378,973.14	42,741.56
	Printing and binding	30,000.00	20,000.00	10,000.00
1934	Lump sum	1,273,763.49	1,273,006.38	157.11
	Printing and binding	40,250.00	40,250.00	0
1935	Lump sum	2,063,398.01	1,922,313.34	141,084.67
	Printing and binding	34,000.00	34,000.00	0
1936	Lump sum	1,998,665.58	1,788,729.76	209,935.82
	Printing and binding	36,800.00	32,996.05	3,803.95
1937	Lump sum	1,895,571.94	1,850,673.82	44,898.12
	Printing and binding	43,353.95	43,353.95	0
1938	Lump sum	1,950,000.00	1,895,519.47	54,480.35
	Printing and binding	46,000.00	46,000.00	0
1939	Lump sum	2,236,795.00	2,150,474.40	86,320.60
	Printing and binding	46,700.00	46,709.00	0
1940	Lump sum	2,285,500.00	2,214,889.07	70,610.93
	Printing and binding	60,000.00	60,000.00	0
1941	Lump sum	2,240,000.00	2,167,256.24	72,743.76
	Printing and binding	60,000.00	59,000.00	1,000.00
1942	Lump sum	2,373,822.00	2,296,921.13	76,900.87
	Printing and binding	60,000.00	42,000.00	18,000.00
1943	Lump sum	2,237,705.00	2,100,783.09	138,921.91
	Printing and binding	50,250.00	32,210.75	18,039.25
1944	Lumpsum	2,040,050.00	1,917,307.50	122,742.50

	Printing and binding	43,000.00	39,848.47	3,151.55
1945	Lump sum	2,016,070.00	1,957,818.31	58,251.69
	Printing and binding	43,000.00	39,728.72	3,271.23

APPENDIXES

FEDERAL TRADE COMMISSION ACT

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

AN ACT To create a Federal Trade Commission, to define Its powers and duties,
and for

other purposes

Sec. 1. Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That a commission is hereby created and established, to be known as the Federal Trade Commission (hereinafter referred to as the Commission) , which shall be composed of five commissioners, who shall be appointed by the President, by and with the advice and consent of the Senate. Not more than three of the commissioners shall be members of the same political party. The first commissioners appointed shall continue in office for terms of three, four, five, six, and seven years, respectively, from the date of the taking effect of this Act, the term of each to be designated by the President, but their successors shall be appointed for terms of seven years, except that any person chosen to fill a vacancy shall be appointed only for the unexpired term of the commissioner whom he shall succeed : *Provided, however,* That upon the expiration of his term of office a commissioner shall continue to serve until his successor shall have been appointed and shall have qualified. The Commission shall choose a chairman from Its own membership. No commissioner shall engage in any other business, vocation, or employment. Any commissioner may be removed by the President for Inefficiency, neglect of duty, or malfeasance in office. A vacancy in the Commission shall not impair the right of the remaining commissioners to exercise all the powers of the Commission.

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

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

With the exception of the secretary, a clerk to each commissioner, the attorneys, and such special experts and examiners as the Commission may from time to time find necessary for the conduct of its work, all employees of the commission shall be a part of the classified civil service, and shall enter the service under such rules and regulations as may be prescribed by the Commission and by the Civil Service

Commission.

All of the expenses of the Commission, including all necessary expenses for transportation incurred by the commissioners or by their employees under their orders, in making any investigation, or upon official business in any other places than in the city of Washington, shall be allowed and paid on the presentation of itemized vouchers therefor approved by the Commission.

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

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

¹ The salary of the secretary is controlled by the provisions of the Classification Act of 1923, approved March --49-, 1923, 42 Stat. 1488.

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

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

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

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

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

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

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

“Documentary evidence” includes all documents, papers, correspondence, books of account, and financial and corporate records.

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

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

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

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

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

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

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

jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, evidence, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside the order of the Commission, and enforcing the same to the extent that such order is affirmed, and to issue such writs as are ancillary to its jurisdiction or are necessary in its judgment to prevent injury to the public or to competitors pendente lite. The findings of the Commission as to the facts, if supported by evidence, shall be conclusive. To the extent that the order of the Commission is affirmed, the court shall thereupon issue its own order commanding obedience to the terms of such order of the Commission. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reason-

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

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

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

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

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

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

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

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

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

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

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

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

have such order corrected to accord with the mandate, in which event the order of the Commission shall become final when so corrected.

(I) If the order of the Commission is modified or set aside by the circuit court of appeals, and if (1) the time allowed for filing a petition for certiorari has expired and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision of the court has been affirmed by the Supreme Court, then the order of the Commission rendered in accordance with the mandate of the circuit court of appeals shall become final on the expiration of thirty days from the time such order of the Commission was rendered, unless within such thirty days either party has instituted proceedings to have such order corrected so that it will accord with the mandate, in which event the order of the Commission shall become final when so corrected.

(j) If the Supreme Court orders a rehearing ; or if the case is remanded by the circuit court of appeals to the Commission for a rehearing, and if (1) the time allowed for filing a petition for certiorari has expired, and no such petition has been duly filed, or (2) the petition for certiorari has been denied, or (3) the decision

of the court has been affirmed by the Supreme Court, then the order of the Commission rendered upon such rehearing shall become final in the same manner as though no prior order of the Commission has been rendered.

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

(l) Any person, partnership, or corporation who violates an order of the Commission to cease and desist after it has become final, and while such order is in effect, shall forfeit and pay to the United States a civil penalty of not more than \$5,000 for each violation, which shall accrue to the United States and may be recovered in a civil action brought by the United States.

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

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

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

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

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

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

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

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

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

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

⁵ See footnote on p. 2

such exceptions may be filed and such proceedings had In relation thereto as upon the report of a master in other equity causes, but the court may adopt or reject such report, in whole or in part, and enter such decree as the nature of the case may in its judgment require.

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

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

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

Any of the district courts of the United States within the jurisdiction of which such inquiry is carried on may, in case of contumacy or refusal to obey a subpoena issued to any corporation or other person, issue an order requiring such corporation or other person to appear before the commission, or to produce documentary evidence if so ordered, or to give evidence touching the matter in question ; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

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

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

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

No person shall be excused from attending and testifying or from producing documentary evidence before the commission or in obedience to the subpoena of the

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

Sec. 10. That any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce documentary evidence, if in his power to do so, in obedience to the subpoena or lawful requirement of the commission, shall be guilty of an offense and upon conviction thereof by a court of competent jurisdiction shall be punished by a fine of not less than \$1,000 nor more than \$5,000, or by imprisonment for not more than one year, or by both such fine and imprisonment.

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

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

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

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

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

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

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

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

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

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

(2) that the enjoining thereof pending the issuance of a complaint by the Commission under section 5, and until such complaint is dismissed by the Commission or set aside by the court on review, or the order of the Commission to cease and desist made thereon has become final within the meaning of section 5, would be to the interest of the public, the Commission by any of its attorneys designated by it for such purpose may bring suit in a district court of the United States or In the United States court of any Territory, to enjoin the dissemination or the causing of the dissemination of such advertisement. Upon proper showing a temporary injunction or restraining order shall be granted without bond. Any such suit shall be brought in the district in which such person, partnership, or corporation resides or transacts business.

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

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

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

Sec. 14. 6 (a) Any person, partnership, or corporation who violates any provision of section 12 (a) shall, if the use of the commodity advertised may be injurious to health because of results from such use under the conditions pre-scribed in the advertisement thereof, or under such conditions as are customary or usual, or if such violation is with intent to defraud or mislead, be guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than \$5,000 or by imprisonment for not more than six months, or by both such fine and imprisonment; except that if the conviction is for a violation committed after a first conviction of such person, partnership, or corporation, for any violation of such section, punishment shall be by a fine of not more than \$10,000 or by imprisonment for not more than one year, or by both such fine and imprisonment : *Provided*, That for the purposes of this section meats and meat food products duly inspected, marked, and labeled In accordance with rules and regulations issued under the Meat Inspection Act approved March 4, 1907, as amended, shall be conclusively presumed not injurious to health at the time the same leave official "establishments."

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

SEC. 15. For the purposes of section 12, 13, and 14--

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

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

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

(c) The term "drug" means (1) articles recognized in the official United States Pharmacopoeia, official Homeopathic Pharmacopoeia of the United States,

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

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

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

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

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

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

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

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

Original act approved September 26, 1914.

Amended act approved March 21, 1938.

OTHER ACTS ADMINISTERED BY THE COMMISSION

In addition to the Federal Trade Commission Act, the Commission also administers section 2 of the Clayton Act (15 U.S. C., sec. 13), as amended by the Robinson-Patman Anti-discrimination Act, and sections 3, 7, and 8 of the Clayton Act (15 U.S. C., secs. 14, 18, and 19); the Export Trade Act (15 U.S. C., secs. 61-65) ; the Wool Products Labeling Act (15 U. S. C., sec. 68); and certain sections of the Trade-Mark Act of 1946 (15 U.S. C., secs. 1051-1072, 1091-1096, and 1111-1127).

RULES OF PRACTICE

The rules of practice before the Commission Act, the Commission also administers section 2 of the Clayton Act (U. S. C., title 15, sec. 12), as amended by the Robinson-Patman Anti-discrimination Act, and section 3, 7, and 8 of the Clayton Act; the Export Trade Act (U. S. C., title 15, sec. 610, and the Wool Products Labeling Act (U. S. C., title 15, sec. 68).

STATEMENT OF POLICY

STATUS OF APPLICANT OR COMPLAINANT

The so-called “applicant” or complaining party has never been regarded as a party in the strict sense. The Commission acts only in the public interest. It has always been

and now is the rule not to publish or divulge the name of an applicant or complaining party, and such party has no legal status before the Commission except where allowed to intervene as provided by the statute.

POLICY AS TO PRIVATE CONTROVERSIES

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

SETTLEMENT OF CASES BY STIPULATION

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

REPORTS OF TRIAL EXAMINERS

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

WOOL PRODUCTS LABELING ACT

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

INVESTIGATIONS BY THE COMMISSION, 1915-45

Since its establishment in 1915, the Federal Trade Commission has conducted numerous general inquiries which are alphabetically listed and briefly described in the following pages under more than 125 different headings.¹ They were made at the request of the President, the Congress, the Attorney General, establishments such as the War Production Board, the Office of Price Administration, or other Government agencies, or on motion of the Commission pursuant to the Federal Trade Commission Act.

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

Agencies initiating or requesting investigations are indicated in parentheses in the headings below. For wartime inquiries, 1917-18 and 1941-45, see paragraphs headed "Wartime."

Accounting Systems (F. T. C.).--Pointing the way to a general improvement in accounting practices, the Commission published *Fundamentals of a Cost System for Manufacturers* (H. Doc. 1356, 64th, 31 p., 7/1/16) and *A System of Accounts for Retail Merchants* (19 p., o. p., 7/15/16).

Accounting Systems.--See Distribution Cost Accounting, and Production Cost Accounting.

Advertising as a Factor in Distribution.--See Distribution Methods and Costs.

¹ The wartime cost-finding inquiries, 1917-1918 (p. 109), include approximately 370 separate investigations

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

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), the industry made substantial price reductions. The report criticized certain competitive practices on the part of the dominant Companies which the companies later promised to remedy. It showed, among other things, that a few major companies had maintained a concentration of control which resulted in large part from their acquisition of the capital stock or assets of competitors prior to enactment of the Clayton Antitrust Act in 1914 and thereafter from their purchase of assets of competitors rather than capital Stock. ⁴ (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; 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., 3/2/37 (summary, conclusions and recommendation, S. Doc. 54, 75th, 40 p) *Part II, Fruits, Vegetables and Grapes*, 906 p., 6/10/37; *Part III, Supplementary Report*, 154 p., 11/8/37; and interim reports of 12/26/35 (H. Doc. 380, 74th, 6 p.), and 2/1/37 (S. Doc. 17, 75th, 16 p.)]

Agricultural Prices.--See Price Deflation.

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

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.

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

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., 3/3/23).

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

3 Inquiries desired by either House of Congress are now undertaken by the Commission as a result of concurrent resolutions of both Houses. For further explanation, see footnote on p.2.

4 F. T. C. recommendations that section 7 of the Clayton Act be amended to declare unlawful the acquisition of corporate assets under the same conditions that acquisition of corporate stock has been unlawful since 1914, are discussed in *Chain Stores--Final Report on the Chain Store Investigation* S. Doc. 4, 74th, 12/14/34), p.96 *Summary Report on Conditions With Respect to the Sale and Distribution of Milk and Dairy Products* (H. Doc. 94, 75th, 1/4/37), p 38; *Report of the F. T. C. on Agricultural Income Inquiry, Part I* (3/2/37), p. 26 *Agricultural Implement and Machinery Industry* (H. Doc. 702, 75th, 6/6/39). p. 1038; and F. T. C. Annual Reports 1938, pp.19 and 29; 1939. p.14; 1940, p.12; 1941, p.19; 1942, p. 9; 1943, p. 9; 1944, p.7; 1945, p.8.

5 See footnote 4, above.

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.

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

Chain Stores (Senate).--Practically every phase of chain-store operation was covered (S. Res. 224, 70th, 5/12/28), including cooperative chains, chain-store manufacturing and wholesale business, leaders and loss leaders, private brands, 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 (1.936) 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.

Chromium, Processors of (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-18-a, issued 2/4/42. The investigation was conducted concurrently with a survey of nickel processors.

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, 2/13/45.) (See p.23.)

Coal (Congress and F. T. C.), Wartime, 1917-18, Etc.--From 1916 through the first World War period and afterward, the Commission at different times investigated anthracite and bituminous coal prices and the coal industry's financial condition. Resulting cost and price reports are believed to have substantially benefited the consumer. Among the published reports were: *Anthracite Coal Prices*, preliminary (S. Doc. 19, 65th, 4 p., o. p. 5/4/17); *Preliminary Report by the F. T. C. on the Production and Distribution of Bituminous Coal* (H. Doc. 152, 65th, 8 p., o. p., 5/19/17); *Anthracite and Bituminous Coal Situation*, summary (H. Doc. 193, 65th, 29 p., o. p.,

6/19/17); and *Anthracite and Bituminous Coal* (S. Doc. 50, 65th, 420 p., o. p., 6/19/17)-pursuant to S. Res. 217, 64th, 6/22/16; H. Res. 352, 64th, 8/18/16, and S. Res. 51, 65th, 5/1/17; *Washington, D. C., Retail Coal Situation* (5 p., release, processed, o. p., 8/11/17)-pursuant to F. T. C. motion; *Investment and Profit in Soft-Coal Mining* (two parts, 5/31/22 and 7/6/22, 218 p., S. Doc. 207, 67th)--pursuant to F. T. C. motion; and *Report of the F. T. C. on Premium Prices of Anthracite* (97 p., 7/6/25)-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)

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

⁷ See footnote 4, p.95.

Pennsylvania, bituminous, 103 p., o. p.; (2) Pennsylvania, anthracite, 145 p., o. p.; (3) Illinois, bituminous, 127 p.; (4) Alabama, Tennessee, and Kentucky, bituminous, 210 p.; (5) Ohio, Indiana, and Michigan, bituminous, 288 p.; (6) Maryland, West Virginia, and Virginia, bituminous, 286 p.; and (7) trans-Mississippi States, bituminous, 459 p.).

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

Combed Cotton Yarns.--See Textiles.

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

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 stocks of critical materials involved in the operation of major plants devoting their efforts to war production were 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.

Cooperation in American Export Trade.--See Foreign Trade.

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

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

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

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

Copper, 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).

Corporation Reports.--See Industrial Corporation Reports.

Cost Accounting.--See Accounting Systems.

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

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

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

Cotton Industry.--See Textiles.

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

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

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

Distribution.--See Foods-Mass Foods Distributors.

Distribution.--See Millinery Distribution.

Distribution Methods and Costs (F. T. C.), Wartime, 1941-45.--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. Seven 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.); *Part III. Building Materials-Lumber, Paints and Varnishes and Portland Cement* (2/19/44, 50 p.); *Part IV. Petroleum Products, Automobiles, Rubber Tires and Tubes, Electrical Household Appliances, and Agricultural Implements* (3/2/44, 189 p.); *Part V. Advertising as a Factor in Distribution* (10/30/44, 50 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.); and *Part VIII. Cost of Production and Distribution of Fish in New England* (6/30/45, 118 p.). The inquiries relating to fish were undertaken in cooperation with the Coordinator of Fisheries, Interior Dept. Special reports of the study of distribution of some 20 commodity groups were made for confidential use of O.P. A. and other war agencies. (See pp.10 to 23 for details of Parts V to VIII, inclusive.)

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

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

Electric Lamps, Manufacturers of (W. P. B.), Wartime, 1942-43.--At the direc-

tion of the War Production Board, an investigation was made of the activities of manufacturers of portable electric lamps whose operations were subject to the restrictions imposed by W. P. B. Limitation and Conservation Orders L-33 and m-9-c.

Electrical Household Appliances.--See Distribution Methods and Costs.

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

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 law violations (*Report of the F. T. C. on Commercial Feeds*, 200 p., 3/29/21).

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

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

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

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

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

The reports first led] to antitrust proceedings against the Big Five Packers, resulting in a consent decree (Supreme Court of the D C., 2/27/20), 9 which had substantially the effect of Federal legislation in restricting their future operations to certain lines of activity. As a further result of the investigation, Congress enacted] the Packers and Stockyards Act (1921), adopting the Commission's recommendation that the packers be divorced from control of the stockyards. (The meat-packing industry is further referred to under Meat Packing Profit Limitations, p.101).

Food (President) Continued-Grain Trade.--Covering the industry from country elevator to central market, the *Report of the F. T. C. on the Grain Trade* was published in seven parts: *I. Country Grain Marketing* (9/15/20, 350 p., o. p.); *II. Terminal Grain Markets and Exchanges* (9/15/20, 333 p., o. p.); *III. Terminal Grain Marketing* (12/21/21, 332 p., o. p.); *IV. Middlemen's Profits and Margins* (9/26/23, 215 p., o. p.); *V. Future Trading Operations in Grain* (9/15/20, 347 p., o. p.); *VI. Prices of Grain and Grain Futures* (9/10/24, 374 p.); and] *VII. Effects of Future Trading* (6/25/26, 419 p.). The investigation as reported in Vol. V, and testimony by members of the Commission's staff (*U. S. Congress House Committee on Agriculture, Future Trading, hearings, 67th, April 25-May 2,*

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

⁹ The legal history of the consent decree and a summary of divergent economic interests involved in the question of packer participation in unrelated lines of food products were set forth by the Commission in *Packer Consent Decree* (S. Doc. 219, 68th, 44 p., o. p., 2/20/25), prepared pursuant to S. Res. 278, 68th, 12/8/24.

1921) was an important factor in enactment of the Grain Futures Act (1921). Further reference to the grain trade is made under Grain Elevators, below; Grain Exporters, p.101; and Grain Wheat Prices, p.101.)

Food (President) Continued--Bakeries and Flour Milling.--One F.T.C. report was published by the Food Administration (*U. S. Food Administration, Report of the F. T. C. on Bakery Business in U.S.*, pp.5-13, o. p., 11/3/17.) Other reports were: *Food Investigation, Report of the F. T. C. on Flour Milling and Jobbing* (4/4/18, 27 p., o. p.) and *Commercial Wheat Flour Milling* (9/15/20.118 p., o. p.).

Food (President) Continued--Canned Foods,¹⁰ Private Car Lines, Wholesale Food Marketing.--Under the general title *Food Investigation* were published *Report of the F. T. C. on Canned Foods-General Report and Canned Vegetables and Fruits* (5/18/18, 103 p., o. p.); *Report of the F. T. C. on Canned Foods-Canned Salmon* (12/27/18, 83 p., o. p.); *Report of the F. T. C. on Private Car Lines*, regarding transportation of meats, fruits, and vegetables (6/27/19, 271 p., o. p.); and *Report of the F. T. C. on Wholesale Marketing of Food* (6/30/19, 268 p., o. p.). which recommended that a wholesale dealer in perishable food products should] be required to procure a Federal license and that Federal inspection and standards should be provided. Provisions in accordance with these recommendations were incorporated] in the Perishable Agricultural Commodities Act (1930).

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

Food--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 (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--Grain Elevators (F. T. C.), Wartime, 1917-18.--In view of certain bills pending before Congress with reference to regulation of the grain trade, the Commission, in a preliminary report, *Profits of Country and Terminal Grain Elevators* (S. Doc. 40, 67th, 12 p., o. p., 6/13/21), presented certain data collected during its inquiry into the grain trade ordered by the President (see p.99).

¹⁰ In connection with its wartime cost finding inquiries, 1917-18. p.109 herein, the Commission published *Report of the F. T. C. on Canned Foods) 1918--Corn, Peas, String Beans, Tomatoes, and Salmon* (86 p., 11/21/21).

Food--Grain Exporters (Senate).--The low prices of export wheat in 1921 gave rise to this inquiry (S. Res. 133, 67th, 12/22/21) concerning harmful speculative price manipulations on the grain exchanges and alleged conspiracies among country grain buyers to agree on maximum purchasing prices. The Commission recommended stricter supervision of exchanges and additional storage facilities for grain not controlled by grain dealers (*Report of the F. T. C. on Methods and Operations of Grain Exporters*, 2 vols., 387 p., 5/16/22 and 6/18/23).

Food--Grain, Wheat Prices (President).--An extraordinary decline of wheat prices was investigated (President Wilson's directive, 10/12/20) and found to be due chiefly to abnormal market conditions (*Report of the F. T. C. on Wheat Prices for the 1920 Crop*, 91 p., 12/13/20).

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

Food--Mass Foods Distributors (F. T. C.).--The system of delivering foods to large chain store warehouses and the older system of delivery to individual retail stores were compared from an economic viewpoint (F. T. C., Res., 4/20/41).

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

Food--Milk.--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.) 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). Re-suits of the inquiry were published in seven volumes: *Report of the F. T. C. on the Sale and Distribution of Milk Products, Connecticut and Philadelphia Milk-sheds* (H. Doc. 152, 74th, 901 p., 4/5/35); *Report of the F. T. C. on the Sale and Distribution of Milk and Milk Products* (Connecticut and Philadelphia milksheds, interim report, H. Doc. 387, 74th, 125 p., 12/31/35); *Chicago Sales Area* (H. Doc. 451, 74th, 103 p., o. p. 4/15/36); *Boston, Baltimore, Cincinnati, St. Louis* (H. Doc. 501, 74th, 243 p., 6/74/36); *Twin City Sales Area* (H. Doc. 506, 74th, 71 p., 6/13/36); and *New York Milk Sales Area* (H. Doc. 95, 75th, 138 p., o. p., 9/30/36). The Commission reported that many of the industry's problems could only be dealt with by the States and recommended certain legislation and procedure, both State and Federal (*Summary Report on Conditions With Respect to the Sale and Distribution of Milk and Dairy Products*, H. Doc. 94, 75th, 39 p., o. p., 1/4/37). Legislation has been enacted in a number of States carrying into effect all or a portion of the Commission's recommendations.

Food--Peanut Prices (Senate).--An alleged price-fixing combination of peanut

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

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

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

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

Food-Sugar, Beet (F. T. C.)--Initiated by the Commissioner of Corporation,¹¹ but completed by the F. T. C., this inquiry dealt with the cost of growing beets and the cost of beet-sugar manufacture (*Report on the Beet Sugar Industry in the U. S.*, H. Doc. 158, 65th, 164 p., 6. p., 5/24/17).

Foreign Trade--Antidumping Legislation (F. T. C.)--To develop information for use of Congress in its consideration of amendments to the antidumping laws the Commission studied recognized types of dumping and provisions for preventing the dumping of goods from foreign countries (*Antidumping Legislation and other Import Regulations in the United States and Foreign Countries*, S. Doc. 112, 73d, 100 p., 1/11/34; supplemental report, 111 p., processed, 6/27/38).

Foreign Trade--Cooperation in American Export Trade (F. T. C.)--This inquiry related to competitive conditions affecting Americans in international trade. The Export Trade Act, also known as the Webb-Pomerene Law, authorizing the association of U. S. manufacturers for export trade, was enacted as a result of Commission recommendations (*Cooperation in American Export Trade*, 2 vols., 984 p., o. p., 6/30/16; also summary, S. Doc. 426, 64th, 7 p., o. p., 5/2/16; and conclusions, 1916, 14 p., o. p.).

Foreign Trade--Cotton Growing Corporation (Senate)--The report of an inquiry (S. Res. 317, 68th, 1/27/25) concerning the development of this British company, *Empire Cotton Growing Corporation* (S. Doc. 226, 68th, 30 p., o. p., 2/28/25), showed there was then little danger of serious competition with the American grower or of a possibility that the United States would lose its position as the largest producer of raw cotton.

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 beating 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.

Gasoline--See Petroleum.

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

Grain--See Food.

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

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

Household Furniture (O. P. A.), Wartime, 1941-42.--Costs, prices, and profits of 67 representative furniture companies were studied to determine whether, and to what extent, price increases were justified.- A study was also made to determine whether price-fixing agreements existed and whether wholesale price increases resulted from understandings in restraint of trade. Confidential reports were transmitted to O. P. A. in Sept. 1941.

Independent Harvester Co. (Senate), Wartime, 1917-18.--After investigation (S. Res. 212, 65th, 3/11/18) of the organization and methods of operation of the company which had been formed several years before to compete with the "harvester trust," but which had passed into receivership, the *F. T. C. Report to the Senate on the Independent Harvester Co.* (5 p., release, processed, o. p., 5/15/18) showed the company's failure was due to mismanagement and insufficient capital.

¹¹ See footnote 8, p. 99.

Industrial Corporation Reports (F. T. C.), Wartime, 1941-43.--The Commission obtained corporation financial reports for 1939 and 1940. It published in combined form significant economic facts developed in the 1939 series relating to 76 industries which embraced 780 corporations (*Industrial Corporation Reports*, 77 vols., incl. summary, 10/15/40 to 6/30/41, approximately 1,500 pp., processed; titles listed in F. T. C. Annual Report, 1941, p. 24). In 1939 these corporations had an average total investment (after deduction of reported appreciation of assets) of more than \$28,000,000,000. The 1940 series, coordinated with wartime work for other Government agencies, was expanded to cover 4,500 corporations representing consolidated operations of more than 7,000 corporations operating in 86 principal strategic materials industries and to provide O. P. A. with approximately 12,000 annual reports of earlier years and quarterly reports of subsequent operations. The 1940 series was prepared for the confidential use of war and other agencies of the Government.

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.

Leather and Shoes (F. T. C. and House), Wartime, 1917-18.--General complaint regarding high prices of shoes led to this inquiry, which is reported in *Hide and Leather Situation*, preliminary report (H. Doc. 857, 65th, 5 p., o. p., 1/23/18), and *Report on Leather and Shoe Industries* (180 p., 8/21/19). A further study (H. Res. 217, 66th, 8/19/19) resulted in the *Report of the F. T. C. on Shoe and Leather Costs and Prices* (212 p., 6/10/21).

Lumber--Costs.--See Wartime Cost Finding, 1917-18.

Lumber Trade Associations (Attorney General).--The Commission's extensive survey of lumber manufacturers' associations (referred to F. T. C. 9/4/19) resulted in Department of Justice proceedings against certain associations for alleged antitrust law violations. Documents published were: *Report of the F. T. C. on Lumber Manufacturers' Trade Associations*, incorporating regional reports of 1/10/21, 2/18/21, 6/9/21, and 2/15/22 (150 p., o. p.); *Report of the F. T. C. on Western Red Cedar Association, Lifetime Post Association, and Western Red Cedarmen's Information Bureau* (22 p., 1/24/23), also known as *Activities of Trade Associations and Manufacturers of Posts and Poles in the Rocky Mountain and Mississippi Valley Territory* (S. Doc. 293, 67th, o. p.); and *Report of the F. T. C. on Northern Hemlock and Hardwood Manufacturers Association* (52 p., 5/7/23).

Lumber Trade Associations (F. T. C.).--Activities of five large associations were investigated in connection with the Open-Price Associations inquiry (p.104) to bring down to date the 1919 lumber association inquiry (Chap. VIII of *Open-Price Trade*

Associations, S. Doc. 226, 70th, 516 p., 2/13/29).

Mass Foods Distributors.--See Food.

Meat--Packing Profit Limitations.--See Food.

Metal-Working -Machines, Invoicing and Distribution of (W. P. B.), Wartime, 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.

Milk.--See Food.

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

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

National Wealth and Income (Senate).--In 1922 the national wealth was estimated (inquiry pursuant to S. Res. 451, 67th, 2/28/23) at \$353,000,000,000 and the national income in 1923 at \$70,000,000,000 [*National Wealth and Income* (S. Doc. 126, 69th, 381 p., o. p., 5/25/26) and *Taxation and Tax-Exempt Income* (S. Doc. 148, 68th, 144 p., o. p., 6/6/24)].

Nickel, Processors of (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.

Open-Price Associations (Senate).--An investigation (S. Res. 28, 69th, 3/17/25) to ascertain the number and names of so-called open-price associations their importance in industry and the extent to which members maintained uniform prices, was reported in *Open-Price Trade Associations* (S. Doc. 226, 70th, 516 p., 2/13/29).

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

Paint, Varnish, and Lacquer, Manufacturers of (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. allocation, 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--Book (Senate), Wartime, 1917-18.--This inquiry (S. Res. 269, 64th, 9/7/16) resulted in proceedings by the Commission against certain manufacturers to prevent price enhancement and the Commission recommended legislation to repress trade restraints [*Book Paper Industry--A Preliminary Report* (S. Doc. 45, 65th, 11 p., o. p., 6/13/17), and *Book Paper Industry--Final Report* (S. Doc. 79, 65th, 125 p., o. p., 8/21/17)].

Paper--Newsprint (Senate), Wartime, 1917-18.--High prices of newsprint (S. Res. 177, 64th, 4/24/16) were shown to have been partly a result of certain newsprint association activities in restraint of trade. Department of Justice proceedings resulted in abolishment of the association and indictment of certain manufacturers. The Commission for several years conducted monthly reporting of production and sales statistics, and helped provide some substantial relief for smaller publishers in various

parts of the country. [*Newsprint Paper Industry*, preliminary (S. Doc. 3, 65th, 12 p., o. p. 3/3/17); *Report of the F. T. C. on the Newsprint Paper Industry-* (S. Doc. 49, 65th, 162 p., 6/13/17); and *Newsprint Paper Investigation* (in response to S. Res. 95, 65th, 6/27/17; S. Doc. 61, 65th, 8 p., o.p., 7/10/17)].

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

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

Peanut Prices.--See Food.

Petroleum 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., 6/1/20)--pursuant to H. Res. 501, 66th, 4/5/20, in which report the Commission made constructive proposals to conserve the oil supply; *Letter of Submittal and Summary of Report on Gasoline Prices in 1924* (24 p. processed, 6/4/24, and Cong. Record, 2/28/25, p. 5158)--pursuant to request of President Coolidge, 2/7/24; *Petroleum Industry--Prices, Profits and Competition* (S. Doc. 61, 70th, 360 p., 12/12/27)--pursuant to S. Res. 31, 69th, 6/3/36; *Importation of Foreign Gasoline at Detroit, Mich.* (S. Doc. 206, 72d, 3 p., o. p., 2/27/33)--pursuant to S. Res. 274 72d, 7/16/32; and *Gasoline Prices* (S. Doc. 178, 73d, 22 p., 5/10/34)--pursuant to S. Res. 166, 73d, 2/2/34.

Petroleum Decree (Attorney General).--The Commission investigated (inquiry referred to F. T. C. 4/16/36) the manner in which a consent decree entered (9/15/30) against Standard Oil Co. of California, Inc., and others, restraining them from monopolistic practices, was being observed, and reported (4/2/37) to the Attorney General.

Petroleum--Foreign Ownership (Senate).--Inquiry was made (S. Res. 311, 67th, 6/29/22) into acquisition of extensive oil interests in the U. S. by the Dutch-Shell organization, and into discrimination allegedly practiced in foreign countries against American interests (*Report of the F. T. C. on Foreign Ownership in the Petroleum Industry* 152 p., o. p., 2/12/23).

Petroleum Pipe Lines (Senate).--Begun by the Bureau of Corporations,¹³ this inquiry (S. Res. 109, 63d, 6/18/13) showed the dominating importance of the pipe lines of the great midcontinent oil fields and reported practices of the pipe-line companies which were unfair to small producers (*Report on Pipe-Line Transportation of Petroleum*, 467 p., o. p., 2/28/16), some of which practices were later remedied by the Interstate Commerce Commission.

Petroleum--Regional Studies (Senate and F. T. C.).--Reports published were: *Pacific Coast Petroleum Industry*- (two parts, 4/7/21 and 11/28/21, 538 p.)--pursuant to S. Res. 138, 66th, 7/31/19; *Reports of the F. T. C. on the Petroleum Industry of Wyoming* (54 p., o. p., 1/3/21)--pursuant to F. T. C. motion; *Petroleum Trade in Wyoming and Montana* (S. Doc. 233, 67th, 4 p., 7/13/22)--pursuant to F. T. C. motion, in which report legislation to remedy existing conditions was recommended; and *Report of the F. T. C. on Panhandle Crude Petroleum* (Texas) (19 p. 2/8/28)--pursuant to F. T. C. motion, 10/6/26 (in response to requests of producers of crude petroleum).

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., 2/21/27), dealt with the organization, control, and ownership of commercial electric-power companies. It called attention to the dangerous degree to which pyramiding had been practiced in superposing a series of holding companies

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

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

Power--Utility Corporations (Electric and Gas Utilities) (Senate).--This extensive inquiry (S. Res. 83, 70th, 2/15/28; Public Res. 46, 73d, 6/1/34; and

¹² See footnote 8, p. 99.

¹³ See footnote 8, p. 99. Conditions in one of the midcontinent fields were discussed by the Bureau of Corporations in *Conditions in the Healdton Oil Field* (Oklahoma) (116 p., 3/15/15).

F. T. C. Act, Sec. 6) embraced the financial set-up of electric and gas utility companies operating in interstate commerce and of their holding companies and other companies controlled by the holding companies. The inquiry also dealt with the utilities' efforts to influence public opinion with respect to municipal ownership of electric utilities. The Commission's reports and recommendations, focusing Congressional attention upon certain unfair financial practices in connection with the organization of holding companies and the sale of securities, were among the influences which brought about enactment of such remedial legislation as the Securities Act of 1933, the Public Utility Holding Company Act of 1935, the Federal Power Act (1935), and the Natural Gas Act (1938).

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

14

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

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

Priorities (W. P. B.), Wartime, 1941-45.--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 Equipment; 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.

Production Cost Accounting (F. T. C.), Wartime, 1941-42.--This investigation covered production cost accounting methods and systems used in the bread baking, paperboard, steel and other industries during wartime.

Profiteering (Senate), Wartime, 1917-18.--Current conditions of profiteering (S. Res. 255, 65th, 6/10/18) as disclosed by various Commission investigations were reported in *Profiteering* (S. Doc. 248, 65th, 20 p., 6/29/18).

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.

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.

Radio (House).--A comprehensive investigation of the radio industry (H. Res. 548, 67th, 3/4/23; *Report of the F. T. C. on the Radio Industry*, 347 p., 12/1/23) contributed materially to enactment of the Radio Act of 1927 and the succeeding Federal Communications Act of 1934. The investigation was followed by 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.

Resale Price Maintenance (F. T. C.).--The question whether a manufacturer of standard articles, identified by trade-mark or trade practice, should be permitted to fix by contract the price at which purchasers should resell. them led to the first inquiry, resulting in a report, *Resale Price Maintenance* (H. Doc. 1480, 65th, 3 p., o. p., 12/2/18). Other reports were: *A Report on Resale Price Maintenance* (H. Doc. 145, 66th, 3 p. 6/30/19, and *Resale Price Maintenance* (F.- T. C. motion 7/25/27.- reports, Part I, H. Doc. 546, 70th, 141 p., o. p., 1/30/29, and Part II, 215 p., 6/22/31).

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

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

Silverware, Manufacturers of (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, all 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.

Southern Livestock Prices.--See Food.

Steel Code and Steel Code as Amended (Senate and President).--The Commission investigated (S. Res. 166, 73d, 2/2/34) price fixing, price increases, and other matters (*Practices of the Steel Industry Under the Code*, S. Doc. 159, 73d, 79 p., 3/19/34) and the Commission and N. R. A. studied the effect of the multiple basing-point system under the amended code (*Report of the F. T. C. to the President in Response to Executive Order of May 30, 1934, With Respect to the Basing-Point System in the Steel Industry*, 125 p., 11/30/34). ¹⁷ The Commission recommended important code revisions.

Steel Companies, Proposed Merger (Senate).--An inquiry (S. Res. 286, 67th, 5/12/22) into a proposed merger of Bethlehem Steel Corp.- and Lackawanna Steel Co., and of Midvale Steel & Ordnance Co., Republic Iron & Steel Co., and Inland Steel Co., resulted in a two-volume report, *Merger of Steel and Iron Companies* (S. Doc. 208, 67th, 11 p., o. p., 6/5/22 and 9/7/22).

Steel Costs and Profits.--See Wartime Cost Finding, 1917-18.

Steel Costs and Profits (O. P. A.), Wartime, 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.

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* (175 p., processed). The basing-point system is also discussed in published reports listed under "Cement" and "Price Bases" herein.

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.

Steel Sheet Piling--Collusive Bidding (President).--Steel sheet piling prices on certain Government contracts in New York, North Carolina, and Florida were investigated (inquiry referred to F. T. C. 11/20/35). The *F. T. C. Report to the President on Steel Sheet Piling* (42 p., processed, 6/10/36) demonstrated the existence of collusive bidding because of a continued adherence to the basing-point system and provisions of the steel industry's code.

Stock Dividends (Senate).--The Senate requested (S. Res. 304, 69th, 12/22/26) the names and capitalizations of corporations which had issued stock dividends, and the amounts thereof, since the Supreme Court decision (3/8/20) holding that such dividends were not taxable. The same information for an equal period prior to the decision was also requested. The Commission submitted a list of 10,245 corporations, pointing out that declaration of stock dividends at the rate prevailing did not appear to be a result of controlling necessity and seemed questionable as a business policy (*Stock Dividends*, S. Doc. 26, 70th, 273 p., 12/5/27).

Sugar.--See Food.

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

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

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

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

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

Textiles--Cotton Growing Corporation.--See Foreign Trade.

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

Textiles--Cotton Trade (Senate)--Investigation (S. Res. 262, 67th, 3/29/22) involved a decline in cotton prices, 1920-22, as reported in *Preliminary Report of the F. T. C. on the Cotton Trade* (S. Doc. 311, 67th, 28 p., o. p., 2/26/23). After a second inquiry (S. Res. 429, 67th, 1/31/23), the Commission recommended certain reforms in trading practices and particularly in permitting Southern delivery of cotton on New York futures contracts (*The Cotton Trade*, incl. testimony, S. Doc. 100, 68th, 2 vols., 510 p., o. p., 4/28/24) A subsequent Senate bill (S. 4411, 70th, 5/18/28) provided for Southern warehouse delivery, but, before any law was enacted, the New York Cotton Exchange adopted Southern delivery on New York

¹⁸ See footnote 15, p.106.

futures contracts (11/16/28 and 2/26/30) in accordance with the Commission's recommendations.

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

Tin, Consumers of (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 U.S.

Tobacco (Senate).--Inquiry (S. Res. 329, 68th, 2/9/25) into activities of two well-known companies disclosed that alleged illegal agreements or conspiracies did not appear to exist (*The American Tobacco Co. and the Imperial Tobacco Co.*, S. Doc. 34, 69th, 129 p., o. p., 12/23/25).

Tobacco Marketing--Leaf (F. T. C.).--Although representative tobacco farmers in 1929 alleged existence of territorial and price agreements among larger manufacturers to control cured leaf tobacco prices, the Commission found no evidence of price agreements and recommended production curtailment and improvement of marketing processes and cooperative relations (*Report on Marketing of Leaf Tobacco in the Flue-Cured Districts of the States of North Carolina and Georgia*. 54 p., processed, 5/23/31).

Tobacco Prices (Congress).--Inquiries with respect to a decline of loose-leaf tobacco prices following the 1919 harvest (H. Res. 533, 66th, 6/3/20) and low tobacco prices as compared with high prices of manufactured tobacco products (S. Res. 129, 67th, 8/9/21) resulted in the Commission recommending modification of the 1911 decree (dissolving the old tobacco trust) to prohibit permanently the use of common purchasing agencies by certain companies and to bar their purchasing tobacco under any but their own names (*Report of the F. T. C. on the Tobacco Industry*, 162 p., o. p., 12/11/20, and *Prices of Tobacco Products*, S. Doc. 121, 67th, 109 p., o. p., 1/17/22).

Trade and Tariffs in South America (President).--Growing out of the First Pan-American Financial Conference held in Washington, May 29, 1915, this inquiry (referred to F. T. C. 7/22/15) was for the purpose of furnishing necessary information to the American branch of the International high Commission appointed as a result of the conference. Customs administration and tariff policy were among subjects discussed in the *Report on Trade and Tariffs in Brazil, Uruguay-Argentina, Chile, Bolivia, and Peru* (246 p., o. p., 6/30/16).

Twine.--See Sisal Hemp and Textiles.

Utilities.--See Power.

War Material Contracts (House), Wartime, 1941-42.--At the request of the House Committee on Naval Affairs, the Commission assigned economic and legal examiners to assist in the Committee's inquiry into progress of the national defense program (H. Res. 162, 77th, 4/2/41). The Commission's examiners were active in field investigations covering aircraft manufacturers' cost records and operation, naval air station construction, materials purchased for use on Government contracts, and industry expansion financing programs.

Wartime Cost Finding (President) 1917-18.--President Wilson directed the Commission (7/25/17) to find the costs of production of numerous raw materials and manufactured products. The inquiry resulted in approximately 370 wartime cost investigations. At later dates reports on a few of them were published,¹⁹ including:

Cost Reports of the F. T. C.--Copper (26 p., o. p., 6/30/19); *Report of the F. T. C. on Wartime Costs and Profits of Southern Pine Lumber Companies* (94 p., o. p., 5/1/22); and *Report of the F. T. C. on Wartime Profits and Costs of the Steel Industry* (138 p., 2/18/25). The unpublished 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 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

¹⁹ See footnote 10, p.100.

²⁰ Approximately 260 of the wartime cost inquiries are listed in the F. T. C. Annual Reports, 1918, pp.29-30, and 1919, pp. 38-42, and in *World War Activities of the F. T. C., 1917-18* (69 p., processed, 7/15/40).

departments or agencies. It is estimated that the inquiries helped to save the Country many billions of dollars by checking unjustifiable price advances.

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

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

INDEX

[Index does not include names or items in alphabetical lists, tables, or appendixes. For names of export trade associations, see p.78; for appropriation items, see p.82; and for titles and summaries of investigations, 1915-45, see p.94.]

	Page
Acme Asbestos Covering & Flooring Co., Chicago	57
Advertising as a factor in distribution, investigation of	3,10
Advertising, false and misleading:	
Analysis of	74
Complaints alleging	35
Food, drugs, devices, cosmetics	29, 33, 39, 76
Injunctive proceedings involving	29
Mail-order	73
Newspaper and magazine	73
Orders directed against	39
Radio commercial	73
Stipulations relating to	2, 6, 34, 74
Survey of	72
Advertising, survey of war-related	4, 25
Agriculture, Department of	23, 76
Agriculture, House Committee on	26
American Association of Law Book Publishers, Rochester, N. Y	57
American Bridge Co	56, 59
American Drug Corp., St. Louis	52, 57
American Steel & Wire Co. of New Jersey	37, 56, 59
A. P. W. Paper Co., Inc., Albany, N. Y	52
Arden, Elizabeth Inc., New York	44
Arnold Co.; Ed. W., Logansport, Ind	41
Associated Laboratories, Minneapolis	53
Associated Merchandising Corp., New York	45
Atlantic Packing Co., Philadelphia	53
Attorney General of the United States, The	56, 57
Auburn Die Co., Inc., Auburn, Maine	38
Austelle-Flintom Co., Orangeburg, S. C	44
Ayers, William A., Commissioner	4, 5
Brach & Sons, E. J., Chicago	45
Brewer & Sons, Charles A., Chicago	58
Britt-Mc Kinney Co., Greenville, S. C	44
Buchsbaum&Co., S., Chicago	57
Bureau of Corporations	25
Button jobbing industry, trade practice. rules for	2, 65
California Akali Export Association, Oakland, Calif	56, 80
Caradine Hat Co., St. Louis	43
Carbon Black Export, Inc	79
Carlay Co., The, Chicago	39
Carnegie-Illinois Steel Corp	56, 59
Cartel Committee, Interdepartmental	26
Ceil Malk, Inc., Brooklyn	43
Cement Institute, The, Chicago	53, 57
Chaitt, Benjamin, Elmira, N.Y., and others	42
Charles of the Ritz Distributors Corp., New York	53
Cheramy, Inc., New York	54
Childers Co., H. D., Mobile, Ala	44

Cigarette shortage, investigation of

3, 23

111

	Page
Clayton Act:	
Complaints issued under	34, 36
Contempt proceedings under	29
Orders issued under	43
Procedure under	29
References to	1,4,
	2 8, 28, 29, 31, 32, 34, 36, 37, 43, 44, 45, 52, 53, 55, 56, 57, 58, 59
Section (<i>see also</i> Robinson-Patman Act)	1,4,
	31, 30, 43, 44, 45, 52, 53, 55, 56, 58, 59
Section 3	1, 37, 52, 53, 59
Section 7	1, 8, 32, 37
Section 8	1
Coast Fishing Co., Wilmington, Calif	43
Complaints, formal	2, 34
Congress of the United States, The	2, 6, 8, 9
Coordinator of Fisheries, Office of	3, 14
Corn Products Refining Co., New York	52, 53
Corn Products Sales Co., New York	53
Court cases:	
Decided	2, 52
Judgments for civil penalties	2, 52, 57
Pending	57
Petitions for review	52
Davis, Ewin L., Chairman, Federal Trade Commission	4, 5
Dearborn supply Co., Chicago	53, 57
Decker Products Co., Pelham, N. Y	53
Delta Equipment Co., Philadelphia	38
Dietzgen Co., Eugene, New York	56
Duffy Manufacturing Co., J. R., Philadelphia	37
Eastman Kodak Co., Rochester, N. Y	38, 58
Efird, Jasper W., New York, and others	44
Electrical Apparatus Export Association	79
Eversharp, Inc., Chicago	41
Export Trade Act (Webb-Pomerene law):	
Congressional inquiries relating to operation of	80
Export associations organized under	3, 34, 77, 78
Investigations under	3, 34, 79
Provisions of	77
References to	1, 3, 4, 5, 28, 34, 56, 77, 79, 80
Federal Trade Commission:	
Acts administered by	1, 28
Administrative divisions	5, 6
Appropriations, expenditures and fiscal affairs	82
Cases in Federal courts	2, 52
Chairman	4, 5, 26
Chief counsel	5, 27, 30, 75
Chief economist	26
Chief examiner	5, 27
Chief trial examiner	28
Commissioners	4, 5
Decisions (printed volumes)	6
Director, Division of Trade Practice Conferences	71
Director, Medical Advisory Division	26
Director, Radio and Periodical Division	27, 28
Division of Accounts, Statistics, and Economic Investigations	5
Duties	1, 4
Foreign trade work	5, 77
Hearings for taking testimony	2
Interdepartmental service	25
Investigations, for war agencies	1, 3, 4, 25
Investigations, general	1, 3, 10
Legal activities	1, 2, 27
Legal investigation	27, 30

Legal Investigation Division
Legal Research and Compiling Division
Library Division
Medical Advisory Division

5, 24, 27, 30, 34
6
6
5, 6, 26, 33, 76

	Page
Federal Trade Commission--Continued	
Membership on wartime committees	26
Organized	1
Personnel	5
Proceedings suspended because of war	3
Procedure upon formal complaints	28
Procedure, informal	27
Publications	6
Radio and Periodical Division	5, 6, 27, 34, 72
Recommendation to Congress	8
Rules of practice	28, 64, 93
Secretary	5
Statement of policy	34, 93
Stipulations accepted by	2, 34, 74
Trade Practice Conference Division	5, 6, 64, 71
Trial and Appellate Division	5
Trial Examiners Division	5, 6, 34
Federal Trade Commission Act:	
Amended	1, 29
Approved	1
Civil penalties under	2, 52, 57
Complaints issued under	34
Orders issued under	34, 37
Procedure under	29
Provisions covering false advertising of food, drugs, devices, and cosmetics	29
References to	1, 4, 6, 28, 29, 30, 33, 34, 36, 52, 57, 59, 72
Section 5	52
Section 6	1, 6
Section 9	82
Section 12	29, 33
Section 15	29
Section 16	57
Text of	85
Types of unfair practices in violation of	45
Wheeler-Lea Amendment to	29, 33
Ferguson, Garland S., Commissioner	4, 5
Firth, Lemuel, Gloucester, Mass., and others	39, 58
Fish, cost of production and distribution in Great Lakes area, investigation of	3, 10, 14
Fish, cost of production and distribution in New England, investigation of	3, 10, 17
Florida Hard Rock Export Association, investigation of	3, 79
Florman & Bro., A. M., New York	44
Food and Drug Administration	76
Foreign Economic Administration	26
Fraering Brokerage Co., New Orleans	44
"Free goods" cases	42
Freer, Robert E., Commissioner	4, 5, 26
Funsten Co., San Francisco	43
Gelb, Joan Clair, New York, and others	54
General Milk Co., Inc	79
General Seafoods Corp., Boston	58
Giljan Medicine Co., Inc., Cincinnati	40
Glover & Wilson, Little Rock, Ark	44
Graphic Arts Club of Charlotte, Inc., Charlotte, N. C	38
Grater-Bodey Co., Norristown, Pa	38
Gulf Oil Corp., Pittsburgh	54
Halfhill Co., L. A., The, Los Angeles	43
Hastings Manufacturing Co., Hastings, Mich	41, 58
Healthaids, Inc., Jersey City, N. J	39
Hearing aid industry trade practice rules for	2, 65
Herzog & Co., Jack, New York	58
Holzbeierlein & Sons, Inc., Washington, D. C	44
Houbigant, Inc., New York	54
Houbigant Sales Corp., New York	54
Howe & Co., Seattle	54

	Page
Independent Offices Appropriation Act	2, 82
Interior, Department of the	3, 14
Internal Revenue, Bureau of	23
Investigations:	
Advertising as a factor in distribution	3, 10
Cigarette shortage	3, 23
Cost of production and distribution of fish in Great Lakes area	3, 10, 14
Cost of production and distribution of fish in New England	3, 10, 17
Milk distribution, prices, spread and profit	3, 10, 11
War Production Board priority orders, compliance with	3, 24
Jacobson, Irving Ray, Madison, Wis	57
Journal of Living Publishing Corp., The, New York	39
Justice, Department of, the	7
Kallamann & Co., L. R., Chicago	41
Key Advertising Co., Inc., the, Cincinnati	40
Kongo., Chemical Co., New York	57
Lanteen Laboratories, Inc., Chicago	57
Leach & Co., G., Reading, Pa	57
Lekas & Drivas, Inc., New York	54
Lesch Fine Arts, Rudolf, Inc., New York	38
Lindlahr, Victor H., New York	39
Liquid Tight Paper Container Association, Philadelphia	38
Lottery cases	54, 58
Low pressure refrigerants industry, trade practice rules for	2, 65
Maggioni & Go., L. P., Savannah, Ga	43
Manhattan Brewing Co., Chicago	58
March, Charles H., Commissioner	4, 5
Marine Products Co., San Diego, Calif	43
Marquette Cement Manufacturing Co., Chicago	53
Mason, Lowell B., Commissioner	4
Mayo Brothers Vitamins, Inc., Los Angeles	40
Meador & Co., W. M., Inc., Mobile, Ala	44
Methods and costs of distribution, investigation of	3, 10
Milk & Ice Cream Can Institute, Cleveland	58
Milk distribution, prices, spreads and profits, investigation of	3, 10, 11
Modern Marketing Service, Inc., Chicago	55
Modernistic Candies, Inc., Chicago	54
Morton Salt Co., Chicago	43, 58
Moss, Samuel H., Inc., New York	55
National Bureau of Standards	76
National Crepe Paper Association of America, Philadelphia	58
National Retail Tea & Coffee Merchants Association, Inc., Chicago	39
Natural Gas Act of 1938	4
Navy Department, The	3, 37
O'Brien Machinery Co., The, Philadelphia	38
O'Mahoney, Joseph C., Senator	9
Orders to cease and desist	2, 37
Ox'O-Gas Co., New York	58
Packers and Stockyards Act	4
Parke, Austin & Lipscomb, Inc., New York	55
Parker Pen Co., The, Janesville, Wis	41, 58
Petroleum Coordinator for War	26
Phosphate Export Association	79
Post Institute Sales Corp., New York	55
Post Office Department, the	75
Preparatory Training Institute, Trenton, N.J.	55
President of the United States, the	2, 4, 69
Price Administration, Office of	14, 23, 26
Price-fixing and restraint-of-trade cases	30, 34, 37
Progress Tailoring Co., Chicago	58
Public Utilities Holding Company Act of 1935	4
Rainey & Co., J. P., Philadelphia	38
Rango Tablet Co., Los Angeles	57

Razor and razor blade industry, trade practice rules for
Rigid Steel Conduit Association, New York
Robinson-Patman Act (see also Clayton Act, sec. 2)

2, 65

58

1, 4, 28, 31, 36, 43, 56

	Page
Rogers Redemption Bureau, Minneapolis	57
Rohleder, Charles F., Philadelphia	38
Roosevelt, President	9
Rudd Manufacturing Co., New York	42
Savoy Manufacturing Co., New York	58
Scientific Apparatus Makers of America, Surveying-Drafting-Coaters Section of, Philadelphia	56
Scotch Woolen Mills, Chicago	58
Securities Act of 1933	4
Segal Lock & Hardware Co., Inc., New York	55
Senate Interstate Commerce Committee, chairman of	3, 23
Sheaffer Pen Co., W. A., Fort Madison, Iowa	41
Sherman Antitrust Law	54, 80
Shriver Co., B. F., Westminster, Md	43
Siegel Co., Jacob, Philadelphia	55
Silverman & Associates, J., San Francisco	54, 55
Southgate Brokerage Co., Inc., Norfolk, Va	44, 59
Spicer, William Edgar, Washington, D. C	54
Staley Manufacturing Co., A. E., Decatur, Ill	52, 55
Staley Sales Corp., Decatur, Ill	55
Standard Education Society, Chicago	56
Stetson Felt Mills, St. Paul	56
Stipulations to cease and desist	2, 34, 74
Sulphur Export Corp	79
Supreme Court of the United States	2, 7, 29, 52, 53, 54, 50, 80
Temporary National Economic Committee	8, 9
Tennessee Coal, Iron & Railroad Co	56, 59
Thomson Manufacturing Co., Judson L., Waltham, Mass	59
Todd, J. E., Inc., Kenmore, N.Y.	56
Trade practice rules:	
Administration of	65
Group I and Group II rules defined	64
Informative labeling provisions of	67
Procedure for establishing	64
Promulgated during fiscal year	2, 65
Purposes of	63
References to	2, 6, 63, 64, 65, 66, 67, 68
Trade practice conferences	63
Types of practices covered in	66
Wartime operation of	25
Treasury Department Committee on Incentive Taxation	26
Tuna industry, revised and extended trade practice rules for	2, 65
Ultra-Violet Products, Inc., Los Angeles	56
United States Alkali Export Association, Inc., New York	56, 80
United States circuit courts of appeals	2, 29, 52
United States district courts	2, 29, 52, 57
United States Maltsters Association, Chicago	59
United States Public Health Service	76
United States Steel Corp	56, 59
Utah Wholesale Grocery, Salt Lake City	39
Vacu-Matic Carburetor Co., Wauwatosa, Wis	59
Vitamin Products Co., Milwaukee	40
Vocational Placement Bureau, Akron, Ohio	54
Von Senden Co., Arthur, Inc., Pittsburgh	42
War Department, the	3
War Food Administration, the	23
War Manpower Commission, the	14, 23
War Production Board, the	1, 3, 4, 6, 23, 24, 25, 26
War Production Board priority orders, investigation of compliance with	3, 24
Water heater industry, trade practice rules for	2, 65
Waterman Co., L. E., New York	41
Webb-Pomerene law (<i>see under</i> Export Trade Act).	
Weiss, David M., New York	59

Wheeler-Lea Act:	Page
Approved	29
Injunctive procedure and penalties under	29, 30
Investigations under	33
Provisions contained in	29
References to	29, 33
Wood-cased lead pencil industry, trade practice rules for	2, 65
Wool Products Labeling Act:	
Administration of	70, 71
Approved	69
Civil penalties under	29
Complaints issued under	34, 36
Effective date of	69
Enforcement of	70
Exemptions provided in	69
Orders issued under	42
Procedure under	29
Provisions of	69
References to	1, 3, 6, 26, 28, 29, 33, 34, 36, 42, 64, 69, 70, 71
Rules and regulations promulgated under	69
Section 2	69
Section 9	70, 71
Section 14	69
Wartime administration of	26
Zenith Radio Corp., Chicago	57