ANNUAL REPORT

OF THE

FEDERAL TRADE COMMISSION

FOR THE

FISCAL YEAR ENDED JUNE 30

1935

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON: 1935

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FEDERAL TRADE COMMISSION

Ewin L. Davis, *Chairman* [1]
Charles H. March, *Vice Chairman*
William A. Ayres
Garland S. Ferguson, Jr.
Robert E Freer [2]
Otis B. Johnson, *Secretary*

FEDERAL TRADE COMMISSIONERS--1915-36

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

EXECUTIVE OFFICES OF THE COMMISSION

2001 Constitution Avenue NW.,
Washington

BRANCH OFFICES

45 Broadway,
New York
608 South Dearborn Street,
Chicago

544 Federal Office Building,
San Francisco
801 Federal Building
Seattle

1 Chairmanship rotates annually. Commissioner March will become chairman in January 1936.

2 Mr. freer was appointed to the Commission in August 1935, subsequent to the close of the fiscal year.

LETTER OF SUBMITTAL

To the Congress of the United States:

I have the honor to submit herewith the Twenty-second Annual Report of the Federal Trade Commission for the fiscal year ending June 30, 1936.

By direction of the Commission:

EWIN L. DAVIS, *Chairman*

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ANNUAL REPORT

OF THE

FEDERAL TRADE COMMISSION

INTRODUCTION

POWERS AND DUTIES OF THE COMMISSION

The Federal Trade Commission herewith submits its report for the fiscal year 1934-35. Organized March 16, 1915, under its organic act, approved September 26 1914 the Commission is an administrative body exercising quasi-judicial functions. These functions are chiefly, (1) to prevent unfair methods of competition in interstate commerce; (2) to make investigations at the direction of Congress, the President, the Attorney General, or upon its own initiative; (3) to report facts in regard to alleged violations of the antitrust laws; (4) to prevent price discriminations, exclusive dealing contracts, capital stock acquisitions, and interlocking directorates in violation of the Clayton Act; and (5) to prevent unfair methods of competition in export trade in violation of the Federal Trade Commission Act as extended by the Webb-Pomerene Act. (Export Trade Act.)

Under the Federal Trade Commission Act [1] the duties of the Commission are divided into two broad classes, legal and economic.

Legal activities have largely to do with the prevention and correction of unfair methods of competition in accordance with section 5 of the Commission's organic act, in which it is declared that "unfair methods of competition in commerce are hereby declared unlawful." This phrase is not further defined in the act. In the first case in which the Supreme Court had occasion to consider this language, namely, that of *F.T.C.* v. *Gratz* (253 U. S. 421), the Court associated with the phrase those practices "opposed to good morals because characterized by deception, bad faith, fraud, or oppression, or as against public policy because of their dangerous tendency unduly to hinder competition or create monopoly." In the latest case in which it had occasion to consider the phrase *(F. T.* C. v. *R. F. Keppel & Bro., Inc.,* 291 U.S. 304), the Supreme Court upheld, as involving an unfair method of competition, the Commission's order pro-

[1] Copies of the Federal Trade Commission Act, Sherman Act, Clayton Act, and Export Trade Act may be obtained on application to the Federal Trade commission or Government Printing Office, Washington, D. C. Texts of these acts also appear beginning at p.127 of this report.

hibiting the sale of candies largely for ultimate resale through schemes of chance. The Court pointed out that in defining the powers of the Commission Congress advisedly adopted this phrase, "which, as this Court has said, does not admit of precise definition, but the meaning and application of which must be arrived at by what this Court elsewhere has called 'the gradual process of judicial inclusion and exclusion.'" [2]

In this general connection, it should be observed that under the provisions of section 5 of the Federal Trade Commission Act the Commission is to proceed only if it appears to it that the particular proceeding would be "to the interest of the public." It accordingly does not concern itself with purely private competitive controversies, with no public significance.

Besides its organic act, the Commission enforces sections 2, 3, 7, and 8 of the Clayton Act dealing, respectively, with unlawful price discriminations, so-called "tying" contracts, stock acquisitions which lessen competition or tend to create a monopoly, and interlocking directorates

The Commission also administers the Webb-Pomerene law, or Ex-port Trade Act. This act is intended to promote export trade and exempts associations of American exporters engaged solely in export trade from the provisions of the anti-trust laws.

The economic work of the Commission arises chiefly under section 6 (a) (b) and (d) of the organic 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 subject to the Act to regulate commerce, * * * to file with the commission in such form as the commission may prescribe annual or Special, or both annual and special, reports or answers in writing to specific questions, furnishing to the commission such information as it may require as to the organization, business, conduct, practices, management, and relation to other corporations, partnerships, and individuals of the respective corporations filing such reports or answers in writing. * * *

(d) Upon the direction of the President or either House of Congress [3] to investigate and report the facts relating to any alleged violations of the antitrust Acts by any corporation.

2 Typical methods of competition condemned by the Commission as unfair are described on p. 67.

3 Public, No. 78, 73d Congress, approved June 16, 1933, making appropriations for the fiscal year ending June 30, 1934, for the "Executive Office and sundry independent executive bureaus, boards, commissions", etc., made the appropriation for the Commission contingent upon the provision (48 stat. 291; 15 U. S. C. A., sec. 46a) that "hereafter no new investigations shall be initiated by the Commission as the result of a legislative resolution, except the same be a concurrent resolution of the two Houses of Congress."

Also under section 6 (h) of the Federal Trade Commission Act, the Commission has power--

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.

Concerning the Commission, the Supreme Court recently said that--

it was created with the avowed purpose of lodging the administrative functions committed to it in a "body specially competent to deal with them by reason of information, experience, and careful study of the business and economic conditions of the industry affected", and it was organized in such a manner, with respect to the length and expiration of the terms of office of its members, as would "give to them an opportunity to acquire the expertness in dealing with these special questions concerning industry that comes from experience."

GENERAL LEGAL ACTIVITIES

Under authority of the Federal Trade Commission Act and those sections of the Clayton Act which it administers, the Commission, during the last fiscal year, has continued to direct its efforts toward the correction and elimination of unfair methods of competition and other unlawful practices.

It made preliminary investigations in 1,384 individual cases initiated under these acts and settled by stipulation a total of 391 cases, of which 151 were of a special class in which false and misleading advertising in newspapers, magazines, or by radio broadcasts was the principal practice involved. During the fiscal year last preceding 272 cases were settled by stipulation.

The stipulation procedure is usually employed in cases where the methods of competition complained of are not so fraudulent or vicious that protection of the public interest requires resort to the procedure of a formal complaint and issuance of a cease and desist order. This procedure provides an opportunity for the prospective respondent to enter into a stipulation of the facts and voluntarily to agree to cease and desist from the alleged unfair methods set forth therein.

During the last fiscal year the Commission issued 280 complaints against companies and individuals, alleging various forms of unfair competition or other, practices, this number having been an almost threefold increase over the 97 complaints issued during the year last preceding. In 125 cases the Commission served upon respondents its orders to cease and desist from unfair practices which had been alleged in complaints and which were found to have been engaged in by the respondents. This was also a substantial increase over the number of orders issued during the fiscal year 1934. Representative cases are described at pages 52 and 58.

The Commission was sustained in 10 cases during the year by various United States circuit courts of appeals, and reversed in none. No cases were pending in the Supreme Court of the United States.

A number of American associations engaged solely in export trade filed with the Commission statements provided for by the Webb-Pomerene Law or Export Trade Act and thereby became entitled to the benefits and exemptions provided by that act.

Radio advertising.--During July 1934 the Commission began to review advertising copy broadcast over the radio, the procedure adopted being the same in principle as that employed for the elimination of false and misleading advertising from newspapers and magazines. The volume of returns and character of the announcements indicated that a satisfactory, continuous scrutiny of current broadcasts could be maintained by adopting a plan of grouping stations for specific periods. Consequently, beginning in September 1934, calls have been issued to individual stations according to their locations in the five radio zones established by the Federal Communications Commission. Up to June 30, 1935, 439,253 radio continuities were received by the Commission. Of these a preliminary review was completed of 376,539, resulting in 38,873 being referred for further consideration and possible action.

TRADE PRACTICE CONFERENCES

The trade practice conference work of the Commission was instituted in 1919. By 1926 the work had grown to such importance that the Commission established what is now known as the Division of Trade Practice Conferences.

The trade practice conference affords a means by which industry members may voluntarily agree and cooperate in the establishment of a code of fair trade practices and eliminate unfair methods of competition, trade abuses and evils prevailing in the industry. This function is performed under the statutory authority of the Federal Trade Commission Act under which the Commission is-

empowered and directed to prevent persons, partnerships, or corporations, except banks, and common carriers Subject to the Acts to regulate commerce, from using unfair methods of competition in commerce

and by which it is also empowered-

to make rules and regulations for the purpose of carrying out the provisions of this Act.

The Commission had sponsored conferences and approved trade practice agreements for about 150 industries before the creation of the National Recovery Administration.

Since termination of the National Recovery Administration codes, the President has by Executive Order No. 7192, of September 26, 1935, delegated to the Commission all his authority under the National Industrial Recovery Act, as extended, to approve trade practice provisions of voluntary *agreements.* Thus two courses are open to industry under the Federal Trade Commission for voluntary cooperation and agreement in establishing codes of ethics and eliminating unfair methods of competition or trade abuses. In both the trade practice conference under the Federal Trade Commission Act and the voluntary agreement under the National Industrial Recovery Act, as extended, the functions and purposes are similar and they substantially occupy, within the law, the field covered by the trade practice provisions of the former National Recovery Administration codes.

Voluntary agreements under the National Industrial Recovery Act as extended, must contain labor provisions. Such provisions need not be included under the trade practice conference procedure. Voluntary agreements require Commission approval as to trade practice provisions and Presidential approval as to labor provisions. Commission approval only is required in the case of a trade practice conference. Voluntary agreements carry certain stated exemptions from the antitrust laws. These apply only to the labor provisions and to such trade practice provisions as do not offend against existing law. Likewise, assurance against infraction of the antitrust laws is afforded in the trade practice conference in that it is the policy and duty of the Commission not to sanction or approve a rule or provision which is contrary to law or, in other words, which offends against existing law.

The rules established under the trade practice conference procedure are classified into two groups. In group I are placed all rules which proscribe practices that are illegal as constituting unfair methods of competition or which otherwise offend against laws administered by the Commission. A greater part of the rules fall into this group, and the Commission has jurisdiction to enforce the same regardless of whether the offender has signed the agreement or otherwise agreed to abide thereby. In group II are placed rules relating to practices which are not illegal per se, but which the industry deems desirable and are not contrary to the public interest. Enforcement of group II rules is brought about mainly through agreement and voluntary cooperation among industry members.

The Executive order by which the President delegated authority to the Commission to approve trade practice provisions of voluntary agreements under the National Industrial Recovery Act, as amended, is as follows:

EXECUTIVE ORDER

Delegation of authority to the Federal Trade Commission to approve certain trade practice provisions

By virtue of and pursuant to the authority vested in me by section 2 (a) and section 2 (b) of title I of the National Industrial Recovery Act (48 Stat. 195), certain provisions of which title were extended until April 1, 1936, by the joint resolution of June 14, 1935 (Public Resolution No.26, 74th Cong.), I hereby delegate to the Federal Trade Commission all authority vested in me by said act and resolution to approve such trade practice provisions as are permitted by clause numbered 2 of the proviso of section 2 of said joint resolution and submitted in voluntary agreements pursuant to section 4 (a) of said title of said act: *Provided,* That such approval shall not be given by the Federal Trade Commission unless such agreements contain labor provisions putting into effect the requirements of section 7 (a) of the said National Industrial Recovery Act and after such labor provisions have received my approval.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
September 26, 1935.

COMMISSION ACTIVITIES UNDER NATIONAL INDUSTRIAL RECOVERY ACT

Prior to the Supreme Court's decision in the *Schechter case* (295 U.S. 495, May 27, 1935), additional duties had devolved upon the Commission as a result of the passage of the National Industrial Recovery Act, approved June 16, 1933. Section *3* (b) of that act provided that violations of codes set up as standards of fair competition by the National Recovery Administration were to be deemed unfair methods of competition within the meaning of the Federal Trade Commission Act. Under this section, the Commission, in the event the provisions of a code were violated, was required to proceed in the same manner as with regard to violations of section 5 of the Federal Trade Commission Act. In order to avoid duplication of effort and overlapping of work, the Federal Trade Commission and the National Recovery Administration co-operated in handling complaints of this nature. As a rule, the Commission did not proceed with formal action until it had first consulted the National Recovery Administration and made an effort through that organization to obtain compliance with codes.

Section 6 (c) of the National Industrial Recovery Act provided that the Federal Trade Commission, upon request of the President, should make such investigations as might be necessary to enable the President to enforce the provisions of the act.

During the last fiscal year, 336 cases were referred to the Commission by the National Recovery Administration for investigation. At the time of the Schechter decision, 321 of these had been completed.

GENERAL INVESTIGATIONS

In pursuance of section 6 of the Federal Trade Commission Act, the Commission may gather information concerning corporations and investigate their organization and operations and may, at the request of the President, the Congress, the Attorney General, or upon its own initiative, conduct general investigations of alleged violations of the antitrust laws. It may also make reports in aid of legislation.

Approximately 80 general inquiries or fact-finding studies have been conducted during the Commission's existence, most of them in pursuance of congressional resolutions, although several have been conducted pursuant to Presidential orders and others on the Comission's initiative.[3] It may be said that they have supplied not only valuable information bearing on conditions, developments, and trends in interstate trade and the Nation's business, but have thrown important and necessary light on the need and wisdom of further legislation for corrective action. The public need for such fact finding studies in this increasingly complex economic era grows greater, quite irrespective of different economic and political philosophies.

The status of each investigation in progress at the close of the fiscal year is described as follows:

Electric and gas utilities.--During the fiscal year reports were placed in the record at public hearings on companies in the following holding company groups: Associated Gas & Electric Co., Byllesby Engineering & Management Co., Central & South West Utilities Co. (Insull interests), Central Public Service Co., Cities Service Co., Commonwealth & Southern Corporation, Duke Power Co., Electric Bond & Share Co., Electric Management & Engineering Corporation (Insull interests), General Water, Gas & Electric Co., Midland United Co. (Insull interests), Niagara Hudson Power Corporation, Stone & Webster, Inc., and subsidiaries, and Tri-Utilities Corporation (G. L. Ohrstrom interests).

The inquiry, from its inception to June 30, 1935, covered 21 holding companies with total corporate assets of $4,722,542,502; 42 sub-holding companies with total corporate assets of $3,155,030,623, and 96 operating companies with total assets of $4,081,221,303. On September 12, 1935, the record of the hearings in this investigation had been printed in 79 volumes, including 4 volumes covering the Commission's report on the inquiry, all published as parts of Senate Document 92, Seventieth Congress, first session. Seven additional reports were in process of printing. As of September 12, approxi-

3 A list of these investigations begins at p. 147.

mately 48,000 typewritten pages of testimony and 6,400 exhibits had been introduced in the public hearings held during this investigation. Final summary reports on the inquiry, with conclusions and recommendations concerning the holding company and other utility problems, were submitted to Congress. During the last fiscal year the Commission has examined the affairs of several natural gas companies. The Commission will transmit to Congress in January 1936 a report on this investigation covering the natural gas industry.

Textile inquiry.--Undertaken pursuant to an Executive order of September 26, 1934, this inquiry involves investigation and report on labor costs, profits, and investments of companies and establishments of the textile industries in order to show what effect increased wages and other costs might have on such industries. A preliminary report, based on 765 companies, was issued in six parts, and, pursuant to a letter from the President dated January 25, 1935, the Commission extended its investigation to cover the 6-month period ending December 31, 1934.

Milk investigation.--A report was transmitted to the Congress and printed as House Document No. 152, Seventy-fourth Congress, first session, showing results of the Commission's investigation in the Connecticut and Philadelphia milk sheds. At the close of the fiscal year, Commission examiners were obtaining data on the production and marketing of milk in the Chicago area, a report on which will be submitted to Congress at its next session.

Chain-store inquiry.--Final report on this investigation, including recommendations and conclusions of the Commission, was transmitted to the Senate in December 1934 and was printed as Senate Document No.4, Seventy-fourth Congress, first session. Among other recommendations, the Commission suggested amendments to the Clayton and Federal Trade Commission Acts to clarify the sections relating to price discriminations, corporate acquisitions of stock, and unfair practices in commerce.

TRANSFER OF WORK UNDER THE SECURITIES ACT

During the first 2 months of the last fiscal year, July and August 1934, the Federal Trade Commission completed its administration of the Securities Act of 1933 and transferred these activities to the Securities and Exchange Commission, as provided in the Securities Exchange Act of 1934, approved June 6, 1934.

The Federal Trade Commission gave every assistance possible to the new Commission in organizing its personnel and getting started with its work. A number of the regular personnel of the Federal Trade Commission were detailed temporarily to the new Commission to assist in its formation and operation. As of September 1, 1934,

115 persons engaged on securities work were transferred to the Securities and Exchange Commission.

During the year and few days between the passage of the Securities Act of *1933* (approved May 27, 1933) and the Securities Exchange Act of 1934 the Federal Trade Commission had organized an& developed into an efficiently functioning unit a. division for the administration of the Securities Act. The Commission's administration of this act, extending from May 27, 1933, to September 1, 1934, is detailed in its Annual Report for 1933-34.

THE COMMISSIONERS AND THEIR DUTIES

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

The term of office of a Commissioner is *7* years, as provided in the Federal Trade Commission Act. The term of a Commissioner dates from the 26th of September last preceding the time of his appointment (September 26 marking the anniversary of the approval of the act in 1914) except when he succeeds a Commissioner who relinquishes office prior to expiration of his term, in which case, according to the act, the new member "shall be appointed only for the unexpired term of the Commissioner whom he shall succeed."

At the close of the fiscal year, June 30, 1935, the Commission was composed of the following members: Ewin L. Davis, Democrat, of Tennessee, chairman Charles H. March, Republican, of Minnesota, vice chairman; William A. Ayres, Democrat, of Kansas, and Garland S. Ferguson, Jr., Democrat, of North Carolina. There was one vacancy, caused by the resignation of Commissioner George C. Mathews, Republican, as of June 30, 1934, to become a member of the Securities and Exchange Commission. This vacancy was filled subsequent to the close of the fiscal year by President Roosevelt's appointment of Robert Elliott Freer, Republican, of Ohio, as of August 24, 1935. Mr. Freer entered on duty August 27.

Commissioner Davis was chosen by the Commission as its chair-man for the calendar year 1935, succeeding Commissioner Ferguson. Each January a member of the Commission is designated to serve as chairman for that calendar year. The position rotates so that each Commissioner serves as chairman at least 1 year during his term of office. The chairman presides at meetings of the Commission, supervises its activities, and signs the more important official papers and reports at the direction of the Commission. The Chairman of the Commission is a member of the National Emergency Council.

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Official activities of the Commissioners are generally similar in character, although each assumes supervisory charge of a different division of the Commission's work. Chairman Davis has supervisory charge of the chief counsel's division and the special board of investigation; Commissioner March of the chief examiner's division; Commissioner Ferguson of the chief trial examiner's division and the trade-practice conference division; Commissioner Ayres of the administrative division, and Commissioner Freer of the eco-nomic division. Every case that is to come before the Commission is first examined by a Commissioner and then reported on to the Commission. All matters under the jurisdiction of the Commission are acted upon by the Commission as a whole.

The Commission meets regularly for the transaction of business every business day at its offices in Washington. The Commissioners hear final arguments in cases before the Commission as well as arguments on motions of counsel for the Commission or respondents. Besides these duties and their conferences with persons discussing official business, the Commissioners have a large amount of reading and study in connection with the numerous cases before them for decision and the various reports to be made by them.

The Commissioners usually preside individually at trade-practice conferences held for industries in various parts of the country, and also have numerous administrative duties incident to their positions.

The secretary of the Commission is its executive officer.

At the close of the fiscal year, the Commission had a total personnel of 535, including the Commissioners.

HOW THE COMMISSION WORK IS HANDLED

The work of the Federal Trade Commission may be divided broadly into the following general groups: Legal, economic, and administrative.

The legal work of the Commission is under the direction of the chief counsel, the chief examiner, and the chief trial examiner.

The chief counsel acts as legal adviser to the Commission, and has charge of legal proceedings against respondents charged with unfair methods of competition as prohibited by the Federal Trade Commission Act, with acts or practices in violation of the Clayton Act, with violations of the Federal Trade Commission Act as extended by the Webb-Pomerene Act, and with the trial of cases before the Commission and in the courts.

The chief examiner has charge of legal investigations of applications for complaint alleging violations of the laws over which the Commission has jurisdiction. When the Commission undertakes investigations in response to Congressional resolutions, or under

section 6 of the Federal Trade Commission Act, the chief examiner supervises such pars of such investigations as may be assigned to his division by the Commission.

Members of the chief trial examiner's division are appointed to preside at the trial of formal complaints and at the taking of testimony in investigations conducted by executive direction, pursuant to congressional resolutions, upon the Commission's own initiative, or at the request of the Attorney General of the United States. They also arrange settlement by stipulation of applications for complaint, subject to approval of the Commission, which method is usually employed in cases where the practice complained of is not so fraudulent or vicious that the protection of the public interest demands the more drastic procedure of complaint.

There are also the division of trade-practice conferences, the special board of investigation for cases involving false and misleading advertising, and the export-trade section handling foreign-trade work under the Export Trade Act and section 6 (h) of the Federal Trade Commission Act.

The economic division, under the chief economist, conducts certain of the general inquiries of the Commission. This division has conducted that part of the electric and gas utility inquiry which deals with the financial structure, organization, and management of the utilities, although the chief counsel's division conducted the public hearings and had charge of the propaganda phase of the investigation. The investigation of the textile industry has been in charge of the economic division. The milk investigation has been conducted by the chief examiner's division and by the economic division, while the public hearings were in charge of the chief counsel's division.

Responsible directly to the assistant secretary of the Commission, the administrative division conducts the business affairs of the Commission and is made up of units such as are usually found in Government establishments, the functions of such units being covered largely by general statutes. These units are as follows: Accounts and personnel, disbursing office, docket section, publications, mails and files, supplies, stenographic, hospital, and library.

The Commission has a public relations and editorial service for the distribution of information, for the preparation and editing of reports, and the answering of inquiries.

PUBLICATIONS OF THE COMMISSION

Publications of the Commission, reflecting the character and scope of its work, vary in content and treatment from year to year, especially documents relating to general business and industrial inquiries. Such studies are illustrated by appropriate charts, tables, and statistics. These fact-finding studies, reports, and recommenda-

tions deal not only with current developments, possible abuses, and trends in an industry, but contain scientific and historical back-ground. Considered as a whole, they have supplied economists and students of affairs and government, the Congress, and the public with information not only of general interest but of great value as respects the need or wisdom of new and important legislation, to which they have frequently led, as well as corrective action by the Department of Justice and private interests affected. The Supreme Court has at times had recourse to them, and many of them have been designated for reading in connection with university and college courses in economics and law.

Findings and orders of the Commission, as published, contain not only interesting but important material regarding the conduct of business and industry. They tell, case by case, the story of unfair competition, exclusive-dealing contracts, price discriminations, capital-stock acquisitions, interlocking directorates in violation of the statutes which the Commission administers, and of the measures taken by the Commission to prevent and correct such violations of law.

The Commission's decisions are printed first in the form of advance sheets with permanent volume number and pagination, and later as bound volumes.

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

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

RECOMMENDATIONS

As an outgrowth of experience in particular cases during administration and enforcement of the laws committed to its jurisdiction, and of its experience in conducting various investigations directed by congressional authority, the Commission has from time to time suggested amendments designed to make the laws referred to more effective. The Commission deems it appropriate in submitting this annual report to review its various suggestions previously made and to submit its present views as to the desirability of such amendments.

Amendments recommended to Federal Trade Commission Act.--The Commission recommends that section 5 be amended so as to specifically prohibit not only unfair methods of competition in commerce but also unfair or deceptive acts and practices in commerce.

This recommendation is made in order to give the Commission clear jurisdiction over a practice which is unfair or deceptive to the public and is not necessarily unfair to a competitor. There are times when such a practice is so universal in an industry that the public is primarily injured rather than individual competitors. In such cases it is very difficult, if not impossible, to show injury to competitors, but the injury to the public is manifest.

The Commission' therefore recommends that the first two paragraphs of section 5 be amended to read as follows:

SEC. 5. Unfair methods of competition in commerce *and unfair or deceptive acts and practices in commerce* are hereby declared unlawful.

The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations, except banks, and common carriers subject to the acts to regulate commerce, from using unfair methods of competition in commerce *and unfair or deceptive acts and practices in commerce.*

It would be necessary, of course, to make appropriate modifications in the remainder of section 5 to meet the procedural requirements of the foregoing proposed amendment.

In the interest of simplicity and uniformity of enforcement procedure, the Commission also recommends a number of other amendments to the procedural requirements of section 5. Among the more important of such recommendations the Commission recommends the insertion of appropriate language to provide that it shall not be necessary to establish a violation of its orders issued under section 5 as a condition precedent to obtaining the court review provided for and to provide that when the Commission's order is affirmed the court shall thereupon issue its own order commanding obedience to the order of the Commission.

The Commission further recommends that section 5 be amended so as to provide that if a respondent does not take advantage of the opportunity for court review within 60 days after issuance of the Commission's order, the order shall become final and conclusive and the court may punish violation thereof as a contempt of court.

Amendments recommended to Clayton Act.--Section 2 now provides that nothing therein contained shall prevent discrimination in price "on account of differences in the grade, quality, or quantity of the commodity sold, or that makes only due allowance for difference in the cost of selling or transportation * * *." If this be interpreted to mean that any difference in quantity justifies any amount of discrimination it is plain that the section may be readily evaded and gives no substantial protection against the evil denounced. For the purpose of clarifying and promoting a more effective enforcement of the section, the Commission recommends that the section be amended to clearly define the discrimination in price intended to be forbidden.

The situation disclosed in its chain-store inquiry, involving the frequent making of special discounts and allowances by manufacturers to chain stores without any definite relation to cost of selling, leads the Commission to suggest that consideration be given to the enactment of legislation supplementing section 2 so as to require all manufacturers of merchandise, other than perishables, selling in interstate commerce, to report promptly to the Federal Trade Com-mission whenever they make special discounts and allowances which are not openly and generally made and published to the trade; failure to make such reports or the making of willfully incorrect reports to be subjected to penalty. However, it is readily apparent that the volume of work flowing from the requirements of such reports would necessitate substantial appropriations to properly administer this provision.

Section 7 now prohibits acquisition by one corporation engaged in commerce of stock in a competing corporation so engaged where the effect may be to substantially lessen competition between such corporations. If the section is to accomplish the general purpose of preventing monopoly, it should be amended to prohibit acquisition of assets, not only indirectly through use of stock unlawfully acquired but also direct acquisition of assets independently of stock acquisition. The Commission therefore recommends that both the direct and indirect acquisition of assets be prohibited where the effects are the same as those already prohibited by the section. Such amendments would also call for an amendment of section 11 to make the procedural remedy as broad as the things prohibited.

PART I. GENERAL INVESTIGATIONS

ELECTRIC AND GAS UTILITIES

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PART I. GENERAL INVESTIGATIONS

ELECTRIC AND GAS UTILITIES

INQUIRY CONDUCTED IN RESPONSE TO SENATE RESOLUTIONS

Pursuant to Senate Resolution 83, Seventieth Congress, first session; Senate Joint Resolution 115, Seventy-third Congress, second session; and also pursuant to section 6 of the Federal Trade Commission Act,[1] the Commission continued its investigation of large utility holding companies, subholding companies, management, construction, service and finance companies, and typical operating companies.

Senate Joint Resolution 115 directed the Commission to proceed under Senate Resolution 83 "until it has investigated such of said corporations as in its judgment should be investigated", and provided that "the investigation shall be completed and the Commission's final report, with recommendations, shall be submitted to the Congress not later than the first Monday in January 1986." The purpose of this extension was to make possible a more comprehensive survey of the natural-gas industry.

In compliance with the foregoing resolution, extensive fieldwork was begun on the accounts and other records of corporations engaged in the production, pipe-line transportation, and wholesale and retail distribution of natural gas. During most of the fiscal year the Commission concentrated its work on natural-gas companies, and at the close of the year accounting examinations were in progress on natural-gas companies in all but one of the large groups doing an interstate business, and several reports on natural-gas systems were made the subject of public hearings. However, emergency work in connection with the Commission's investigation of the textile industry retarded the field accounting work in connection with the utility investigation for about 3 months. The inquiry was also continued with respect to certain companies in the electric light and power field.

Reports were placed in the record of public hearings on companies in the following holding-company groups: Associated Gas & Electric Co.; Byllesby Engineering & Management Co.; Central & Southwest Utilities Co. (Insull interests) ; Central Public Service Co.; Cities Service Co.; Commonwealth & Southern Corporation; Duke Power

1 See p. 127 for full text.

Co.; Electric Bond & Share Co.; Electric Management & Engineering Corporation (Insull interests); General Water, Gas & Electric Co.; Midland United Co. (Insull interests); Niagara-Hudson Power Corporation; Stone & Webster, Inc., and subsidiaries; and Tri Utilities Corporation (G. L. Ohrstrom interests).

TOTAL ASSETS OF COMPANIES INVESTIGATED

The inquiry, from its inception to June 30, 1935, covered 21 holding companies with total corporate assets of $4,722,542,502, 42 subholding companies with total corporate assets of $3,155,030,623, and 96 operating companies with total assets of $4,081,221,303.

Public hearings were held during the fiscal year on companies and groups as of the dates listed below:

COMPANIES CONCERNING WHICH HEARINGS WERE HELD

Company	Hearings began-
American Gas & Electric	
American Gas & Electric Co. (interstate transmission)	Dec. 13, 1934
Associated Gas & Electric Co. group:	
Associated General Electric Corporation	Sept 21, 1934
Associated Gas & Electric Co. (intercorporate relations)	Sept. 27,1934
General Gas & Electric Corporation	Do.
Cities Service Co. group:	
Cities Service Power & Light Co	Dec. 18, 1934
Columbia Gas & Electric Corporation group	
Columbia Gas & Electric Corportation (engineering)	July 18,1934
Commonwealth& Southern Corporation group:	
The Commonwealth & Southern Corporation (New York)	Apr. 19, 1935
The Commonwealth & Southern Corporation (New York) (interstate transmission)	Do.
Allied Engineers, Inc	Do.
The Commonwealth & southern Corporation (Delaware)	May 16, 1935
Duke Power Co. group:	
Duke Power Co. (interstate transmission)	Mar.28, 1935
Duke Power Co. (intercorporate relations)	Do.
Duke Power Co	Do.
Southern Public Utilities Co	June 11, 1935
Electric Bond & Share Co. group:	
Tennessee Public Service Co	Sept. 6, 1934
Dallas Power & Light Co	Do.
Federal water Service Corporation group:	
Southern Natural Gas Corporation	Apr. 16,1935
Gas Utilities group:	
American Natural Gas Corporation	Dec. 13, 1934
Insull group:	
West Texas Utilities Corporation	July 11, 1934
Public service Co. of Oklahoma	July 17,1934
Southwestern Gas & Electric Co	Do.
Central Power & Light Co	July 18,1934
Electric Management & Engineering Corporation	Oct. 16, 1934
Midland United Co. (interstate-transmission)	Feb. 5,1935
Niagara Hudson Power Corporation group:	
The Power Corporation of New York	July 13,1934
Niagara Hudson Power Corporation	Dec. 11, 1934
Power & Electric Securities Corporation, The	Jan. 28,1935
Niagara Hudson Power Corporation (engineering)	Mar. 4, 1935
Peoples Light & Power Corporation group:	
Peoples Light & Power Corporation	Aug. 22,1934
Tri Utilities Corporation	Aug.13, 1934
Tri Utilities Corporation (interstate transmission)	Do.
Standard Gas & Electric Co. group:	
Merchandising electric and gas using appliances by subsidiaries Standard Gas & Electric Co	Nov. 7, 1934
Byllesby Engineering & Management Corporation	Do.
Stone & Webster, Inc., group:	
Engineers Public Service Co., Inc	July 11, 1934
Stone & Webster, Inc. (intercorporate relations)	July 5, 1934
Stone & Webster, Inc. (management division)	Sept. 27, 1934
Stone & Webster Inc. (manage-	

ration Apr. 15,1935	
General Water, Gas & Electric Co. group (International Utilities Corporation):	
General Water Works & Electric Corporation	Feb. 5, 1935
Texas-Louisiana Power Co	Do.
ment, supervision, and servicing contracts)	July 5, 1934
Stone & Webster service Corporation	Sept. 27, 1934
Virginia Electric & Power Co	Sept. 26, 1934
Miscellaneous: Growth of natural-as operations by holding company group in United States	Aug. 15, 1934

LIST OF COMPANIES AND REPORTS CONCERNING THEM

Company	Testimony and exhibits
American Gas & Electric Co. group:	
American Gas & Electric Co	Pts. 21 and 22.
American Gas & Electric Co. (interstate transmission)	Pt. 72.
Appalachian Electric Power Co	Pts. 21 and 22.
Indiana & Michigan Electric Co	Do.
Ohio Power Co	Do.
The Scranton Electric Co	Do.
Associated Gas & Electric Co. group:	
Associated Electric Co	Pt. 48.
Associated Gas & Electric Co. (intercorporate relations)	Pt. 70.
Associated Gas & Electric Co	Pts. 45 and 46.
Associated Electric Co	Pt. 46.
Binghamton Light, Heat & Power Co	Do.
Clarion River Power Co	Do.
Consumers Construction Co	Do.
Eastern New York Electric & Gas Co	Do.
Erie Lighting Co	Do.
Harlem Valley Electric Corporation	
J. G. White Management Corporation	Do.
Johnstown Fuel Supply Co	Do.
Lockport Light, Heat & Power Co	
Management Holding Corporation	Do.
Metropolitan Edison Co	Pt. 50.
New England Gas & Electric Association	Pt. 48.
Cambridge Electric Light Co	Do.
Cambridge Gas Light Co	Do.
Cape & Vineyard Electric Co	Do.
Dedbarn & Hyde Park Gas & Electric Co	Do.
Derry Electric Co	Do.
Middlesex County Electric Co	Do.
New England Electric Securities Co	Do.
New Hampshire Gas & Electric Co	Do.
West Boston Gas Co	Do.
Worcester Gas Light Co	Do.
New York Electric Co	Pt. 48.
New York State Gas & Electric Corporation	Do.
Pennsylvania Electric Co	Pt. 48.
Citizens Light, Heat & Power Co	Do.
Penn Electric Service Co	Do.
Penn Public Service Co	Do.
Northwestern Electric Service Co. of Pennsylvania	Do.
Venango Public Service Corporation	Do.
Pennsylvania Electric Corporation	Pt. 48.
Staten Island Edison Corporation	Do.
Utilities Purchasing & Supply Corporation	Do.
Utility Management Corporation (Delaware)	Do.
Western New York Gas& Electric Corporation	Do.
West Virginia Light, Heat & Power Co	Do.
Youghiogheny Hydro-Electric Corporation	Do.
Associated Gas& Electric Securities Co., Inc	Pt. 64.
Associated Properties, Inc	Pt. 48.
Associated Utilities Investing Corporation (Delaware)	Pt. 64.
Associated Utilities Merchandising Co., Inc	Pt. 46.
Associated General Electric Corporation	Pt. 70.
Broad River Power Co	Pt. 64.
Lexington Water Power Co	Do.
The W. S. Barstow Management Association, Inc	Pt. 57.
W. S. Barstow & Co. (Delaware)	Do.
General Gas & Electric Corporation	Pt. 70.
W. S. Barstow & Co (New York)	Pt. 57.
Central Public Service Co. group:	
Central Public Service Co	Pt. 52.
Central Gas & Electric Co	Pt. 56.
Central Public Service Corporation	Pt. 52.
Southern Cities Public Service Co	Pt. 53.
Cities Public Service group:	
Arkansas Natural Gas Corporation	Pt. 55.
Arkansas-Louisiana Pipe Line Co	Do.
Little Rock Gas & Fuel Co	Do.
Public Utilities Corporation of Arkansas	Do.
Reserve Natural Gas Co. of Louisiana	Do.
Southern Cities Distributing Co	Do.
Cities Service Securities Co	Pt. 53.
Cities Service Co. System (interstate transmission)	Pt. 83.
Cities Service Co. (vol.1)	Pt. 66.
Cities Service Gas Co	Pt. 67.

Cities Service Gas Pipe Line Co	Do.
Cities Service Power & Light Co	Pt. 73.
Kansas City Gas Co	Pt. 67.
The Gas Service Co	Do.
Lakeside Construction Co	Pt. 55.
Public Service Co. of Colorado	Do.

LIST OF COMPANIES AND REPORTS CONCERNING THEM--Continued

Company	Testimony and exhibits
Columbia Gas & Electric Corporation group:	
Columbia Gas & Electric Corporation	Pt. 47.
Columbia Gas & Electric Corporation (engineering)	Pt. 68.
American Fuel & Power Co	Pt. 52.
Cincinnati Gas Transportation Co	Pt. 49.
Columbia Corporation	Pt. 47.
Columbia Engineering & Management Corporation	Do.
Columbia Gas Construction Co	Do.
Columbia Securities Co	Do.
Huntington Gas Co	Pt. 49.
Manufacturers Light & Heat Co., The	Pt. 47.
Ohio Fuel Corporation	Do.
Union Gas & Electric Co., The	Do.
United Fuel Gas Co	Pt. 49.
Commonwealth & Southern Corporation group:	
The Commonwealth & Southern Corporation (New York)	Pt. 77.
The Commonwealth & Southern Corporation (interstate transmission)	Do.
The Commonwealth & Southern Corporation (Delaware)	Pt. 78.
Allied Engineers, Inc	Pt. 77.
Duke Power Co. group:	
Duke Power Co	Pt. 76.
Duke Power Co. (interstate transmission)	Do.
Duke Power Co. (intercorporate relations)	Do.
Southern Public Utilities Co	Pt. 79.
Electric Bond & Share Co group:	
Electric Bond & Share Co	Pts. 23 and 24.
American Power & Light Co	Do.
Inland Power & Light Co	Pt. 35.
Minnesota Power & Light Co	Pt. 26.
Nebraska Power Co	Pt. 41.
Northwestern Electric Co	Pt. 35.
Pacific Power & Light Co	Do.
Washington Water Power Co	Pt. 29.
Electric Bond & Share Securities Corporation	Pts. 23 and 24.
Electric Investors, Inc	Do.
Electric Power & Light Corporation	Do.
Arkansas Power & Light Co	Pt. 42.
Dallas Power & Light Co	Pt. 69.
Idaho Power Co	Pt. 35.
Louisiana Power & Light Co	Pt. 43.
Mississippi Power & Light Co	Pt. 42.
Utah Power & Light Co	Pt. 45.
Western Colorado Power Co	Do.
National Power & Light Co	Pt. 25.
Carolina Power & Light Co	Pt. 26.
Tennessee Public Service Co	Pt. 69.
Phoenix Utility Co	Pts. 23 and 24.
Phoenix utility Co. (Minnesota operations)	Pt. 35.
Two Rector Street Corporation	Pts. 23 and 24.
Electric Bond & Share Co. (Operating expenses and cost of service)	Pt. 62.
Report on sale of common stock to officers and other employees or Electric Bond & Share Co. subsidiaries.	Pt. 66.
Supplemental financial statements to report on Electric Bond & Share Co	Do.
Federal Water Service Corporation group:	
Southern Natural Gas Corporation	Pt. 77.
Foshay, W. B. Co., group.	
W. B. Foshay Co. (Minnesota)	Pt. 25.
W. B. Foshay Co. (Delaware)	Do.
Foshay Building Corporation	Do.
Investors National Corporation	Do.
Public Utilities Consolidated Corporation (Arizona)	Do.
Public Utilities Consolidated Corporation (Delaware)	Do.
Gas Utilities Co. group:	
American Natural Gas Corporation	Pt. 77.
General Water Gas & Electric Co. group International Utilities Corporation):	
General Water Works & Electric Corporation	Pt. 74.
Texas-Louisiana Power Co	Do.
Insull group:	
Middle West Utilities Co. (to Sept. 30, 1930)	Pt. 38.
Middle West Utilities t. 30, 1930, to Apr.14, 1932)	Pt. 59.
Central Illinois Public Service Co.	Pt. 44.
Central & South West Utilities Co	Pt. 62.
Central Power & Light Co	Pt. 68.
Public Service Co. or Oklahoma	Do.
West Texas Utilities Co	Pt. 67.

Central & South West Utilities Co. (intercorporate relations) Pt. 62.
Corporation Securities Co. of Chicago Pt. 67.
Do. 1 Pt. 50.

1 The material in these reports was taken from reports by auditors to the receivers of the respective companies.

LIST OF COMPANIES AND REPORTS CONCERNING THEM--Continued

Company	Testimony and exhibits
Insull group--Continued.	
Middle West Utilities Co. (from Sept 30 1930, to Apr.14, 1932)--Continued.	
Electric Management & Engineering Corporation	Pt. 40.
Do	Pt. 71.
Insull, Son & Co., Inc. 1	Pt. 50.
Insull Utility Investment, Inc. 1	Do.
L. E. Myers Co	Pt. 38.
Midland United Co	Pt. 60.
Midland United Co. System (intercorporate relations)	Do.
Midland United Co. (interstate transmission)	Pt. 74.
Midland Utilities Co	Pt. 60.
Mississippi Valley Utilities Investment Co. 1	Pts. 38 and 50.
National Electric Power Co	Pt. 40.
Do. 1	Pt. 50.
National Public Service Corporation	Pt. 40.
National Public Service Corporation, 1	Pt. 50.
Florida Power Corporation	Pt. 41.
Florida Power Corporation (engineering)	Pt. 42.
Georgia Power & Light Co	Do.
Tidewater Power Co	Pt. 41.
Tidewater Power Co. (properties and operation)	Pt. 44.
New England Public Service Co	Pt. 42.
National Light, Heat & Power Co	Pt. 44.
Twin State Gas & Electric Co., The	Do.
North West Utilities Co	Pt. 38.
United Public Service Co	Do.
United Public Utilities Co	Do.
Peabody Coal Co	Pt. 58.
Preliminary report, Insull Utility Investments, Inc. 1	Pt. 50.
Public Service Trust 1	Do.
Seaboard Public Service Co	Pt. 51.
Second Utilities Syndicate Inc. 1	Do.
South West L. E Myers Co	Pt. 65.
Southwestern Gas & Electric Co	Pt. 68.
Natural Gas Pipeline Co. of America group:	
Chicago District Pipeline Co	Pt. 62.
Natural Gas Pipeline Co. of America	Do.
Texoma Natural Gas Co	Do.
New England Power Association group:	
Connecticut Valley Power Exchange	Pts. 31 and 32.
New England Co	Do.
New England Power Association	Do.
Deerfield Construction Co	Pts. 31 and 32.
International Paper & Power Co	Do.
New England Power Construction Co	Do.
Power Construction Co	Do.
Sherman Power Construction Co	Do.
Niagra Hudson Power Corporation group:	
The Niagara Hudson Power Corporation	Pt. 72
Adirondack Power & Light Corporation	Pt. 59.
Adirondack Realty Holding Corporation	Pt. 63.
Buffalo General Electric Co	Pt. 62.
Buffalo, Niagara & Eastern Power Corporation	Pt. 56.
Cohoes Power & Light Corporation	Pt. 59.
Malone Light & Power Co	Pt. 62.
Mohawk Hudson Power Corporation	Pt. 60.
Municipal Gas Co. of City of Albany	Pt. 59.
New York Power & Light Corporation	Pt. 63.
Niagara Hudson Power Corporation (engineering)	Pt. 75.
Niagara Hudson Power Corporation System (interstate transmission)	Pt. 62.
Niagara, Lockport & Ontario Power Co	Pt. 54.
Northeastern Power Corporation	Pt. 65.
Northern New York Utilities, Inc	Pt. 60.
Oswego River Power Corporation	Pt. 66.
Peoples Gas & Electric Co. of Oswego	Pt. 59.
St. Lawrence County Utilities, Inc	Pt. 67.
St. Lawrence Securities Co	Pt. 53.
St. Lawrence Val ley Power Corporation	Pt. 67.
Syracuse Lighting Co	Pt. 50.
The Power C Corporation of New York	Pt. 67.
The Power & Electric Securities Corporation	Pt. 74.
The Niagara Falls Power Co	Pt. 63.
Utica Gas & Electric Co	Pt. 53.
North American Co. (The) group	
North American Co	Pts. 33 and 84.
Central Mississippi Valley Electric Properties	Do.
City Utilities Co	Do.
Cleveland Electric Illuminating Co. (engineering only)	Do.
Edison Securities Corporation	Do.
Great Western Power Co. of California	Pt. 39.
Midland Counties Public Service Corporation	Do.
Mississippi River Power Co	Pts. 33 and 34.

1 The material in these reports was taken from reports by auditors to the receivers of the respective companies.

LIST OF COMPANIES AND REPORTS CONCERNING THEM--Continued

Company	Testimony and exhibits
North American Co. (The) group--Continued. North American Co.--Continued.	
North American Edison Co	Pts. 33 and 34
North American Utility Securities Corporation	Do.
Pacific Gas & Electric Co (engineering only)	Pt. 39.
Power Operating Co	Pts. 33 and 34.
San Joaquin Light & Power Corporation (engineering only)	Pt. 39.
Union Electric Light & Power. (Illinois)	Pts. 33 and 34.
Union Electric Light & Power Co. (Missouri)	Do.
West Kentucky Coal Co	Do.
Western Power Corporation	Do.
Western Power Corporation (engineering)	Pt. 39.
60 Broadway Building Corporation	Pts. 33 and 34.
North American Light & Power Co. group:	
North American Light & Power Co	Pt. 39.
North American Light & Power Co. (engineering)	Pt. 50.
North American Light & Power Co. (supplemental engineering)	Pt. 62.
Peoples Light & Power Corporation group:	
Peoples Light & Power Corporation	Pt. 69.
Tri-Utilities Corporation	Pt. 68.
Tri-Utilities Corporation (interstate transmission)	Do.
Southeastern Power & Light Co. group--	
Control, Management and Service Relations of Southeastern Power & Light Co	Pt. 27.
Southeastern Power & Light Co	Do.
Alabama Power Co	Pt. 30.
Appalachian Development Co	Pt. 27.
Dixie Construction Co	Do.
Georgia Light, Power & Railways Co	Pt. 28.
Georgia Power Co	Do.
Southeastern Engineering Co	Pt. 27.
Southeastern Fuel Co	Do.
Southeastern Realty Co	Do.
Southeastern Securities Co	Do.
Standard Gas & Electric Co. group:	
Standard Gas & Electric Co	Pt. 36.
Byllesby Engineering & Management Corporation	Pt. 71.
Ivyton Oil & Gas Co. (Delaware)	Pt. 37.
Ivyton Oil & Gas Co. (Kentucky)	Do.
Kentucky Coke Co	Do.
Kentucky Pipe Line Co. (Indiana)	Do.
Kentucky Pipe Line Co. (Kentucky)	Do.
Louisville Gas & Electric Co. (Delaware)	Do.
Louisville Gas & Electric Co. (Delaware) and subsidiaries	Do.
Louisville Gas & Electric Co. (Kentucky)	Do.
Louisville Gas & Electric Securities Co. (Kentucky)	Pt. 37.
Louisville Hydro-Electric Co	Do.
Madison Light & Power Co. (Indiana)	Do.
Minneapolis General Electric Co	Pt. 43.
Northern States Power Co. (Delaware)	Do.
Northern States Power Co. (Minnesota)	Do.
Northern States Securities Corporation	Do.
Oklahoma Gas & Electric Co	Pt. 36.
Merchandising electric-and-gas using appliances by subsidiaries, Standard Gas & Electric Co.	Pt. 71.
Stone & Webster, Inc., group:	
Engineers Public Service Co.,	Pt. 66.
Engineers Public Service Co. (Delaware)	Pt. 67
Virginia Electric & Power Co	Pt. 70.
Hydraulic Engineering Co	Pt. 67.
Stone & Webster Engineering Corporation	Pt. 66.
Stone & Webster, Inc. (Delaware)	Do.
Stone & Webster, Inc. (management and supervision)	Pt. 67.
Stone & Webster, Inc. System (interstate transmission)	Pt. 66.
Stone & Webster, Inc. System (intercorporate relations)	Pt. 67.
Stone & Webster Service Corporation	Pt. 70.
The United Corporation group:	
The United Corporation	Pt. 52.
The United Corporation (engineering)	Do.
The United Corporation (intercorporate relations)	Do.
The United Gas Improvement Co. group:	
The Northern Connecticut Power Co	Pt 51.
The United Gas Improvement Co	Do.
Allentown-Bethlehem Gas Co	Do.
American Gas Co., The	Do.
American Gas Co. of New Jersey, The	Pt. 54.
Connecticut Electric Service Co., The	Do.
Connecticut Electric Syndicate	Do.
Connecticut Light & Power Co., The	Do.
Connecticut Railway & Lighting Co	Do.
Eastern Connecticut Power Co., The	Do.
Gas Securities Co	Pt. 51.
Philadelphia Gas Works Co., The	Do.

LIST OF COMPANIES AND REPORTS CONCERNING THEM--Continued

Company	Testimony and exhibits
The United Gas Improvement Co. group--Continued.	
The United Gas Improvement C o.--Continued.	
Rockville-Willimantic Lighting Co., The	Pt. 54.
United Engineers & Constructors, Inc	Do.
Waterbury Gas Light Co., The	Do.
The United Gas Improvement Co. group (intercorporate relations)	Pt. 55.
Utilities Power&Light Corporation group:	
Utilities Power & Light Corporation	Pt. 54.
Utilities Power & Light Corporation (intercorporate relations)	Pt. 63.
miscellaneous:	
Growth of Natural Gas Production, Distribution an Interstate Movement	Pt. 68.

PROCEDURE AND SCOPE OF INVESTIGATION

The facts developed in this inquiry were obtained principally from the corporate books and records of the companies examined by the Commission's accountants, engineers, and economists. Prior to public hearings, the reports are carefully checked to correct errors or any misinterpretation of facts.

The testimony presented is chiefly that of the Commission's own examiner experts, who have personally examined the accounting and other records of the various company groups and Studied such records and the financial and engineering practices, as well as the supervising control by the holding companies over their operating companies under various forms of supervision contracts. On certain occasions, officers of the corporations have also been called to testify on specific points. At all hearings, counsel representing the corporations whose records and transactions have been under discussion, have been permitted to appear with full privilege to present objections, to cross-examine and to offer testimony in behalf of such corporations.

Records of the hearings, including transcripts of testimony and reports and charts introduced as exhibits in accordance with the Senate resolution, are transmitted to the Senate on the 15th of each month, and later printed as part of Senate Document No.92.

REPORTS AND RECOMMENDATIONS SUBMITTED TO CONGRESS

During the fiscal year the Commission submitted to the Senate its report on the utilities inquiry as to the electric light and power industry, printed as parts 72A and 73A of its reports to the Senate. It also submitted to the Senate a compilation of proposals and views for and against Federal incorporation or licensing of corporations, and a compilation of State constitutional, statutory, and case law concerning corporations, with particular attention to public-utility holding and operating companies, printed together as part 69A; and a report on association publicity and propaganda activities of the

electric-power and gas industries, printed as part 71A of the reports to the Senate. The chapter titles of part 72A which constitutes the final report on the economic, financial, and corporate phases of holding and operating companies of electric and gas utilities, and of part 73A, which relates to legal phases and recommendations, read as follows:

CHAPTER HEADINGS OF FINAL REPORTS

Volume 72A

I. Origin and Scope of the Inquiry.

II. Growth and Importance of Electric and Gas Industries.

III. Competition and Combination Affecting the Control of the Electric and Gas Utility Industry.

IV. Organization, Structure, and Basis of Holding Companies and Methods of Controlling Operating Companies.

V. Growth of Capital Assets.

VI. Security Issues and Other Liabilities.

VII. Income, Expenses, and Surplus of Holding and Operating Companies.

VIII. Methods of Marketing Securities and of Influencing the Course of Their Market Prices.

IX. Public Utility Servicing and Servicing Costs.

X. Physical Properties and Operating Methods of Electric Utility Companies.

XI. Advantages and Disadvantages of Holding Companies to the Public.

Volume 73A

XII. Survey of State Laws and Regulations Regarding Utilities and Their Holding Companies.

XIII. The Present Extent of Federal Regulation of Utility Holding Companies, and the Need and Feasibility of its Enlargement.

XIV. Conclusions and Recommendations.

HOLDING COMPANY ADVANTAGES AND DISADVANTAGES

In its final report the Commission said with respect to the value or detriment to the public of holding companies:

Many claims are made as to the advantages and functions of these holding companies. It is claimed that they afford advantages of super management by staffs of highly skilled experts which independent operating companies cannot afford. It is also claimed that advantages result from group financing and from group purchasing. A large part of these claims have been seriously challenged. Some existing independent operating companies, both privately owned and municipal systems, particularly among the larger ones of each class, stand as contradictions to practically all such claims. Moreover, holding companies have acquired control of operating companies so large that the argument of the latter's inability to provide such services for themselves obviously has no application. The Commission is of the opinion on the whole that the detriment of utility holding companies to the public has exceeded, thus far, their value to the public.

Summed up, the abuses of the holding company fall chiefly into two classes:

(1) Unsound and/or needless financial structures and practices which are a detriment and frequently a menace to the investor or the consumer, or both.

(2) The milking of operating companies through the device of numerous forms of contracts and arrangements. The Federal Trade Commission's investigation has disclosed that the tributes and profits thus exacted have in some instances ranged from 50 percent to over 300 percent on the cost of such services. (See Appendix L-5.)

The holding company, as such, performs no producing function. For that reason, in the utility field it has not been treated as a utility company and there fore has not been subject to regulations as such. Is it usually subject to no regulation or control whatever. Operating utilities are the companies to which the Commonwealths have granted the charters to perform a general public utility service. These grants imply and definitely impose reciprocal duties, but as a result of holding-company control and management, many operating companies, under the compulsion of holding-company control, have contracted away the real performance of their principal charter functions to the holding company or to other companies designated by the holding company, thus leaving only a hollow corporate shell within the jurisdiction of the State where the operating company does business. The entire holding-company problem has grown up under the enactment of statutes which abrogated the common-law rule which forbade one corporation to acquire and own stock in another. Corporations, including holding companies, have traveled a long way from the time when a few persons incorporated for the benefit of their combined resources and combined ownership, with the combined advice and management of the owners. Holding-company corporations have stretched this still further until often there has been practically complete divorcement of ownership from management and responsibility. In fact, the very nomenclature now adopted illustrates this. The public is no longer invited to buy an interest in the control and management of the corporation. They are invited to "invest." Much of the induced investment is of nonvoting stock, and even when it is of voting stock, the wide dispersion thereof makes practically Impossible any combined action against any managerial group that has once acquired control. Thus instead of the corporation, on the one side, and the public, on whom it will depend for trade and revenue, on the other, as was the case originally, we have a third party of minority ownership but with management and control which may be likened to absentee landlordism. Obviously, whenever this managerial group becomes swayed with lust for power and greed for excessive profits, the many other stockholders are treated as having few, if any, rights. In many instances, such managerial groups have failed to act as trustees for their corporations and other stockholders, as in equity they are supposed to do.

The report also said:

If the Congress does not regard the suppression of the holding-company system as a feasible and on the whole a preferable policy, the necessity of strict regulation becomes all the more apparent. If holding companies are to be permitted to continue to control and manage groups of operating or producing companies,, there are three methods which seem especially to commend themselves for the exercise of Federal jurisdiction. They are:

(1) The taxation method.
(2) Direct statutory inhibitions.
(3) A compulsory Federal licensing act. There should also be mentioned-
(4) A permissive Federal incorporation act.

The suggested methods are not conflicting. Any 1, 2, or 3, or all may be employed.

The Commission's recommendations were summarized as follows:

> The Federal Trade Commission respectfully recommends utility holding company legislation along the lines hereinbefore discussed, pursuant to whatever general policy Congress may see fit to adopt. The order of presentation of the four groups of recommendations, namely (1) taxation, (2) direct prohibitive legislation, (3) compulsory Federal licensing, and (4) permissive Federal incorporation, represents the Commission's views as to their respective relative advantages.

The Commission primarily recommends the first two methods--first, taxation, and, second, direct prohibitive legislation. In response to Senate Joint Resolution 115, the Commission will submit to Congress in January 1936, its supplemental final report on the investigation of power and gas utilities.

TEXTILE INDUSTRIES

Origin of the inquiry.--The Commission's textile inquiry was undertaken pursuant to an Executive order of September 26, 1934, which directed the Commission to investigate and report on the labor costs, profits and investments of companies and establishments in the textile industries in order to show what effect increased wages and other costs might have on such industries, and to make public the results at the earliest possible moment. The Commission was directed to give this work priority over other investigations. The Commission limited its inquiry to the spinning, weaving, and finish
cotton, wool, silk and rayon yarns and woven goods, and the manufacture of thread, cordage, and twine, for specified periods from January 1, 1933, to August 31, 1934.

The Commission at once requested the National Recovery Administration code authorities and trade association executives, represent the branches of the industry which it was proposed to cover, and also the Bureau of Labor Statistics of the United States Department of Labor, to furnish lists of manufacturers. After eliminating duplications among the lists, and the names of knit-goods manufacturers, jobbers of yarn, fabrics and thread, and concerns engaged in preparatory processes, such as wool garnetting, carding and combing, there remained a list of approximately 2,600 concerns.

With the limited time, personnel, and funds available, it was obviously impracticable to obtain information from so many companies by direct audits. It was, therefore, decided to rely on information filed by the companies on a carefully drawn and comprehensive schedule prepared by the Commission. In order to assure the maximum degree of reliability in the results reported, this schedule requested that returns be made under oath in accordance with the terms of the Federal, Trade Commission Act, which also provides fines and imprisonment for wilfully making false entries or state-

ments in reports. This schedule requested data as to the number of spindles and looms in place and operated; balance sheets; a combined expense, income, and surplus statement, and raw material and finished-goods inventory statements. These data were requested for three 6-month periods beginning January 1, 1933, and for a 2-month period from July 1, to August 31, 1934. These periods were selected because they reflect the operations for the 6-month period just preceding the adoption of the codes, the 6 months during which. the codes became effective, a 6-month period after the codes became fully effective and the 2-month period immediately preceding the textile strike of September 1934.

Cooperation of industries with the Commission.--Cooperation of the industries with the Commission was excellent. A large proportion of the concerns furnished their reports with exceptional promptness, considering the amount of work involved. More than 2,300 replies were received. Measured by the reports of the Bureau of the Census of the United States Department of Commerce, more than 90 percent of the spindles and looms of the cotton and woolen and worsted industries, and about two-thirds of the silk and rayon industries were covered by these reports. This general cooperation was no doubt influenced by the favorable attitude of trade associations of the various branches of the industries.

Within less than 2 months from the date of the Executive order, reports containing usable data for each of the four periods had been received from 765 companies, and tabulations for a preliminary report were closed November 24, 1934.

The preliminary report based on these 765 companies was issued in six parts. As rapidly as these parts were completed, copies were forwarded to the President, the Labor Advisory Board, and other interested Government officials, textile trade associations, and labor executives, and made available to the press and the public. The titles of these parts are:

TITLES OF PRELIMINARY REPORT

I. Investment and Profit.
II. The Cotton Textile Industry.
III. The Woolen and Worsted Textile Industry.
IV. The Silk and Rayon Industry.
V. Thread, Cordage, and Twine Industries.
VI. Tabulations Showing Financial and Operating Results for Textile Companies According to Rates of Return on Investment, Rates of Net Profit or Loss on Sales, and Amount of Investment.

Under the original plan only the first five of these parts were contemplated. However, the Cabinet Committee on Textiles requested the Commission to show the results for companies grouped according to rate of return on investment, net profit on sales, and amount of

textile investment, as well as a number of other analyses of the returns received.

In further compliance with the Executive order of September 26, 1934, and a letter from the President dated January 25, 1935, the Commission extended its investigation to cover the 6-month period ending December 31, 1934.

The preparation of the tables for part VI of the report, mentioned above, somewhat delayed completion of a report covering the four 6-month periods. However, by the end of the fiscal year practically all of the tables had been completed and considerable progress bad been made on the text for this latter report.

MILK INVESTIGATION

REPORTS ON CONNECTICUT AND PHILADELPHIA MILKSHEDS

This investigation was made in compliance with House Concurrent Resolution 32, Seventy-third Congress, second session. This resolution directed the Commission to inquire into conditions with respect to the sale and. distribution of milk and other dairy products--

* * * within the territorial limits of the United States by any person, partnership, association, cooperative, or corporation, with a view to determining whether any such person, partnership, association, cooperative, or corporation is operating within any milkshed of the United States in such a manner as to substantially lessen competition or tend to create a monopoly in the sale or distribution of such dairy products, or is a party to any conspiracy in restraint of trade or commerce in any such dairy products, or is in any way monopolizing or attempting to monopolize such trade or commerce within the United States or any part thereof, or is using any unfair method of com petition in connection with the sale or distribution of any such dairy products, or is in any way operating to depress the price of milk sold by producers.

In response to this resolution, the Commission investigated conditions in the Connecticut and Philadelphia milksheds. Commission attorneys, examiners, and accountants made an examination of the files and records of farmers' cooperative associations, milk distributors' associations and many of the large distributors, and interviewed a large number of farmers. Commission accountants and auditors inspected and analyzed the financial and operating records of the principal distributors in Hartford, Bridgeport and Philadelphia. They made abstracts of the record showing the individual settlements made by these dealers with the milk producers. They also collected information of a general nature regarding production and distribution of milk.

Public hearings were held in Hartford, Conn., December 12 to 21, 1934, and in Philadelphia from February 5 to 27, 1935. Witnesses representing all phases of the milk industry testified.

Report submitted to Congress.--The report, entitled "Sale and distribution of milk products, Connecticut and the Philadelphia milksheds", which was transmitted to Congress, April 5, 1935, was based on the field investigation by attorneys and accountants and upon the evidence submitted at the public hearings.

It was estimated that farmers shipping milk to dealers in Philadelphia and certain cities in Connecticut were underpaid by an amount exceeding $600,000 during 1934, through practices of certain distributors for most of which it is difficult to find justification.

Prices of milk and milk products to consumers, as well as prices paid the farmer for milk, were fixed by agreements arrived at through negotiation by farmers' cooperative organizations and milk dealers in both the Connecticut and Philadelphia milksheds. Under these agreements, while prices paid the producers and those charged to the consumers fluctuated, the gross margin to the dealer on milk sold for fluid consumption remained substantially the same over a number of years.

In both areas investigated, large milk distributors have been able to substantially lessen competition by the acquisition ad absorption of independent dealers.

The investigation disclosed that serious conditions existed among many milk producers in both the Connecticut and Philadelphia milksheds. Many farmers who depended largely upon receipts for their milk for a livelihood were reduced to financial distress, due at least in part to the low-average price received for their milk Some farmers were in default in the payment of interest on mortgages, and others abandoned dairy farming and disposed of their herds.

Milk dealers in both areas made smaller rates of return, on the total capital employed in the milk and milk-products business during the years 1932 to 1934 than they did during 1929 to 1931. However, some of the large distributors were able to pay high salaries and substantial dividends throughout the period covered the investigation.

Evidence was developed indicating that in both Connecticut and Philadelphia milksheds, distributors have at times been, at least in part, responsible for the creation of a. milk surplus by the importation of milk from other producing areas mostly in the form of cream, which has tended to depress the price of milk to local producers.

The five States shipping milk into Philadelphia have enacted laws and regulations governing the sanitary conditions under which milk is produced and marketed, some of which conflict and have worked hardships on the producers. Municipal and other local sanitary regulations haven added to this burden. Duplication of inspection by the several agencies, including State, city, and other local author-

ities, as well as dealers, and the requirement upon the producer to meet the different interpretations of the varying regulations, have worked considerable hardship. on the producers in the Philadelphia milkshed

Work is begun in Chicago area.--The Commission is continuing the milk investigation, having sent investigators into the Chicago sales area where field work was still in progress at the close of the fiscal year. A report dealing with conditions in the sale and distribution of milk and other dairy products in the Chicago area will be submitted to the Congress at its next session.

CHAIN-STORE INQUIRY

FINAL REPORT WITH CONCLUSIONS TRANSMITTED TO THE SENATE

In December 1934 the Commission sent to the Senate its final report on the chain-store investigation, conducted in response to Senate Resolution 224, Seventieth Congress, first session. This report briefly summarizes many of the important features of earlier reports on the inquiry and also presents certain conclusions and recommendations.

Recommendations and conclusions.--When the Commission came to consider the social and economic advantages and disadvantages of chain-store merchandising from the legal standpoint, it was evident that many of the economic advantages possessed by the chains were of character that is in conformity with existing law. Such advantages as those flowing from the integration of production and of wholesale and retail distribution, from the savings involved in avoiding credit and delivery service, and from the ability of chains to realize the benefits of large-scale advertising areas all plainly beyond the present scope of statutory law. Nor did the Commission recommend any change in the law in order to eliminate such advantages. Such a program would involve radical interference with the rights of private ownership and initiative, virtual abandonment of the competitive principle, and destruction of the public advantage represented by lower prices and lower cost of living.

As to the competitive advantages of the chains inhering in their ability to average the profits of their various branches, this frequently is the outgrowth of their ability to average prices and thus may involve price discrimination in the same or different localities. Under section 2 of the Clayton Act, however, price discrimination in good faith to meet competition is lawful and the Commission obtained no evidence that the discrimination disclosed was not of that character. Considering also the jurisdictional doubt that resales to the local consumer are in the course of interstate commerce, it appeared that prevention of price discrimination in such

sales is the province of the States, 31 of which have antiprice-discrimination laws.

Proposed amendments to Clayton and Federal Trade Commission Acts.--There was only one part of the *chains'* competitive advantage in lower selling prices which the Commission thought should be canceled by force of Federal law. It consisted of the discrimination in prices and terms by manufacturers against independents and in favor of chains, a practice accounting for a most substantial part of the chains' ability to undersell independents and coming within the general principle of an existing statutory provision, i.e., section 2 of the Clayton Act. It was concluded that many of the low buying prices of the chains had little, if any, relation to differences in quantity or cost of selling. For that and other reasons, the Commission recommended an amendment of section 2 which would eliminate the provisos regarding such differences and other permissible discriminations, substitute a broad prohibition of unfair and unjust discrimination, and thus make it a judicial rather than a legislative matter. This would also facilitate a constitutional test of the question whether discrimination may be prohibited which is in good faith to meet competition. At the same time it was suggested that even discriminations justifiable on account of quantity or cost of selling might, nevertheless, in the long run lead to monopoly.

The Commission also recommended amendment of section 5 of its organic act so as to prohibit, not only unfair methods of competition, as at present, but unfair or deceptive acts or practices in or affecting interstate commerce.

The report reviewed the history of the attempts made to enforce section 7 of the Clayton Act prohibiting acquisition of stock in competing corporations. It was pointed out that the section does not even purport to prohibit combination of competing corporations through acquisition of their physical assets and that most of the chain-store mergers had been of that character. Under decisions of the Supreme Court, if the stock acquired in violation of section 7 is voted so as to effectuate a merger of the physical properties before the Commission issues its order of divestiture, the Commission lacks the power to order any divestiture of such assets.

Accordingly the Commission recommended amendment of Section 7 to prohibit acquisition of either stock or assets of competing corporations where it may have the effect already forbidden by the section, namely, "to substantially lessen competition" between the acquiring and the acquired corporations, or "to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce." It also recommended an amendment of the section to prohibit the voting of stock for the purpose of merging

assets after the issuance of complaint by the Commission. In order to make the remedy as broad as the evil denounced by section 7, an amendment of section 11 was proposed in order to give the [5] Commission power to order divestiture of assets illegally acquired as well as of stock.

The following reports have been issued as a result of this inquiry:

LIST OF CHAIN-STORE STUDIES

Cooperative Grocery Chains.
Wholesale Business of Retail Chains.
Sources of Chain-Store Merchandise.
Scope of the Chain-Store Inquiry.
Chain-Store Leaders and Loss Leaders.
Cooperative Drug and Hardware Chains.
Growth and Development of Chain Stores.
Chain-Store Private Brands.
Short Weighing and Over Weighing in Chain and Independent Grocery Stores.
Sizes of Stores of Retail Chains.
Quality of Canned Vegetables and Fruits (under Brands of Manufacturers, Chains, and Other Distributors).
Gross Profit and Average Sale per Store of Retail Chains.
Chain-Store Manufacturing.
Sales, Costs, and Profits of Retail Chains.
Prices and Margins of Chain and Independent Distributors, Washington, D. C. Grocery.
Prices and Margins of Chain and Independent Distributors, Memphis-Grocery.
Prices and Margins of Chain and Independent Distributors, Detroit--Grocery.
Chain-Store Wages.
Chain-Store Advertising.
Chain-Store Price Policies.
Special Discounts and Allowances to Chain and Independent Distributors-Tobacco Trade.
Invested Capital and Rates of Return of Retail Chains.
Prices and Margins of Chain, and Independent Distributors, Cincinnati--Grocery.
Special Discounts and Allowances to Chain and Independent Distributors--Grocery Trade.
Service Features in Chain Stores.
The Chain Store in the Small Town.
Special Discounts and Allowances to Chain and Independent Distributors-Drug Trade.
Prices and Margins of Chain and Independent Distributors, Cincinnati Drug.
Prices and Margins of Chain and Independent Distributors, Detroit-Drugs. Prices and Margins of Chain and Independent Distributors; Memphis Drugs.
Prices and Margins of Chain and Independent Distributors, Washington, D. C.--Drug.
Miscellaneous Financial Results of Retail Chains.
State Distribution of Chain Stores.
Final report.

Selling prices.--After careful Study of the subject, the Commission concluded that the great expansion of the chain-store system of distribution was more than anything else due to the lower selling prices of chain stores as compared with independent retailers. In part, these lower chain selling prices were due to low chain buying prices, but the advantages of chain stores as compared with other systems of distribution were not to be found in this or any other single element of advantage.

Chain-store prices on comparable standard-brand items of grocery and drug merchandise were on the average substantially below those of independent retailers. This does not mean that the prices of the chains averaged lower than those of the independents for every item compared, nor does it necessarily mean that the chain aggregate of average prices for all commodities combined was lower than the aggregate of the average prices of these same commodities for every independent establishment.

Service.--An important factor in the differences in chain and in dependent store retail price is the difference in the degree of service rendered. Exactly how much the differences in service mean in the form of retail selling prices to consumers cannot be determined. A study of the prices of grocery independents and cooperative chain retailers in Washington, D. C., according to the extent of service, indicates that in this business the greater degree of service rendered by independents may account for as much as 20 percent of the difference in the selling prices between chains and independents.

The Commission's study of wages in chain and independent stores tends to indicate rather definitely that at the time of the study the wages of chain n-store selling employees were lower than those paid by independent stores. Excluding the department stores, the weighted average weekly wage of full-time store selling employees in independent stores was $28.48 as compared with $21.61 in chain stores. In the department stores, however, the full-time store selling employees of chains received a weekly wage of $19.80 per week as compared with $19.24 for the independents. On a weighted average basis, the weekly wage paid by the independent stores, including department stores was $23.45 as compared with $21.22 for the chain. in a simple average of the weekly wages in each kind of business, the independents showed a figure of $27.12 and the chains one of $23.37.

The Commission's study of wages in 30 small towns also shows quite definitely that the independents in those towns, as a rule, paid higher wages than the chains. This study included several hundred employees of chain and independent stores in 30 Of the smaller towns and cities of 5,000 population or less in 11 different lines of business. Except in furniture, the weekly wages paid by the inde-

pendent establishments averaged appreciably higher in every one of the lines of business found in those towns.

Considering the fact that salaries, wages, and bonuses represented from 40 to 60 percent roughly of the total operating expenses of chain-stores, depending upon the type of chain, and averaged something over half of the total operating costs for all chains combined, the higher wages of independent stores may be regarded as a further partial explanation of the higher selling prices in such establishments.

Rent.--It is probable that the chain stores pay a very much higher rental than the independent stores, on the average. The predilection of the chains, at least in the past, for corner locations in densely populated sections has been more or less notorious, and there are indications that these organizations have frequently been made to pay amply for such locations.

Special discounts and allowances.--The lower selling prices of chains as compared with independent distributors are largely possible because of the lower buying prices enjoyed by the chains as compared with the independent wholesaler, cooperative chain, or the independent retail buyer in those cases where the retailers buy directly from the manufacturer. In these lower buying prices, special discounts and allowances play an important part.

In the first place, the Commission's figures indicate that more manufacturers make allowances to chains than to wholesalers. Secondly, although the number of wholesale customer accounts involved in the Commission's study of discounts and allowances was far greater than the number of chain accounts, the proportion of chain accounts carrying allowances was far greater than the proportion of wholesale accounts.

Third, in all three of these lines of business, the percentage rates of allowances were very much higher on sales to chains than on those to wholesalers, whether the base to which the allowances were applied was the total sales of all manufacturers reporting or only the sales of the manufacturers making allowances. In 1930, for example, the rate of special allowances on total sales of all re porting manufacturers to tobacco chain was 3,57 percent, as compared with 0.71 percent to wholesalers. In the grocery trade it was 2.02 percent for chains, as compared with 0.91 percent for wholesalers ; and in drugs, 5.19 percent compared with 1.11.

Finally, the total amounts of the allowances made by all the manufacturers to chains greatly exceeded the amounts given to wholesalers. The interest of this last statement lies in the fact that the proportion of the total allowances paid to the chains was much higher, and that paid to the wholesalers was much lower, relatively,

than the total quantities bought by each of these types of distributors, respectively.

Total chain buying advantage.-The total buying advantage of the chain is not always represented by special discounts and allowances because the terms of the regular trade and quantity discounts and allowances offered may be such as to permit the chains by reason of their larger buying power, or otherwise, to obtain lower buying prices on the average even before the deduction of special discounts and allowances. The chains apparently bought groceries to much better advantage than the wholesalers before considering special discounts and allowances, but this was not the case in the drug trade.

For groceries and drugs in certain cities, it is possible to estimate how much of the difference in selling prices between chain and independent distributors was represented by the differences in the buying prices. Based on the unweighted figures of grocery items purchased by consumers at chain and independent stores, it would appear that as high as 45 percent of the difference in favor of the chains between chain and independent selling prices on standard grocery items may have been due to the differences in buying prices in favor of the chains on these items.

In the drug trade the total buying advantage of the chains was apparently very much less than in the case of groceries.

Data procured by the Commission in the grocery trade indicates that an appreciable proportion of the buying advantages of the chains cans be overcome by fairly large and well-organized cooperatives. For example, the difference in the cooperative-buying price of the D. G. S. stores of Washington, D. C., and that of all independents except cooperatives was equivalent to 23.6 percent of the difference of 05.72 cents between the aggregate of the average buying prices of the independent retailers and of the chain showing the lowest net purchase-cost. A similar result was found in Memphis.

Leaders and loss leaders.--Closely related to the question of the lower selling prices of the chains as compared with the independent stores is the use of leaders and loss leaders and the problems relating thereto. Of 1,458 chains reporting on the sale of leaders (other than private brands) *at less than net purchase cost,* only 174 chains operating a total. of 8,056 stores admitted that they engaged in this practice in the latest of the 2 years for which the information was requested. A total of 827 chains operating in excess of 35,000 stores reported on the question of whether they sold in the last week of 1 year leaders below total cost (at less than the actual net purchase cost of the goods plus the operating costs of the chain for that year) in this case 97, or 11.7 percent, of the chains operating 12,949, or

over one-third of the stores, reported that they had employed this practice during the period in question.

On leaders sold below total cost, including the cost of doing business, du ring a representative week the average loss reported by grocery and grocery and meat chains was approximately 10 percent and that reported by the drug chains was 14 percent. Eighteen percent of these items in grocery and meat chains, 13 percent of those in grocery chains', and over 40 percent of those in drug chains carried losses of 16 percent or more.

Short weighing.--The Commission's study of short and over weights in the grocery trade indicates that probably some small part of the lower selling prices of the chain as compared with the independent retailer was due to weighing in the case of commodities bold by weight. According to these analyses, (1) the chains weighed exactly a far higher proportion of the purchases made from them (15.6 percent than the independents' (8.4 percent); (2) somewhat higher proportions of the purchases from chains than from independent retail stores were short weight; and (3) somewhat lower proportions of the' purchases from chains than from independent retailers were overweight. In the four cities studied, 50.3 percent of the total purchases from all chains combined were short weight and only 34.1 percent over weight as compared with 47.8 short and 43.8 over weight from independent and cooperative retailers combined.

On the average, therefore, the consumer seems somewhat more likely to get short weight than over weight in a chain than in an independent store and appreciably more likely to get excess weight in the latter than in the former establishment.

Private brands.--Another advantage to chain-store systems in various lines of business as compared with independents may result from the distribution of merchandise under their own private brands or labels.

The advantage of these private brand items, from the point of view of the chain store, lies in the fact that most of the chains handling this type of merchandise are apparently able to mark it up by a percentage over cost as high, or higher, than competing standard-brand merchandise, but tend to sell it either as low in prices, or lower, the competing standard-brand items.

Quality of private brands.--As regards the relative merits of private and competing standard brand merchandise from the point of view of quality of the products, it may be inferred from the Commission's one detailed study of this subject in canned vegetables and fruits, that there is probably little to choose on the average between the quality of chain-store private brands and manufacturers' brands. In the combined figures for canned fruits and vegetables in

this study, however, the chains averaged substantially lower than the national advertising manufacturers in the proportions of both "fancy" and "choice" (or "extra standard") grades. In canned vegetables the national advertisers averaged a somewhat better quality than the chains, but on canned fruits the reverse was true.

Wholesaling.--Many chains engaged in wholesaling, and insofar as there are profits in the wholesale business for any chains, such profits either result in a higher total dollar net profit than the chain earns from its retail business, or these profits may be used to reduce prices or absorb losses upon merchandise sold through its retail stores.

Advertising.--An other advantage of the chains over the independents comes many lines to advertise from the ability of chains extensively and to much better advantage than their independent competitors. This was particularly the case in such lines of business as groceries, grocery and meat, and drugs, but was not so true of the department store business.

Variability of chain-store prices.--One of the interesting features of chain-store prices *as* indicated by the Commission's price and margin studies in groceries and drugs was the degree of variability of chain-store prices from the headquarters prices in the same city. Although the instances of these variations are, as a rule, rather evenly distributed above and below the headquarters prices, the range is from more than 20 percent above to more than 20 percent below. No less than 700 price quotations were 20 percent or more above the headquarters prices and 262 quotations were 20 percent or more below this price. Only 2 percent, however, of the total 82,213 quotations were 10 percent or more above headquarters prices and a total of 3 percent were 10 percent or more below the headquarters prices.

Prices and operating results of large and small chains.--Based on an analysis of the gross profits on retail sales and average net retail sales per store for the years 1921-30, both separately and combined, there is little evidence of any close general relationship between the size of the chain and either the average sales per store or the size of the spread between the cost of merchandise to the chain and the selling price to the consumer, commonly known as the "gross margin."

A somewhat similar result to the foregoing is shown by the gross margin and operating expense percentages on sales for various kinds of chains consolidated for 8 years according to the number of stores operated. These figures are subject to the qualification of including the entire operating results of the chains, thus taking into account wholesaling and manufacturing operations in addition to retail selling.

In the case of operating expenses, chains in 11 kinds of business show only indeterminate results, according to the number of stores operated, those in the remaining lines being about evenly divided between chains showing a tendency for operating expenses to increase and those showing a tendency for operating expenses to decrease with the size of the chain.

Similar indeterminate results are shown for percentages of net profit on sales and inventory turnover.

Finally, an examination of the comparative selling prices of the larger and smaller grocery and drug chains in various cities fails to furnish very strong evidence that the large chains sold at lower prices than the smaller, at least so far as standard-brand merchandise is concerned. The figures on which this analysis is based are unweighted and weighting by the actual quantities purchased might conceivably change the results shown. They also take no account of prices on private-brand items either purchased or manufactured by the chains. It does seem to be true that larger proportions of the large than of the small chains owned private brands, but it is not so clear that the larger chains sold very much larger proportions of such merchandise than the smaller ones.

PART II. GENERAL LEGAL WORK

DESCRIPTION OF PROCEDURE

LEGAL INVESTIGATION

LEGAL WORK UNDER N. I. R. A.

CONSOLIDATIONS AND MERGERS

CASES SETTLED BY STIPULATION

REPRESENTATIVE COMPLAINTS

COMPLAINTS ON RELATION OF' N. R. A.

ORDERS TO CEASE AND DESIST

TYPES OF UNFAIR COMPETITION

CASES IN THE FEDERAL COURTS

TABULAR SUMMARY OF LEGAL WORK

PART II GENERAL LEGAL WORK

DESCRIPTION OF PROCEDURE

A case before the Federal Trade Commission may originate in any one of several ways. The most common origin is through complaint by a consumer, a competitor, or from public sources other than the Commission itself. However, the Commission may initiate an investigation to determine if the laws administered by it are being violated.

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

INFORMAL PROCEDURE

When an application for complaint is received, the Commission, through its chief examiner, considers the essential jurisdictional elements. Under section 5 of the Federal Trade Commission Act it must be shown that a proceeding involves the use of an unfair method of competition and that such proceeding "would be to the interest of the public." The provisions of section 5 are also extended to foreign trade of American exporters by the Export Trade Act. Sections 2, 3, 7, and 8 of the Clayton Act make unlawful, under the circumstances therein set forth, discrimination in price, tying and exclusive dealing contracts, agreements, or understandings, corporate acquisitions of stock in competing companies, and interlocking directorates. The Federal Trade Commission, the Interstate Commerce Commission, the Federal Communication Commission, and the Federal Reserve Board are empowered to enforce compliance with such sections in the respective fields of those agencies.

It must also appear that the practice complained of is one over which the Federal Trade Commission has jurisdiction. Frequently it is necessary to obtain additional data by further correspondence or by a preliminary field investigation before deciding whether to docket an application for complaint.

When an application for complaint has been docketed, it is assigned by the chief examiner to an attorney for investigation. The investigation is then made and the facts regarding the matter are developed. The attorney to whom the application is assigned interviews

the party complained against, advising of the charges, and requesting the submission of such evidence as is desired in defense or in explanation. In making an investigation it is not the policy of the Commission 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 viewpoint. It is often desirable to interview consumers for the purpose of developing facts to assist in determining whether the practice alleged constitutes an unfair method of competition and also to establish the requisite public interest.

After developing the facts from all available sources, the examining attorney summarizes the evidence in a report, reviews the law applicable thereto, and makes recommendations as to what action the Commission should take.

The entire record is then reviewed by the chief examiner, and, if found to be complete, is submitted, with a brief statement of facts and his conclusions and recommendations, to the Commission for its consideration. The chief examiner may recommend: (1) Dismissal of the application and closing of the case for lack of evidence in support of the charge or for the reason that the practice does not violate any law over which the Commission has jurisdiction, or (2) closing of the application upon the signing by the respondent of a stipulation of the facts and an agreement to cease and desist from the unlawful practice as charged, or (3) issuance of formal complaint.

If, after consideration of the chief examiner's recommendations, the Commission decides that formal complaint should issue, the case is transmitted to the chief counsel for preparation of formal complaint and trial of the case. Or, if the Commission should direct stipulation, the case is referred to the chief trial examiner for negotiation of such agreement.

Cases involving unfair methods of competition are, in some instances, referred to the director of trade-practice conferences for report in lieu of formal complaint if they relate to an industry which has had or which contemplates having a trade-practice conference for consideration of the unfair practices in point.

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

FORMAL PROCEDURE

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

A complaint is issued in the name of the Commission acting in the public interest. It names a respondent and charges a violation of law, with a statement of the charges. The party complaining to the Commission is not a party to the formal complaint issued by the Commission, nor does the complaint seek to adjust matters between parties; rather, the prime purpose of the proceedings is to prevent, for the protection of the public, those unfair methods of competition forbidden by the Federal Trade Commission Act and those practices prohibited by the Clayton and Export Trade Acts.

The Commission's rules of practice and procedure provide that in case the respondent desires to contest the proceedings he shall, within 20 days from service of the complaint, file with the Commission an answer to the complaint. The rules of practice also specify a form of answer for use should the respondent decide to waive hearing on the charges and not contest the proceeding.

Failure to appear or to file an answer within the time specified--

shall be deemed to be an admission of all allegations of the complaint and to authorize the Commission to find them to be true and to waive hearing on the charges set forth in the complaint.

In a contested case, the matter is set down for taking of testimony before a trial examiner. This may occupy varying lengths of time, according to the nature of the charge or the availability and number of witnesses to be examined. Hearings are held before a member of the Commission's staff of trial examiners, who may sit anywhere in the country, the Commission and the respondent each being represented by its own attorneys.

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

Within a stated time after the trial examiner's report is made, briefs are filed, and the case is set for final argument before the full Commission. Thereafter the Commission reaches a decision sustaining the charges made in the complaint or dismissing the complaint or closing the case.

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

If the complaint is dismissed or closed, an appropriate order is entered.

These orders constitute the final functions of the Commission as far as its own procedure is concerned.

CASES MAY BE TAKEN TO FEDERAL COURTS

No penalty is attached to an order to cease and desist, but a respondent against whom it is directed is required within a specified time, usually 60 days, to report in writing the manner in which the order is being obeyed. If the respondent fails to obey an order while it is in effect, the Commission may apply to a United States Circuit Court of Appeals for enforcement of its order. Also the respondent may petition for review. The statutes provides that "such proceedings in the circuit court of appeals shall be given precedence over other cases pending therein, and shall be in every way expedited." The circuit court has power to affirm, modify, or set aside an order of the Commission, but either party may apply to the United States Supreme Court for a writ of certiorari, through which, if granted , there may be obtained a review of the decision and judgment of the court of appeals and final adjudication of the matter at issue.

LEGAL INVESTIGATION

PRELIMINARY INQUIRIES PRIOR TO FORMAL COMPLAINT

The legal investigation work of the Commission is directed and supervised by the chief examiner, and includes the investigation of applications for complaints preliminary to formal action for the correc'ion of unfair methods of competition or other practices under the laws administered by the Commission.

At the beginning of the fiscal year for which this report is submitted, there were pending 760 applications for complaint in preliminary or undocketed cases of alleged unfair methods of competition. During the fiscal year, investigation was made in 1,384 such cases. At the close of the fiscal year, June 30, 1935, there were pending for investigation 391 such applications for complaint.

Of the preliminary investigation cases, 454 were docketed as regular Commission applications for complaint. These, with the 159 Commission applications pending at the beginning of the year, totaled 613 docketed applications. There were disposed of during the year 393 docketed applications, leaving 220 such cases still pending at the close of this fiscal year.

Several attorneys on the chief examiners staff usually assigned to the investigation of applications for complaints were engaged during a part of the year on the milk investigation which was begun near the close of the last fiscal year pursuant to House Concurrent Resolution No.32, Seventy-third Congress , second session.

The chief examiner also conducts, by direction of the Commission or on request of other units of the Commission, supplemental investi-

gations (1) in matters originating with the Special Board of Investigation (for false and misleading advertising) ; (2) where additional evidence is necessary in connection with formal complaints; (3) where it appears or is argued that cease-and-desist orders of the Commission are being violated ; and (4) where it appears or is charged that stipulations entered into between the respondent and the Commission wherein the respondent agreed to cease and desist from certain unfair competitive practices are not being observed in good faith.

The legal investigation work of the Commission is directed from its central office in Washington and conducted through that office and four branch offices, located at 45 Broadway, New York City ; 433 West Van Buren Street, Chicago .544 Market Street, San Francisco; and 801 Federal Building, Seattle. During a part of the year additional regional offices were maintained to facilitate the handling of matters submitted to the Commission by the National Recovery Administrator as well as the regular legal investigations of complaints in the several localities. These offices, which were of a temporary nature, were located in Boston, Atlanta., New Orleans, Memphis, Minneapolis, Kansas City, Mo., and Dallas. Business men could confer at those offices with representatives of the Commission regarding cases in which they were interested and with reference to rulings made by the Commission. Excepting the New Orleans office, these temporary branch offices, which were under the direction and super vision of the chief examiner, have been closed since the Supreme Court decision in the Schechter case.

LEGAL WORK UNDER THE NATIONAL INDUSTRIAL RECOVERY ACT

Section 6 (*c*) of the National Industrial Recovery Act provided that the Federal Trade Commission, upon request of the President, should make such investigations as might be necessary to enable the President to carry out the provisions of the act. Pursuant thereto, the National Recovery Administration referred numerous cases to the Federal Trade Commission for investigation. A great majority of these related to alleged code violations. In some instances, however, a general survey of some specific industry was required. At the beginning of the fiscal year, there were 24 investigations pending. During the year, 336 matters were referred to the Commission by the National Recovery Administration for investigation. At the time of the Schechter decision 321 of these investigations had been completed, and the work then in progress on the other 39 cases was discontinued

CONSOLIDATIONS AND MERGERS

CASES ARISING UNDER SECTION 7 OF THE CLAYTON ACT

The year was probably more important with respect to corporate activities relating to recapitalization and internal reorganization than with respect to acquisitions, consolidations, and mergers. It appears that a number of corporate reorganization proceedings were instituted under section 77B of the bankruptcy laws of the United States as amended by the Seventy-third Congress (Public, No.296 Approved June 7, 1934).

Section 7 of the Clayton Act in substance makes it unlawful for a corporation to acquire capital stock in a competing corporation and for a holding company to acquire the capital stock of two or more corporations competing with one another, where the effect of such acquisitions may be to substantially lessen competition between the corporations involved, restrain commerce in any section or community, or tend to create a monopoly of any line of commerce. The section. however, does not prevent consolidations or mergers of competing corporations brought about by the acquisition of the physical assets of such competing corporations. Both the Commission and the Department of Justice have jurisdiction in the enforcement of section 7 of the Clayton Act. The Commission's power by way of enforcement is to enter an order to cease and desist from further violations and to require the corporation guilty of violating the section to divest itself of the capital stock illegally acquired. The Department of Justice is empowered by section 15 of the act to institute proceedings in equity to prevent and restrain violations of section 7 and of all of the other sections.

Because of the fact that important consolidations of competing corporations have been consummated through acquisition of physical properties rather than through the acquisition of capital stock, the Commission, in December, 1934, recommended to Congress that section 7 of the Clayton Act be amended so as to prohibit the acquisition or consolidation of assets to the same extent that stock acquisitions and consolidations are prohibited, and on the same grounds.

Review of the Commission's work discloses that 14 preliminary inquiries involving acquisitions, consolidations, and mergers were pending at the beginning of the year. Twenty-three new inquiries were instituted during the year and 7 inquiries were pending at the close of the year, indicating a disposition of 30 such matters.

Twenty-five of the 30 matters disposed of were filed without docketing, 2 were docketed as applications for complaint, 1 was placed on the suspense calendar, and 2 were referred to the Department of Justice.

Three of the 25 matters filed without docketing pertained to proposed acquisitions, consolidations, or mergers which failed of consummation, 12 involved acquisitions of assets, and 10 involved acquisitions of capital stocks.

All of the matters involving the acquisition of capital stock were filed without docketing because the acquisitions did not result in a substantial lessening of competition, restraint of trade, or tendency toward monopoly. In 5 of the 10 matters so filed the products were sold in noncompetitive territory, in *2* there was no competition due to the community of interest between or among the corporations involved prior to the acquisition, and in 1 the acquired company was in process of liquidation.

During the year two matters pertaining to acquisitions, consolidations, and mergers were docketed as applications for complaint, of which one was subsequently dismissed, while the other went to complaint. No docketed applications were pending at the close of the year.

One complaint involving section 7 was pending before the Commission at the beginning of the year, 1 was issued during the year, and 1 was dismissed, leaving 1 pending at the close of the year.

No orders of divestiture of capital stock were issued, nor were any cases involving capital-stock acquisitions pending in the courts at the close of the year.

At the beginning of the year, there was pending before the Commission the complaint against Crown-Zellerbach Corporation of San Francisco, occupying an important position in the paper and paper products industry on the Pacific coast. This complaint was dismissed during the year.

The Commission issued a complaint against the Van Kannel Revolving Door Co. of New York City, engaged in the manufacture and sale of revolving doors and occupying an outstanding position in its field. This complaint was pending at the close of the year.

On appeal of the Vanadium Alloys Steel Co., of Latrobe, Pa., the Commission approved and entered an order extending the time for the sale of the capital stock of Colonial Steel Co. to August 6, 1935. An order of divestiture had been issued against Vanadium Alloys Steel Co. on February 3, 1934.

CASES SETTLED BY STIPULATION

PROCEDURE PROTECTS THE CONSUMER FROM UNFAIR PRACTICES

The stipulation procedure provides an opportunity for an individual, partnership, or corporation to enter into a stipulation of the facts and voluntarily agree to cease and desist forever from the

alleged unfair methods set forth therein. The question of whether a respondent shall be permitted to sign a stipulation is entirely within the discretion of the Commission, as the disposition of a case by stipulation is not a right but a privilege extended by the Commission.

Should a potential respondent decide to abandon a practice of which complaint has been made rather than go through with trial and other formal procedure, and the Commission approve such a course, the respondent may sign an agreement to "cease and desist forever" from the alleged unfair practice. This is done with the understanding that should the respondent resume such practice, the facts as stipulated may be used in evidence against him in the trial of a complaint which the Commission may issue.

The Commission believes that its stipulation procedure is protecting the American consumer from numerous unfair methods of competition which, in the aggregate, are all important consideration, reaching, by reason of the simplicity and economy of the procedure, a very much larger number of abuses than the Commission could reach through proceeding solely under the formal procedure already outlined. It is apparent also that large sums of money that other-wise would be spent in litigation are being saved the public.

CASES AFFECT WIDE VARIETY OF BUSINESSES

Unfair trade practices discontinued as a result of stipulations comprise a wide variety of misleading representations affecting a large number of businesses. These practices are usually of a type which can be readily corrected through such a procedure. One of the most common practices appearing in these cases is for a distributor to advertise or purport to be a manufacturer so as to induce the purchaser to believe that in trading with such distributor he is saving a middleman's profit and getting factory prices. This practice extends in similar application to many different lines; sometimes to a jobber of fabrics or dress goods advertising itself as a factory, or to a dealer in medicinal preparations calling itself a "laboratory" , or a correspondence school announcing itself as an "institute", or "civil-service training bureau", thereby implying untruthfully by the last designation that it has a Government connection.

Since repeal of the eighteenth amendment the Commission has approved stipulations with certain brewing companies for discontinuance of misrepresentations of their processes and products, while, under its regular complaint procedure, it has had numerous cases in

which liquor dealers not operating distilleries nevertheless unfairly used the word "distilleries " to describe their business.

Other typical instances include: A knit-goods mill stipulates that it will no longer designate garments composed only partly of wool as "100 percent pure wool " or "100 percent virgin. wool"; an importer of shoestrings agrees not to label them as "mercerized " unless they have actually gone through that process, while the shoes in which they might be strung will not be stamped for example as "Dr. Mercer " to indicate untruthfully that they are designed according to special orthopedic standards, and so on.

Some firms have entered into stipulations because they marked their domestic-made products as imported and others because they labeled their foreign-made goods "Made in U. S. A.", the degree of misrepresentation depending on the consumer preference and good will created for a domestic-made or a foreign-made article.

The range of commodities mentioned in stipulation proceedings and other legal proceedings before the Commission suggests a list almost as wide and varied as the material needs of humanity itself.

TOTAL NUMBER OF STIPULATIONS

Stipulations in which van oils individuals and companies agreed to cease and desist from unlawful practices charged were approved and accepted by the Commission during the fiscal year in 240 cases, in addition to 151 stipulation% in cases involving false and mi leading advertising.[1]

During the 9½ years in which the stipulation system had been in effect on June 30, 1935, a total of 2,257 stipulations had been approved and accepted by the Commission, of which 1,420 were of the general class and 837 were of the special false and misleading advertising class. In 14 of the total number of cases stipulated, action had been rescinded.

In February 1934 the Commission made a change of policy regarding publicity for stipulations, namely, that "all such stipulations shall be altogether for the public record of the Commission", where, thereto fore, with certain exceptions, only the facts in each has had been made public and the names of the parties ommitted.

REPRESENTATIVE COMPLAINTS

MAJORITY OF CASES INVOLVE UNFAIR METHODS OF COMPETITION

Complaints issued during the current fiscal year show a large increase in number over the previous year, the total for the year ending

1 The Commission's procedure ID false and misleading advertising cases is described beginning on p.101.

June 30, 1935, having been 280 as against 97 for the year ending June 30, 1934.

All but one of these 280 complaints charged the use of unfair methods of competition in violation of section 5 of the Federal Trade Commission Act. The remaining complaint charged the respondent with violation of section 7 of the Clayton Act, prohibiting acquisition of the capital stock of competing companies. No complaints were issued during the year under sections 2, 3, or 8 of the Clayton Act, involving, respectively, price discrimination, tying contracts, and interlocking directorates. No complaint was issued under section 5 of the Federal Trade Commission Act as extended by section 4 of the Export Trade Act.

Herewith are presented brief summaries of the charges contained in a few of the complaints issued by the Commission during the fiscal year. Unless otherwise indicated, the practices charged are violative of the Federal Trade Commission Act.[2] These complaints are fairly representative.

ALLEGED ACQUISITION OF CAPITAL STOCK OF COMPETING CORPORATIONS

In a complaint issued in May 1935 the Commission charged a certain corporation, engaged in the manufacture and sale, in interstate commerce, of revolving doors, with the acquisition of all of the capital stock of a corporation which it had caused to be organized to take over the assets, of a competing corporation, and , later, with the acquisition of a majority of the outstanding capital stock of another competitor, both in the same line of business. The complaint also alleged that, as a result of the acquisition of these two competitors, the respondent now occupies a dominant position in the wood and metal revolving-door industry, controlling the manufacture and sale of more than 60 percent of the volume of sales of these doors in use in buildings in the entire United States-all in violation of section 7 of the Clayton Act.

GOODYEAR TIRE & RUBBER CO. CASE

The complaint in this case was issued during the fiscal year 1933-34, but because of its importance reference is made in this report to developments during the current year. The charge was that the Goodyear company violated section 2 of the Clayton Act by discriminating in the price at which it sold automobile tires to Sears,

2 Many of these complaints are pending; consequently, the Commission has reached no determination as to whether the law has been violated therein.

Roebuck & Co. as compared with the price at which it sold tires to independent tire dealers, and that the effect of this discrimination has been to suppress competition and tend to create a monopoly.

The Commission's attorneys began to take testimony in January, 1934, at Akron, Ohio, and also conducted hearings in Chicago, Cincinnati, Memphis, St. Louis, Kansas City, St. Paul, Washington, and New York City, at which hearings a large number of witnesses testified and exhibits were introduced. The Commission's case-in-chief was closed on April 30, 1934.

After a recess, counsel for the respondent began to take testimony in Akron, June 25, 1934. hearings were also conducted in Cleveland, Chicago, Washington, and New York City. At these hearings, the respondent examined numerous witnesses and introduced a very large number of exhibits, closing its case on December 15, 1934.

The Commission attorneys introduced. rebuttal testimony in New York City, Akron, and Washington, at which hearings several additional witnesses testified and additional exhibits were introduced. The Commission closed its rebuttal on March 18, 1935.

The trial examiner submitted his report, June 22, 1935, and it was expected the case would be finally disposed of in the fall of 1935.

Some idea of the importance in the tire industry of the arrangement between Goodyear and Sears, Roebuck & Co. may be gained from the fact that from 1926 through 1933, Goodyear sold to Sears, Roebuck & Co. more than 19,000,000 automobile tires and 17,000,000 automobile tubes, receiving therefor more than $100,000,000 for the tires and approximately $15,000,000 for the tubes.

This case is also important because there are other industries where so-called cost-plus contracts have been entered into between manufacturers of nationally advertised articles and mail-order houses and chain stores at prices lower than these manufacturers sell to their ordinary and regular customers.

RADIO SETS AND RADIO TUBES-ALLEGED APPROPRIATION OF GOOD NAME OF OTHERS

The Commission changed various groups of persons, partnerships, and corporations selling radio sets and radio tubes in interstate and foreign commerce with appropriating and using prominent, well-established and favorably known names long in use by others, as marks on brands on radio sets and radio tubes manufactured and sold by respondents. It was alleged that surnames of individuals

and brand names of concerns well known and established in the electric, sound transmission, and radio fields had been appropriated by respondents without the consent of the persons or concerns whose surnames or brand names had been so used, and that the alleged appropriation of such names and brands placed in the hands of respondents and others the means whereby trade was unfairly diverted from those whose names and brands were so applied, with resultant injury to the purchasers of radio sets and radio tubes so falsely branded.

ALLEGED MISUSE OF THE TERM "DISTILLERS"

Eighty-three complaints have been issued charging rectifiers and other wholesalers of alcoholic liquors with violation of section 5 of the Federal Trade Commission Act through use of such words as "distillers", "distilling" or "distilleries" in their corporate or trade names.

Most of these respondents had no stills. The complaints charged that this practice gave them an unfair competitive advantage because a substantial portion of the purchasing public prefers to buy liquors prepared by distillers. Some of the respondents had stills which they used in making gin by redistilling purchased alcohol over juniper berries and other aromatics. The complaints alleged that such process was not " distilling " in the sense commonly accepted and understood by those engaged in the liquor trade and by the public, and that it was not " distilling " in fact, because such gins were not produced by a process of original and continuous distillation from mash, wort, or wash, through continuous closed pipes and vessels until the manufacture thereof was compte. Also among such cases were those where a respondent is alleged to have mis-represented itself as a " brewery " and where a respondent has designated and labeled artificially carbonated still wines as "champagne."

ALLEGED BOYCOTT AND PRICE FIXING

The Commission issued a complaint February 4, 1935, against an association of candy jobbers charging the association with having boycotted nonmembers by means of alleged "white" lists and pledges secured from manufacturers not to sell to nonmembers. In addition, the complaint charged the association , members with price fixing and with the adoption of the means, among others, of carrying out the price-fixing program by denying to price cutters the privilege of membership in the association.

ALLEGED RESALE PRICE MAINTENANCE

A manufacturer and distributor of various proprietary remedies and drug sundries was charged with inaugurating and enforcing a resale price-maintenance system. The Commission's complaint charged that the respondent announced the inauguration of its system to its direct customers, both wholesale and retail and to all, retailers handling those products, and that it then Sought to bring about the observance of the prices fixed by securing promises and assurances from its customers that they would maintain them; by seeking and securing the cooperation of some of its customers in inducing others of its customers and other dealers to observe and maintain these prices; by asking its customers to report others selling below these prices; by keeping a list of those who had failed to observe the fixed prices and seeking the cooperation of its other customers in preventing its goods from getting into the hands of those appearing on this list; resuming business relations with those on the list only when they had given assurance that thereafter they would maintain the prices fixed, and seeking and obtaining promises from cooperative and other joint buying associations that they would not indirectly reduce the minimum price to their constituent dealers by paying them a dividend based upon the amount of their purchases.

ALLEGED MISREPRESENTATION OF THERAPEUTIC PROPERTIES OF MEDICINE

Complaints were issued during the year involving many charges of misrepresentation of the therapeutic properties of so-called " patent medicines " and like preparations and appliances, as well as other misrepresentations regarding them. These cases related to various commodities, including a hair remover, an epilepsy remedy, preparations for dandruff and baldness, face creams and cosmetics, reducing preparations, body braces, a device for the treatment of prostate gland troubles, a salve for colds and coughs, gland tonics, an herb tea, a treatment for venereal diseases, and many other preparations represented as being remedial for various and sundry diseases and ailments. One dealer in such a commodity was charged with representing that a device offered for sale would make for perfect vision, and would remove all eye troubles, including astigmatism, cross-eyes and failing vision, and that it would enable the user thereof to dispense with eyeglasses, that it was a scientific discovery developed by certain named scientists, when such were not the facts.

ALLEGED DISPARAGEMENT OF COMPETITORS

Disparagement of competitors was alleged as an unfair method of competition in a complaint issued against a publisher of books

and other matter printed and published for advertising purposes. The respondent was charged with publishing a certain book on refrigeration and selling it principally to dealers in ice, who resold or otherwise disposed of it to the public. It was alleged that respondent's book falsely represented that foods kept in electric refrigerators lost their nutritive properties to such an extent that distorted diets and disarranged food balances would result, leading to indigestion, constipation, and numerous other ailments.

Also, it was alleged that the book falsely represented that gases and other volatile matter and odors given off from foods kept in electric refrigerators contaminated other foods, rendering them insanitary and dangerous to health. Such misrepresentations were detrimental to the sellers of electric refrigerators, according to the complaint.

VARIETY APPEARS IN ALLEGED FALSE ADVERTISING CASES

False and misleading advertising was alleged in a larger number of complaints issued during the year than any other practice. These complaints referred to a great variety of commodities and alleged misrepresentations, most of the commodities being articles for use in furnishing homes or for the personal use of those who live in private homes. They included articles of furniture, bathroom accessories, chinaware, silver ware, earthenware, glassware, silver-plated ware and hollow ware, baking powders, flavoring extracts, canned tomatoes , toothpicks, coffee, coffee substitutes, olive oil, fur coats, garments, lingerie, sportswear, knit goods, hosiery, narrow ribbons, hats and caps, military uniforms, suits, shoes containing mercerized laces, cosmetics, perfumes, rugs, carpets, upholstery fillings, radio receiving sets, magazines, stogies, cigars, pipes, encyclopedias, history books, maps, atlases, motion picture films, cleaning fabrics, soap, beer taps,. self-heating irons, metal measuring tapes, paints, roof coatings, red cedar shingles, flower seeds, field and grass seeds , crushed shell for poultry, automobile replacement parts and accessories, new tires and tubes, reconditioned tires, reconditioned spark plugs, spark-plug cable sets and chamois skins.

MISCELLANEOUS CASES

In one such case it was alleged that the respondent purchased machine-made rugs and then employed a few blind persons to do the " fringe tying " thereon. It was alleged that respondent represented by the name under which the business was conducted, and otherwise, that such rugs were made wholly by the blind, when such was not the fact. It was also alleged that the respondent made represent-

tins indicating that it was a charitable institution for the blind, or association for the blind, when such was not the fact.

In another such case the respondents were charged with misrepresenting monuments and memorials manufactured by them as being made from Barre granite, when they were not manufactured from granite quarried from that part of the State of Vermont where the granite known as "Barre granite" is produced.

A manufacturer of stogies was charged in a complaint issued during the year with making misleading use of the words "Wheeling", "hand-made", and "Habanas" to describe stogies not made in Wheeling, W. Va., and which were not made by hand and not made from tobacco grown in Cuba. It was alleged that the word "Wheeling", when used to describe stogies, denoted those made in Wheeling, and that a large part of the trade and purchasing public preferred stogies made in that city.

Another complaint raised the question of the sale of crushed freshwater mussel shells under a misleading label and designation, allegedly indicating. that the product was crushed oyster shell. It was alleged that crushed oyster shell was used by poultry raisers for the purpose of supplying calcium carbonate in the diet of hens, on account of its effect in eggshell formation, and that many purchasers prefer crushed oyster shell to other feed containing calcium carbonate.

PENDING CASES AT THE CLOSE OF THE YEAR

At the end of the fiscal year there were pending on the formal public record 218 cases, in which complaints had been issued involving, for the most part, charges of unfair methods of competition in violation of section 5 of the Federal Trade Commission Act. In a few cases there had been alleged corporate acquisition of stock of a competing company in violation of section 7 of the Clayton Act and discrimination in price with a tendency to create monopoly and substantially lessen competition in violation of section 2 of the Clayton Act.

COMPLAINTS ISSUED ON RELATION OF NATIONAL RECOVERY ADMINISTRATION

As in the preceding fiscal year, the Commission, at the request of the National Recovery Administration, issued complaints charging violation of codes of fair competition established under the provisions of the National Industrial Recovery Act. Under section 3 (b) of that statute, any violation of "the standards of fair competition" established by such a code for a trade or industry, "in any transaction in or affecting interstate or foreign commerce shall

be deemed an unfair method of competition in commerce within the meaning of the Federal Trade Commission Act." In such cases the complaints charged violation of section 5 of the Federal Trade Commission Act by and through the violation of the provisions of the several codes of fair competition , and recognized counsel for the National Recovery Administration to have charge of the prosecution of such complaints.

Trial of the case against the Purity Ice Co. and others (Docket No.2203), commenced in the previous fiscal year, was concluded, and the matter presented to the Commission upon briefs and oral argument. The Commission found the acts charged in the complaint did not involve transactions in or affecting interstate or foreign commerce within the meaning of section 3 (b) of the National Industrial Recovery Act, and, for this reason, the case was dismissed.

Other complaints issued by the Commission at the request of National Recovery Administration, and on its relation were prosecuted by counsel for National Recovery Administration, but none had been presented to the Commission for decision prior to the Supreme Court's decision in *Schechter Poultry Corporation, and others,* v. *United States* (295 U. S. 495), on May 27, 1935, which involved the scope of the provisions of the National Industrial Recovery Act and the powers vested thereby in officers charged with the enforcement of the codes of fair competition established under such Act. Following the Supreme Court decision, counsel for the National Recovery Administration recommended to the Commission that all pending complaints issued on relation of National Recovery Administration be dismissed. This recommendation was approved, and orders of dismissal were entered in such cases.

ORDERS TO CEASE AND DESIST

UNFAIR TRADE PRACTICES PROHIBITED IN 125 CASES

The Commission issued orders to cease and desist from unfair methods of competition and other practices in 125 cases during the fiscal year. They are listed as follows:

LIST OF RESPONDENTS

Respondent	*Location*
Akron Candy Co	Akron, Ohio.
Akron Lamp Co	Do.
American Drug Corporation	St. Louis.
American Memorial. Co	Atlanta, Ga.
American Merchandise Co., Inc., and others	New York City.
Aqua Seal Corporation, and others	Do.
Battle Creek Appliance Co., Ltd., and others	Battle Creek, Mich.
Bayer Co., Inc	New York City.

Respondent	*Location*
Bayonne-Newland Fur Dressers and Dyers, Inc	Jersey City, N. J.
Beich Co., Paul F	Bloomington, Ill.
Bleecker Shoe Co., Inc	New York City.
Bolon Cigar Co., John F	Bethesda, Ohio.
Bonita Co	Fond du Lac, Wis.
Boyer, D. E	Belmont, Ohio.
Briarwood Corporation	Cleveland.
Brilliant Brothers Co	Boston.
Butterick Publishing Co., and others	New York City.
Cadillac Paint Manufacturing Co., and others	Detroit.
Carlton Mills Co., Inc	New York City.
Chicago Dentists, and others	Chicago.
Civil Service Training Bureau, Inc	Cleveland.
Creomulsion Co., Inc	Atlanta, Ga.
Dante Candy Co., Inc	Chicago.
DeWan Laboratories, Inc	Do.
Diamond Paper and Box Co	Philadelphia.
Dispensary Supply Co	New York City.
Duralith Corporation, and others	Do.
Eagle Supply Co	Do.
Eopa Co	San Francisco.
Evans Fur Co., and others	Chicago.
Eyesight Normalizing Co., and others	New York City.
Fairyfoot Products Co	Chicago.
Federal Auto Products Co	Do.
Field & Co., Marshall	Do.
First National Nurseries, Inc., and others	Rochester, N. Y.
Fox Shoe Co	Philadelphia.
Geographical Publishing Co	Chicago.
Globe Automatic Sprinkler Co. of Pennsylvania	New York City.
Gordon, H	Do.
Grayban, Inc	Do.
Great Northern Fur Dyeing & Dressing Co., Inc. and others	Long Island, N. Y.
Griffin Grocery Co., and others	Muskogee, Okla.
Hair-Tex Corporation	Cleveland.
Heller & Son, Inc., L., and others	New York City.
Hill Shoe Co	Philadelphia.
Hofeller, Bob, and others	Chicago.
Hoffman Engineering Co	New York City.
Hollander & Son, Inc., A., and others	Newark, N. J.
Hollander, Inc., Joseph	Do.
Holloway & Company, M. J	Chicago.
Home Research, Inc	Atlanta, Ga.
Howard Co., Gordon	Kansas City, Mo.
Hudson Fur Dyeing, Inc	Newark, N. J.
Iceland Fur Dyeing Co	Brooklyn, N. Y.
Interstate Clothing Co., and others	New York City.
Jefferson Island Salt Co., Inc	Louisville, Ky.
Johnson Candy Co., Walter H	Chicago.
Jordeau, Inc., Jean, and others.	South Orange, N. J.

Respondent	*Location*
Kahn Corporation, Edward M	New York City.
Kaumagraph Co., and others	Do.
Leipzig Importing Co	Newark, N. J.
Lincoln Extension University. Inc	Cleveland, Ohio.
Magic City Candy Co	Birmingham, Ala.
Maid-O-Best, Inc., and others	St. Paul, Minn.
Mallory Clothes, Inc	New York City.
McLean and Son, A	Chicago.
Meadow Brook Candy Co	Moline, Ill.
Mendoza Fur Dyeing Works, Inc	New York City.
Metro Manufacturing Co	Brooklyn, N. Y.
Mixer Medicine Co., and others	Hastings, Mich.
Moffett Medicine Co., C. J	Columbus, Ga.
Morton Salt Co	Chicago.
Moss Manufacturing Co., M. E., and others	Hartford, Conn.
Munk, Eugene	New York City.
Myles Salt Co., Ltd	New Orleans, La.
Nachman Spring-Filled Corporation	Chicago.
Nacto Cleaner Corporation	New York City.
National Association of Ladies' Handbag Manufacturers, and others	Do.
National Civil Service Institute	Muncie, Ind,
New Art Plating Co., and others	New York City.
Norwood Pharmaceutical Co., Inc	Chicago.
Norwood Pharmaceutical Laboratories	Philadelphia.
Oakland Fur Dyeing, Inc	Brooklyn, N. Y.
Odora Co	New York City.
Old Hickory Mills, and others	Nashville, Tenn.
Ossola Bros., Inc	Pittsburgh.
Pabst Chemical Co	Chicago.
Peanut Specialty Co	Do.
Preferred Toiletries, Inc., and others	New York City.
Progressive Education Society, and others	Madison, Wis.
Puritan Stationery Co	Philadelphia.
Queen Anne Candy Co	Hammond, Ind,
Raffy Parfurns, Inc	New York City.
Riviere Perfumes, Inc., Jules V	Do.
Rock-Oha Manufacturing Corporation	Chicago.
Ross, B. M	Do,
Ryan Candy Co	Dallas, Tex.
Schultz & Hirsch Co	Chicago.
Schwartz & Co., Inc	Philadelphia.
Schwartz & Sons, A	Do.
Scientific Products, Inc	St. Louis.
Sifers Confection Co	Kansas City, Mo.
Singer & Bro., Inc., Philip A	Newark, N. J.
Southern Crushed Shell Co	Sioux City, Iowa.
Southern Milling Co	Nashville, Tenn.
Southern New York Candy Distributors Association and others	Binghamton, N. Y.
Southington Remedy Co., Dr	Kansas City, Mo.
Standard Handkerchief Manufacturing Co	New York City.

Respondent	*Location*
Stempel Bros., Inc	New York City.
Sutton Brothers, Inc	Do.
Thayer Pharmacal Co., and others	Chicago.
Thinshell Candies, Inc	Do.
Ucanco Candy Co., Inc	Davenport, Iowa.
Union Concession Co	Chicago.
United Remedies, Inc	Do.
United States Envelope Co	Springfield, Mass.
Universal Parts Manufacturing Corporation	Chicago.
Universal Theatre Concession Co	Do.
Van Dye Way Corporation	New York City.
Wallace Co., Hugh	Detroit.
Washington Sea Food Dealers Association , and others	Washington, D. C.
Weiss Shirt Co	New York City.
Wolfson Trading Co	Do.
York Radio Co	Do.
Ziegler Co., George	Milwaukee, Wis.

Representative cases resulting in orders to cease and desist issued during the fiscal year are described below. Unless otherwise indicated, these orders pertain to violations of the Federal Trade Com mission Act.

INTERFERENCE WITH CONTRACTUAL RELATIONS

Globe Automatic Sprinkler Co. of Pennsylvania, New York City.--The respondent in this case is one o£ a number of companies manufacturing an d installing complete automatic-sprinkler systems as a protection against fire. Other members o£ this industry, so-called "independents", manufacture only certain automatic devices which are a part o£ such systems The members o£ this latter group do no installation work and their customers are principally local installing contractors. It is their custom, and has been for many years, to enter into term contracts with these local contractors under which the contractor agrees to purchase and use only the devices o£ that particular manufacturer. An installation contractor under such a contract is generally known in the trade as a "licensee" of the manufacturer.

The respondent was ordered to cease from maliciously interfering with the contractual relationship between its competitors and their licensees by selling or offering to sell devices to the licensees at reduced or cut prices for the purpose of injuring competitors and suppressing competition.

MISREPRESENTATION AS MANUFACTURER

Schwartz & Co., Philadelphia.--A rule o£ the Official Classification Committee of the Eastern Railroads provides that goods offered for transportation packed in fiber-board boxes take a higher freight

rate unless the box has stamped thereon a certificate o£ the boxmaker to the effect that it meets certain standard strength tests.

Respondent, a dealer in, but not the manufacturer of, fiber-board boxes, was found to be purchasing fiber-board boxes from a manufacturer upon which it caused the manufacturer to stamp this "Certificate of boxmaker" in the name of the respondent. Respondent then sold the boxes bearing this false certificate to shippers. Respondent was ordered to cease and desist buying and selling in inter-state commerce boxes so falsely stamped, or from in any other manner representing itself to be the maker of boxes made by others.

INTERFERENCE WITH SOURCE OF SUPPLY OF DEALERS IN BACK-NUMBER MAGAZINES

Butterick Publishing Co. and others, New York City.-The respondents in this case were a group of eight publishers and distributors of magazines and other periodicals with headquarters in Greater New York. Their combined issues exceeded 12 million copies at each issue. Their distribution was to the wholesaler, who in turn sold to newsstands and other retail dealers.

Publishers and distributors of magazines for several years had followed the practice of supplying the wholesaler, and the wholesaler in turn had supplied the retailer with a liberal number of copies to meet the probable demand, with the understanding that the wholesaler would reimburse or credit the retailer in the amount of the purchase price o£ all copies remaining unsold at the end of the current period, and the publisher in turn would so adjust with the wholesaler. The custom also had been to return to the wholesaler and to the publisher only the cover of the unsold magazine which was considered as evidence that the copy remained unsold at the end of the current period. The wholesaler and retailer were then privileged to sell for their own accounts as waste paper the body of the magazines, known as "coverless" magazines or "returns."

In the fall of 1932, these respondents, with several other distributors no longer in business, met and formed the special committee on magazine distribution to take action on what they considered the " menace" of back-number magazines being offered for sale by the news dealers along with current issues.

The retail dealers' sources o£ supply of back-number magazines were certain concerns which made a business of collecting back-number, second-hand copies, principally from waste-paper dealers, the Salvation Army, and similar organizations, and distributing them to dealers, usually those already engaged in the retail magazine business. The retail sale price of the back-number magazine was but a fraction o£ its price while current.

The special committee demanded o£ the wholesalers, particularly those located in eastern Massachusetts, that they in form the retail dealers to whom they supplied current issues that they could no longer handle both current and back-number magazines, and that if the retailers did not cease handling the back numbers further supplies of current issues would be denied them. The result was that approximately half the dealers in back-number magazines in that area discontinued handling them. The special committee also sought to interfere with the sources o£ supply of the distributors of back numbers.

The Commission ordered the respondents to cease and desist from preventing or seeking to prevent, by agreement, combination or concert of action, any person, firm or corporation from selling to distributors thereof or dealers therein second-hand or back-number magazines lawfully owned by them, or seeking to prevent, or causing wholesalers to prevent, retailers o£ magazines from buying and selling second-hand or back-number magazines.

A proviso was added to the order that nothing therein should prevent the respondents from taking such action against wholesalers and retailers of their magazines as might be reasonably necessary to prevent the placing on sale of the coverless magazines or returns for which the publishers had reimbursed the wholesalers and retailers.

PRICE FIXING BY CONSPIRACY

National Association of Ladies' Hand Bag Manufacturers, and others, New York City.--On February 20, 1935, the Commission issued an order against the National Association of Ladies' Hand Bag Manufacturers, its officers, executive committee, and a majority of its members, requiring them to cease and desist from carrying out a policy which they entered upon in May 1934, to fix and maintain uniform prices charged by them for ladies' hand bags sold to retailers and to fix and maintain uniform prices to be charged the purchasing public by retailers of hand bags purchased £rom the respondent manufacturers.

MISREPRESENTATION IN SALE OF SHOES

H. Gordon, New York City.--In an order issued March 9, 1935, the Commission required the respondent, owner of a wholesale shoe business, to discontinue use of the word "Doctor", or the abbreviation "Dr." in the advertising or designation of shoes sold by him, or in any way which might have a tendency or capacity to confuse, mislead, or deceive purchasers into the belief that such shoes were made in accordance with the design or under the supervision of a

doctor, or contained special scientific or orthopedic features which were the result of medical advice, or services, when such was not the fact.

The Commission found that this respondent had caused the words " Doctor Gordon's Health-O-Pedic" to be stamped on the sole of a certain brand of shoes sold by him in interstate commerce, and that he caused two other brands to be labeled as "Dr. Gray's Style-Fit Health Shoe", and "Dr. Williams' Arch Support."

It was further found that these shoes were not made in accordance with any design or under the supervision of a doctor and did not contain special orthopedic or scientific features that were the result of medical advice, nor was such footwear manufactured or constructed for the purpose of correcting or alleviating any foot trouble or weakness of the feet.

MISLEADING ADVERTISING--BRIAR PIPES

The Briarwood Corporation, Cleveland.--The Commission, in a proceeding against this corporation, found that smoking pipes manufactured and sold by it were fabricated from ground briar root, to which a binder had been added, the resulting plastic mass then being molded under pressure into various desirable shapes; and that, while the wood content of the pipes so fabricated consisted of genuine ground briar root, the pipes so constructed were not made from the briar root in its natural form; and that the representations made by the respondent in aid of the sale of its pipes were exaggerated and misleading, and had the capacity and tendency to mislead and deceive purchasers into the erroneous belief that the pipes in question were made from natural grown briar root and carved or fashioned from the solid block.

The Commission's order prohibited use of such expressions as " Made from genuine imported briar root" and " Briar Kobs", unless these phrases were used in conjunction with the word " ground " or some other word of like import conspicuously displayed.

EXAGGERATED CLAIMS FOR CARDBOARD " CEDAR" CHESTS

Odora Co., New York City.-Unfair methods of competition in the sale of storage chests were prohibited in an order issued by the Commission, November 5, 1934, against this company, a manufacturer of cardboard chests.

Among the methods of competition enjoined was the representation of cardboard storage closets and chests as "cedar" or "cedarized", unless the closets and chests were so built that they would keep out

clothes moths, and also unless they maintained a concentration of vapor from cedar oil sufficient, as a fumigant, to kill young moth larvae during any part of a 7-month storage period.

Certain competitive chests, according to the findings, were made substantially airtight and of red cedar wood in the body proper, ranging from a minimum of 70 percent of three-quarter inch thick-ness of this wood up to 100 percent.

Chests containing the 70 percent minimum of red cedar wood were found to furnish an atmosphere that prevented moth larvae from developing into clothes moths. It was brought out that even air-tight wood chests of the same size as Odora cardboard chests, if they contained only 40 percent of three-quarter inch cedar board, did not prevent eggs of clothes moths from developing into larvae which would damage stored clothes.

Storage receptacles manufactured by Odora were made of kraft corrugated cardboard, each chest containing a piece of paper called a cedar retainer which was sprayed with one ounce of cedar and pine oil compound. According to the findings, cardboard is permeable to air and to gas or vapor from the cedar and pine oils and, in addition, the chests have openings at their joints large enough for air and moths to enter.

MISBRANDING AND MISLABELING-- HUDSON SEAL"

Great Northern Fur Dyeing & Dressing Co., Inc., Long Island, N. Y., and others.-- The Commission, on May 16, 1935, entered a modified cease and desist order directing nine respondents engaged in the dressing and dyeing of furs in New York City and vicinity to cease and desist from certain misleading representations.

The modified order provides that the term "Hudson Seal" may be used to describe the color or character of the dye of muskrat fur, such as "Hudson Seal-dyed Muskrat", but the word "Hudson , alone or in connection with other words, may not be used to describe dyed cony (rabbit) fur. The order provides that the description for cony dyed to simulate seal shall be "Seal-dyed Cony."

The modified order applies to the following respondents: Great Northern Fur Dyeing & Dressing Co., Inc., and others, Long Island, N. Y.; Mendoza Fur Dyeing Works, Inc., and Van Dye Way Corporation, of New York City; Oakland Fur Dyeing, Inc., and Iceland Fur Dyeing Co., of Brooklyn, N. Y.; Bayonne-Newland Fur Dressers & Dyers, Inc., Jersey City, N.J.; A. Hollander & Son, Inc., and others, Joseph Hollander, Inc., and Philip A. Singer & Bro., Inc., all of Newark, N. J.

USE OF EXCESSIVE MARK-UP LABELS

Nachman Spring--Filled Corporation and the Schultz & Hirsch Co., both of Chicago.--During the fiscal year, cease and desist orders were issued by the Commission against both of these concerns, the former being a manufacturer and distributor of spring units, known as "Nachman Springs ", for use in and as part of inner-spring mat-tresses and box-spring mattresses or upholstered box Springs; and Schultz & Hirsch Co. being a manufacturer and distributor of the finished mattresses.

In both instances, the complaint charged the respondents with using excessive mark-up labels which, in the hands of the dealers, it was alleged, had a tendency to deceive purchasers into believing that the articles were being offered at greatly reduced prices, when this was not true.

Both respondents waived hearing on the complaints and consented to the issuance of cease and desist orders. These orders required that no price marks or labels shall be used which do not represent a. true estimate of the price at which the finished mattresses are to be offered for resale in order to prevent ultimate purchasers from being given a wrongful impression as to price concessions.

MISREPRESENTATION-COUNTRY OF ORIGIN

United states Envelope Co., Springfield, Mass.--This company, a manufacturer and importer of paper used in printing books and for stationery, was charged by the Commission with using trade names which had a tendency to deceive the purchasing public into believing that paper made in the United States was manufactured in certain foreign countries and imported. The Commission's order directed the respondent to:

Cease and desist from the use of the words "Japan", and "Oxford" and from the use of each of them, and of any other word or words which may imply or import foreign origin of the paper, as the brand name or as part of the brand name or designation of paper made in the United States, either in the watermark of the paper or in advertisements in news-papers, periodicals, sample books or other publications, or otherwise, unless and until the words or phrase "Made in U. S. A." be printed in legible letters immediately in connection therewith.

FALSE AND MISLEADING ADVERTISING--DEPILATORIES

Jean Jordeau, Inc., South Orange, N. J., and Bertha E. Lefrie, New York City.--Selling a wax-like substance called "Zip Epilator" and "Zip Depilatory Cream", these respondents were directed to cease advertising or otherwise representing that either product, by

application for removal of superfluous or other hair from the body, will cause such hair to be removed, so that, after its removal, hair will not again grow at the place where either of the depilatories was applied.

Jean Jordeau, Inc., manufactures its products in South Orange, N. J., selling them in various States and maintaining a salon for their sale in New York City. This place of business is in charge of Bertha E Lefne, vice president of Jean Jordeau, Inc., who is known to patrons as "Madame Berthe."

These respondents were also ordered to discontinue representing that their preparations destroy the cause of the growth of hair, or that application brings lasting results in preventing growth of superfluous or other hair. They were also not to assert that "Zip Epilator "is pleasant to use or that " Zip Depilatory Cream " is safe or harmless and leaves no irritation of the skin. Relying on medical opinion, the Commission reported that the two products would not accomplish the things attributed to them, but that the "Zip Epilator " would cause pain to some persons, while the cream was not safe and harmless in all cases and might cause irritation of the skin from which dermatitis might result for some persons.

TYPES OF UNFAIR COMPETITION

PRACTICES CONDEMNED IN ORDERS TO CEASE AND DESIST

The following partial list shows unfair methods of competition condemned by the Commission from time to time in its orders to cease and desist issued under section 5 of the Federal Trade Commission Act. These do not include Clayton Act violations, which, under the jurisdiction of the Commission, embrace, subject to the various provisions of the statute, price discrimination (sec. 2, Clayton Act), tying and exclusive contracts or dealings (sec. 3, Clayton Act), corporate-stock acquisitions (sec. 7, Clayton Act), and inter-locking directorates (sec. 8, Clayton Act).

The list is as follows:

1. The use of false or misleading advertising, calculated to mis-lead and deceive the purchasing public to their damage and to the injury of competitors.

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

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

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

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

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

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

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

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

10. Selling rebuilt, second-hand, renovated, or old products or articles made from used or second-hand materials as and for new.

11. Paying excessive prices for supplies for the purpose of buying up same and hampering or eliminating competition.

12. Using concealed subsidiaries, ostensibly independent, to secure competitive business otherwise unavailable.

13. Using merchandising schemes based on a lot or chance.

14. Cooperative schemes and prices for compelling wholesalers. and retailers to maintain resale prices fixed by a manufacturer or distributor for resale of his product.

15. Combinations or agreements of competitors to enhance prices,. maintain prices, bring about substantial uniformity in prices or to divide territory or business, to cut off competitors' sources of sup-ply, or to close markets to competitors, or otherwise restrain or hinder free and fair competition.

16. Various schemes to create the impression in the mind of the prospective customer that he or she is being offered an opportunity

to make a purchase under unusually favorable conditions when such is not the case, with capacity and tendency to mislead and deceive many of the purchasing public into buying products involved in such erroneous belief, and/or with the effect so to do, to the injury and prejudice of the public and of competitors, such schemes including--

(*a*) Sales plans in which the seller's usual price is falsely represented as a special reduced price made available on some pretext for a limited time or to a limited class only.

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

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

(*d*) Use of pretended, exaggerated retail prices in connection with or upon the containers of commodities intended to be sold as bargains at lower figures.

17. Imitating or using standard containers customarily associated in the mind of the general purchasing public with standard weights or quantities of the product therein contained, to sell to the public such commodity in weights or quantities less than the aforementioned standards, with capacity and tendency to deceive the purchasing public into believing that they are purchasing the quantities generally associated with the standard containers involved, and/or with the effect of so doing, and with tendency to divert trade from and otherwise injure the business of competitors who do not indulge in such practices, and/or with the effect of so doing, to the injury of such competitors and to the prejudice of the public.

18. Concealing business identity in connection with the marketing of one's product, or misrepresenting the seller's relation to others; e. g., claiming falsely to be the agent or employee of some other concern or failing to disclose the termination of such a relationship in soliciting customers of such concerns, etc.

19. Misrepresenting in various ways the advantages to the prospective customer of dealing with the seller, with the capacity and tendency to mislead and deceive many among the consulting public into dealing with the person or concern so misrepresenting, in reliance upon such supposed advantages, and to induce their purchases thereby, and/or with the effect of so doing, to the injury and prejudice of the public and of competitors, such as--

(*a*) Seller's alleged advantages of location or size.

(*b*) False claims of being the authorized distributor of some concern.

(*c*) Alleged endorsement of the concern or product by the Government or by nationally known business organizations.

(*d*) False claim by a dealer in domestic products of being an importer, or by a dealer of being a manufacturer, grower or nursery, or by a manufacturer of some product of being also the manufacturer of the raw material entering into the product.

(*e*) Being manufacturer's representative and outlet for surplus stock sold at a sacrifice, etc.

(*f*) Representing that the seller is a wholesale dealer, grower, producer, or manufacturer, when in fact such representation is false.

20. Use by business concerns associated as trade organizations or otherwise of methods which result, or are calculated to result, in the observance of uniform prices or practices for the products dealt in by them, with consequent restraint or elimination of competition, such as use of various kinds of so-called standard cost systems, price lists or guides, exchange of trade information, etc.

21. Obtaining business through undertakings not carried out and thorough dishonest and oppressive devices calculated to entrap and coerce the customer or prospective customer, with the result of deceiving the purchasing public and inducing purchases by many thereof, and of diverting and tending to divert trade from competitors who do not engage in such false, misleading, and fraudulent representations, all to the prejudice and injury of the public and competitors, such practices including-

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

(*b*) Obtaining agents to distribute the seller's products through promising to refund the money paid by them should the product prove unsatisfactory. and through other undertakings not carried out; and

(*c*) Obtaining business by advertising a " free trial " offer proposition when, as a matter of fact, only a " money-back " opportunity is offered the prospective customer.

22. Giving products misleading names so as to give them a value to the purchasing public or to a part thereof which they would not otherwise possess, with the capacity and tendency to mislead the public into purchasing the products concerned in the erroneous beliefs thereby induced, and with the tendency to divert and/or with the effect of diverting business from and otherwise injuring and prejudicing competitors who do not engage in such practices, all to the prejudice of the public and of competitors, such as names implying falsely that--

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

(*b*) They are composed in whole or in part of ingredients or materials, respectively, contained only to a limited extent or not at all; or

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

(*d*) They were made by some well and favorably known process, when, as a matter of fact, they were only made in imitation of and by a substitute' for such 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, 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, place or city considered of importance in connection with the public taste, preference or prejudice.

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

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

25. Coercing and enforcing uneconomic and monopolistic reciprocal dealing.

26. Entering into contracts in restraint of trade whereby foreign corporations agree not to export certain products into the United States in consideration of a domestic company's refusal to export the same commodity or sell to anyone other than those who agree not to so export the same.

27. Giving products a purported unique status or special merits or properties through pretended but in fact misleading and ill founded demonstrations or scientific tests, or through misrepresenting the history or circumstances involved in the making of the products or associated therewith, so as to give them a value to the purchasing public or to a part thereof which they would not other-wise possess, with the capacity and tendency to mislead the public into purchasing the products concerned in the erroneous beliefs thereby engendered, to the prejudice and injury of competitors and the public, as hereinabove set forth.

CASES IN THE FEDERAL COURTS

COMMISSION ACTIONS IN THE UNITED STATES COURTS

Federal Trade Commission cases pending in the United States courts for final determination during or at the close of the fiscal year are reviewed in alphabetical order in the pages immediately following. [3]

During the year, the Commission was sustained in 10 cases before the United States Circuit Courts of Appeals and reversed in none.

3 United States Circuit courts of appeals are designated First Circuit. Second Circuit, etc.

There were no cases pending in the Supreme Court of the United States.

Eight of the ten cases in which the circuit courts sustained the Commission were formal affirmances. In two cases the Court dismissed the applications for enforcement On joint motions of the Commission and the defendants because the latter had made satisfactory compliance with the Commission's orders to cease and desist. These two cases were: L. A. Crancer and G. B. Fleischman, of. St Louis, and George H. Lee Co., Omaha. The eight cases in which the courts affirmed the Commission's orders were: Armand Co., Inc., of Des Moines; Civil Service Training Bureau, Inc., Cleveland; Er Griffiths Hughes, Inc., Rochester, N. Y.; Inecto, Inc., New York City; Ironized Yeast Co., Atlanta; Walter H. Johnson Candy Co., Chicago; Maisel Trading Post, Inc., Albuquerque, N. Mex.; and E J. Wallace, of St. Louis.

Armand Co., Inc., Des Moines, Iowa.--This corporation, engaged since 1916 in the manufacture, preparation, and sale in interstate commerce of toilet articles and cosmetics, on October 8, 1934, filed with the second circuit (New York City) its petition to review and set aside the Commission's order to cease and desist in this case.

The Commission's order, based on extensive findings supported by evidence, required the company, " its officers, agents, representatives, and employees, in connection with the sale or offering for sale of its products in interstate commerce between and among the several States of the United States and in the District of Columbia", to cease and desist from--

(1) Entering into or procuring either directly or indirectly from wholesale or retail dealers contracts, agreements, understandings, promises, or assurances that respondent's products, or any of them, are to be resold by such wholesale or retail dealers at prices specified or fixed by the Armand Co., Inc.

(2) Entering into or procuring either directly or indirectly from wholesale dealers contracts, agreements, understandings, promises, or assurances that Armand products are not to be resold by such wholesalers to price cutting retail dealers.

The case was argued June 7, and decided in favor of the Commission July 1, 1935 (78 F. (2d) 707). The Court after summarizing the facts found by the Commission, concluded:

It was found as a fact by the Commission that the chief objective of petitioner's merchandising policy was the maintenance of the wholesale and retail prices suggested by the petitioner for its products, and that the direct effect of petitioner's practices had been and now is to suppress competition among wholesalers and between retail dealers engaged in the distribution and sale of petitioner's products. The further effect was the constraint imposed upon wholesale and retail dealers in selling petitioner's products at prices fixed by the petitioner, and the preventing of sale by such dealers of petitioner's products at prices which such dealers desired, thereby depriving the ultimate purchaser of petitioner's products of that advantage of price which otherwise

would be theirs in a natural and unobstructed flow of commerce under free competition.

The Commission concluded that the petitioner's practices were to the prejudice and injury of the public and constituted unfair methods of competition in commerce and a violation of section 5 of the Trade Commission Act. The findings of the Commission are amply supported by the evidence. The evidence supports the finding that by agreements between petitioner and its dealers it maintained prices and prevented those who would not do so from securing petitioner's products.

* * * * * * *

This petitioner dealt with 39,000 retail druggists out of a total of 56,000, and 247 wholesale druggists out of a total of 550. The wholesalers and retailers were in competition with each other in the sale of petitioner's products. This is a kind of competition between wholesalers and retailers of a product of a single manufacturer which was intended by the decisions of the courts to be free and open. The policy in question had a tendency to stifle competition and was unlawful.

Battle Creek Appliance Co., Ltd., Battle Creek, Mich.--This concern, January 11, 1935, filed with the sixth circuit (Cincinnati) a petition to review and set aside the Commission's order to cease and desist in this case.

The order in question, which is based on findings of facts sup-ported by evidence, was directed against what the Commission found to be false, misleading, and deceptive statements and representations concerning respondent's treatment for goiter. Among other things, it directed respondent to cease and desist from representing in any manner-testimonials, endorsements, newspaper and magazine advertising, radio broadcasts, etc.--

(1) That goiter can be or has been correctly diagnosed by said respondent from answers made by the laity to questions propounded by respondent through the mails;

(2) That the presence of goiter can be determined or the type of goiter can be diagnosed without personal examination of a patient by a skilled physician;

(3) That said respondent can or has successfully treated goiter by mail;

(4) That said respondent can or has successfully treated goiter patients in their homes without the personal supervision and services of a skilled physician in such treatment.

At the close of the fiscal year the record had been printed and the case was awaiting briefs and argument.

Civil Service Training Bureau, Inc., Cleveland.--Application for the enforcement of its order to cease and desist in this case was filed by the Commission March 9, 1935, with the sixth circuit (Cincinnati). Also, there was filed a printed transcript of the record. The Commission's brief was filed March 27.

The order directed the corporation, which is engaged in selling, in interstate commerce, correspondence courses designed to prepare students for civil-service examinations, to cease and desist from the

use of "Civil Service" and "Bureau" in its name, and prohibited the use of any other word or expression implying or suggesting a connection with the United States Civil Service Commission or the United States Government, as well as other misleading representations.

The respondent's brief was filed May 16, and the case argued June 3, 1935. The court, June 29, 19359 handed down its opinion (citation not available) which was, in the main, a complete affirmance of the Commission's order. Concerning respondent's contention that the Commission was without jurisdiction because it was constituted for the purpose of dealing with cases involving the sale of commodities in interstate commerce, and that, while the respondent conducted an interstate business, it was not dealing in commodities, but was selling a service, the court said:

> The first contention is untenable. The act applies to unfair methods of com petition "in commerce", commerce being defined as including "commerce among the several states." * * * In *International Textbook Co.*, v. *Pigg* (217 U. S. 91, 107), the court held that intercourse or communication between persons in different States by means of correspondence through the mails is commerce among the States within the meaning of the Constitution, especially where such intercourse and communication relate to regular continuous business and to the making of contracts and the transportation of books, papers, etc., pertaining to such business. That decision squarely involved the selling of service by a correspondence school in interstate transactions, and is controlling here.

Concerning the use of " Civil Service " and " Bureau " in respondent's name, the court said:

> The similarity of the name " Civil Service Training Bureau, Inc.", with that of the United States Civil Service Commission in itself operates to create the false impression that this private institution has a governmental connection. A number of witnesses testified in substance that the name made them think that the school was an adjunct of the Government. These facts Justified the Com mission in issuing that part of its order embodied in paragraphs 1 and 3.

L. A. Crancer and G. B. Fleischman, St. Louis--The Commission, January 2, 1935, filed with the eighth circuit (St. Louis) an application for the enforcement of its order to cease and desist against L. A. Crancer and G. B. Fleischman, of that city. There were also filed a transcript of the proceedings before the Commission and a brief on the merits.

The application disclosed that Messrs. Crancer and Fleischman, copartners engaged in selling pipe fittings in interstate commerce, were trading under the names of Mid-Valley Steel Co., General Machine & Foundry Co., Western Steel & Castings Co., and National Fittings Co., in simulation of the names of large corporations engaged for a long time in the manufacture and sale of products adapted to the same purpose and use. Among other things, the

Commission's order forbade representations to the effect that respondents, or any company the name of which might be employed by them, were manufacturers, and that purchasers from them would save the middleman's profit, when such was not the fact.

On joint petition filed by counsel for the Commission and respondents, March 20, 1935, the court entered an order dismissing, without prejudice, the Commission's application for enforcement. The petition recited that since the institution of the suit, the respondents had filed with the Commission a supplemental report showing compliance with the order for the enforcement of which the proceeding was instituted. Upon this basis, the Commission joined with respondents and asked for withdrawal of the suit (76 F. (2d) 1008).

Fairyfoot Products Co., Chicago.--This corporation, on January 14, 1935, petitioned the seventh circuit (Chicago) to set aside the Commission's order concerning the company's sale and distribution of a medicated pad called "Fairyfoot " as a treatment for bunions. The Commission found that respondent's representations had the capacity and tendency to and did deceive retail merchants and the using public, and diverted business from competitors honestly representing their products and preparations.

The Commission order directed the respondent, and its officers, agents, and employees, to cease and desist from representing in advertising matter circular letters, radio broadcastings, or otherwise, in connection with the interstate sale of its product:

> That the treatment is approved by leading physicians and surgeons; that, by the use of "Fairyfoot", bunions are dissolved, pain is stopped instantly, or almost instantly, and permanent relief follows; the foot again resumes its natural appearance and shape; bunion suffering is ended completely, the normal functions are stimulated; the absence of irritation and the continuous massage of the plaster plus the special "Fairyfoot " formula gradually reduces the bunion hump; that "Fairyfoot " gently dissolves the swelling caused by inflammation and should restore the foot to its normal appearance; it brings sure and certain relief from bunion suffering and the user can know the pleasure of bunion-free feet, etc.

At the close of the year, the record had been printed, and petitioner's brief filed.

Hires Turner Glass Co., Philadelphia.--On August 24, 1934, the Commission filed with the third circuit (Philadelphia) an application for the enforcement of its order in this case. There were also tiled the printed transcript and brief for the Commission.

The order directed the respondent to cease and desist from designating mirrors having thereon a protective coating consisting of a mixture of shellac and powdered copper, by such descriptions as copper back " mirrors, " copper backed " mirrors, mirrors "backed with copper", or by other word, words, or expressions of the same meaning or like import.

The Commission found the respondent to be in competition in interstate commerce with the makers of the electrolytic type of copper-back " mirrors and also with the makers of ordinary mirrors. The findings held that "the representations of respondent as aforesaid in regard to its said mirrors have had and do have the tendency and capacity to confuse, mislead, and deceive the trade and members of the purchasing public into the belief that such mirrors are backed with a continuous sheath or film of solid metallic copper which is adherent to the reflecting medium or that it is backed with such a film of copper deposited thereon by the electrolytic process. " Such erroneous beliefs, it was found, had a capacity and tendency to induce the purchase of respondent's mirrors and to divert trade to respondent from competitors engaged in selling ordinary mirrors and also "copper back " mirrors made by the electrolytic process.

Respondent's brief was filed September 27, 1934, and the case was argued October 10, 1934. At the close of the fiscal year, it was awaiting decision.

E. Griffiths Hughes, Inc., Rochester, N. Y.--This company, on September 15, 1933, filed with the second circuit (New York City) its petition asking that the Commission's order to cease and desist be annulled and set aside. The Commission's order was based on findings to the effect that this concern, engaged in the sale in interstate commerce of proprietary preparations known as "Kruschen Salts " and "Radox Bath Salts", falsely represented its Kruschen Salts as a cure or remedy for obesity, and that its Radox Bath Salts, when used in the bath and as otherwise directed, radiated oxygen in great quantities and sufficiently to produce an invigorating and energizing effect.

Developments during the fiscal year have been: Filing of the printed transcript and briefs for both parties, argument on May 9, 1935, and decision of the second circuit, June 3, 1935 (77 F. (2d) 886), affirming the Commission's order.

Referring to the product "Kruschen Salts", the court said that "the evidence sufficiently supports the finding that it would not reduce fat or act as a remedy for obesity", and that--

> The public had an interest because of false advertising and misstatements ns to the qualities and the results of the use of these salts. Such practice may be restrained. *Fed. Trade Comm.* v. *Winsted Hosiery Co.*, 258 U. S. 483, 493; *Fed. Trade Comm.* v. *Raladam Co.*, 283 U. S. 643. Such unfair methods of competition Justify the order entered when the public has an interest in its prevention.

Concerning "Radox Bath Salts", the court asserted that "there was no warrant for the exaggerated statement that 'it radiates great quantities of oxygen', or the implication that it has thera-

peutic effect and that the use of Radox at home would produce results equal to treatment at spas."

In conclusion, the court said:

Petitioner's methods have been found to be unfair in that its representations in regard to its products are misstatements of fact and are misleading. The products are sold in interstate commerce and in competition with the products of other manufacturers. Selling by the use of false and misleading statements necessarily injures or tends to injure petitioner's competitors. *Fed. Trade Comm.* V. *Winsted Hosiery Co.,* supra; Fed. *Trade Comm.* v. *Artloom Corp.,* 60 Fed. 2d. 36. Such injury to competitors or tendency to injure, fully establishes the public interest. Therefore, there was jurisdiction under section 5 of the Federal Trade Commission Act.

The petitioner has announced its intention of applying to the Supreme Court for a writ of certiorari to review the decision of the Court of Appeals.

Inecto, Inc., New York Cit y.-The Commission's case against this hair-dye manufacturer was concluded, February 18, 1935, by entry of a consent decree in the second circuit (New York City). The proceeding was instituted June 15, 1933, when the Commission filed with the court an application for enforcement of its order tor cease and desist.

The decree affirmed the Commission's order and prohibited the corporation from advertising that its hair dye, theretofore sold as "Inecto Rapid Notox ", and also referred to as "Notox", "Inecto", or "Inecto Rapid", was safe and harmless or was nontoxic or nonpoisonous or that it did not contain toxic, poisonous, or deleterious ingredients or properties. Use of the "Notox" designation and of purported consumer testimonials and endorsements which were not genuine, were also forbidden.

The decree was made subject to a provision that it was not to be construed as barring Inecto, Inc., from representing that the hair dye formerly sold under the name "Notox" might be used with reasonable assurance of safety by those who were in good health and had no scratch or abrasion on the scalp and showed no unfavorable reaction to the "behind-the-ear" test for toxic reaction or skin irritation and had no idiosyncrasy or susceptibility to dyes of this character. It was provided, however, that in connection with such representation the company was also to set forth prominent cautioning and warning to the public that the product was harmful and injurious in its effects upon various persons and that, before using, the "behind-the-ear" test for toxic reaction and skin irritation should be made in determining whether it would be safe for the individual to use the product on her hair.

Ironized Yeast Co., Atlanta, Ga.--J. G. Dodson and Mrs. C. M. Dodson (his wife), a partnership trading under the name and style

of Ironized Yeast Co., on September 19, 1934, filed with the sixth circuit (Cincinnati) a petition to review and set aside the Commission's order to cease and desist entered against them.

The Commission's order, which was based on findings supported by evidence, required the respondents to cease and desist from making certain extravagant assertions concerning the medicinal proper-ties of their product "Ironized Yeast" i. e., that the use of this product would cause to vanish over night, indigestion, constipation, nervousness, the tired feeling, or skin eruptions; that skinny or scrawny persons or those deficient in shape or from could by use of this product develop well-rounded and curved limbs and otherwise become transformed into shapely persons, and similar representations.

The case was argued May 17, 1935, and on June 3, *1935,* the court affirmed the Commission's order.

Walter H. Johnson Candy Co., Chicago.--Petition to review and set aside the Commission's order of November 5, 1934, prohibiting lottery methods in the sale of candy, was filed by this corporation, December 17, 1934, with the seventh circuit (Chicago).

After briefs and argument (May *15,* 1935), the court., on June 29, 1935 (78 F. (2d) 717), affirmed the Commission's order. Pertinent excerpts from the opinion follow:

> It is contended by petitioner that the order which it challenges rests upon a record from which much of the evidence offered by petitioner was improperly excluded.
>
> * * * * * * *
>
> The Commission properly excluded this evidence as irrelevant to the issues before it. Several manufacturers had testified that they felt the practice of selling these candies to be unscrupulous and that they could not descend to such a practice and were therefore put to an unfair disadvantage in their business. That not all manufacturers believed the practice to be dishonest or that these manufacturers were mistaken in their beliefs was clearly Immaterial and irrelevant. The very recent case of *Federal Trade* Commission v. *Keppel & Bro.,* 291 U. S. 304, involved facts strikingly similar to those here. The court there said:
>
> " * * * a trader may not, by pursuing a dishonest practice, force his competitors to choose between its adoption or the loss of their trade. A method of competition which casts upon one's competitors the burden of the loss of business unless they will descend to a practice which they are under a powerful moral compulsion not to adopt, even though it is not criminal, was thought to involve the kind of unfairness at which the statute was aimed."

George H. Lee Co., Omaha, Nebr.--The Commission, on February 5, 1935, filed with the eighth circuit (St. Louis) an application for enforcement of its order in this case, accompanied by the printed transcript of the record and brief.

The Commission's order, issued January 20, 1933, directed the corporation of this name, and its agents etc., in connection with the sale or offering for sale in interstate commerce of products of the

same composition as those designated as "Germozone" and "Gizzard Capsules", to cease and desist from directly or indirectly representing:

(1) With reference to "Germozone" that its use alone constitutes a proper and sufficient treatment or remedial or preventive measure for those certain specific diseases and conditions in poultry known as bacillary white diarrhoea, pullorum disease, blackhead, limber neck, coccidiosis, diphtheria, and aspergillosis, and

(2) With reference to " Gizzard Capsules" that their use alone will serve to rid fowls of either pin worms or tape worm heads.

On joint motion of the parties, April 10, the court entered an order dismissing the application for enforcement (76 F. (2d) 1008).

Dismissal was requested because the Lee company, since issuance of the order, "has made substantial changes in the constituent ingredients of the certain remedial preparation referred to in said order to cease and desist, to wit : Gizzard Capsules, for the purpose of increasing the efficacy thereof, according to the joint motion. These changes were deemed to have "removed said product from the scope of the terms of said order to cease and desist", and it was said that "there is no public interest to be served by the further prosecution of this case."

Maisel Trading Post, Inc., Albuquerque, N. Mex.--The Commission, on November 1, 1934 filed with the tenth circuit (Denver, Colo.) an application for enforcement of its order in this proceeding, also the certified transcript of record, with original exhibits, and a printed condensation of the record ordered by the court.

After briefing the case was argued on the merits, January 30, *1935,* and the court, May 1, 1935 (77 F. (2(1) 246) affirmed the Commission's order prohibiting the description of silver jewelry products made partly by machinery as "Indian", or "Indian-made", unless it was shown in such description whether the products so described had been rolled, pressed, or partly ornamented by machinery.

The court broadened the Commission's order so as to include specification by the respondent of additional mechanical processes used in the production of the jewelry, saying, in this connection, that-

if the public is entitled to be advised along the line of distinguishing articles made through primitive methods and those manufactured through more modern methods, the field should lie covered thoroughly. While we believe in a technical sense that the evidence is sufficient to support and sustain the order of the Commission in its general purpose and intent, yet surely it should be modified ill such a way as to show, through label, stamp, catalog, or advertisement, that the process of manufacture is performed by Indians and to specify the steps in which there is a use of modern machinery as distinguished from the primitive methods.

Hearing on motion for modification of the decree was held June 25, 1935.

Walker's New River Mining Co., Elkins, TV. Va.-The Commission filed with the fourth circuit (Richmond), April 20, 1935, an application for enforcement of its order to cease and desist in this case, also a printed transcript of the record, and brief for the Commission.

According to the Commission's findings of fact, the term "New River" is applied to a coal field or district in West Virginia within the counties of Fayette, Raleigh, and Greenbrier, near the New River, and numerous operators produce from mines in this field coal of a distinctly high grade, which they have advertised and sold for many years as "New River" coal. Because of its reputation, the name "New River", has become an asset of great value to the operators in this field. The respondent extracts coal from the Cheat Mountain coal field, in Randolph County, W. Va., but sells it in interstate commerce as "New River", coal. The Commission's order was to stop such practice.

The respondent's answer to the application for enforcement was filed May 20, and its brief on June 11. The case was argued at Asheville, N. C., June 13, and, at the close of the fiscal year, awaited decision.

E J. Wallace, St. Louis.--Application for enforcement of its order to cease and desist issued in this case, together with typewritten transcript of the record, was filed by the Commission on March 28, 1934, in the eighth circuit (St. Louis).

The order, based on findings supported by evidence, required this respondent, among others, to cease and desist from undertaking and cooperating together and acting in concert in hindering and preventing, or attempting to hinder and to prevent, directly or indirectly, the purchase and sale of coal in interstate commerce by and between producers, jobbers, and wholesale dealers therein, and individuals, firms, corporations, farm clubs, cooperative societies, church organizations, or others, consumers of coal or dealers therein, by the following methods, among others:

(1) Arbitrarily classifying sellers and purchasers of coal and shipments thereof as "Snowbird" shippers, "Snowbirds" and "Snowbird", shipments, respectively, or by any similar or other terms because of or according to the extent or degree of equipment owned by the said purchasers or employed by them in the sale, movement, or distribution of coal, or causing any such classification to be published in any trade paper, or other publication, or to be communicated to others or among themselves, in that or any other manner.

(2) Designating or causing to be designated, in articles or editorials in any trade paper or other publication, or in any other manner or by any other means, any individual, firm, corporation or

association, or groups thereof, as the vendor or purchaser of coal, or designating or causing to be designated, their shipments of coal, by using or causing to be used denunciatory, scurrilous, abusive, or derogatory language of and concerning them or either of them.

After argument, the court, on February 9, 1935, in a unanimous decision, after modifying the Commission's order so as to make it more effective, affirmed it, and entered a decree of enforcement in accordance with the terms thereof.

During the course of its opinion, the court made the following observations (75 F. (2d) 733):

> There can be little doubt that a combination among retail dealers to prevent competitors from engaging in business, anti from procuring the commodities essential to the conduct of such business, by means of threats and intimidation, is a violation of the letter and spirit of section 5 of the Federal Trade Commission Act, provided interstate commerce is thereby affected.
>
> * * * * * * *
>
> It is not a prerogative of private parties to act as self-constituted censors of business ethics, to install themselves as judges and guardians of the public welfare, and to enforce by drastic and restrictive measures their conceptions thus formed.
>
> In the consideration of this case we have examined the code exhibited by respondent, and we find in it nothing to support his contention that the action of the Federal Trade Commission upon the facts found is in conflict with the aims and purposes of the National Industrial Recovery Act.
>
> * * * * * * *
>
> It would be difficult to frame language more descriptive of the practices condemned by the Federal Trade Commission in the order sought to be enforced. Respondent receives no support in his appeal to the National Industrial Recovery Act. Nor do we find any impairment of the Federal Trade Commission Act under which the Commission is seeking to prevent any obstruction, through unfair methods of competition, to the free and natural flow of trade in the channels of interstate commerce.
>
> * * * * * * *
>
> The act requires this court, upon application for enforcement, to enter a decree affirming, modifying, or setting aside the order as the situation may warrant. In case of affirmance or modification that decree should be broad enough to give effective relief and to prevent evasion.
>
> * * * * * * *
>
> The respondent was made a party individually and as a commissioner of the Midwest Retail Coal Association. Accordingly to conform to the proofs, to give effective relief, and to prevent evasion, the order to cease and desist will be modified by inserting the words "or as individuals" in the opening clause thereof, which will then read as follows: "Cease and desist from undertaking and cooperating together and acting in concert, or as individuals, in hindering and preventing, etc."

TABLES SUMMARIZING LEGAL WORK OF THE COMMISSION AND COURT PROCEEDINGS, 1915-35

TABLE 1.--*Preliminary inquiries.*

	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924
Pending beginning of year	0	4	12	32	19	29	61	68	147	102
Instituted during year	119	265	402	611	843	1,197	1,070	1,223	1,234	1,568
Total for disposition	119	269	474	643	862	1,136	1,131	1,291	1,381	1,670
Closed after investigation	3	123	259	292	298	351	500	731	897	1,157
Docketed as applications for complaints	112	134	153	332	535	724	563	413	382	322
Total disposition during year	115	257	442	624	833	1,075	1,063	1,144	1,279	1,479
Pending end of year	4	12	32	19	29	61	68	147	102	191

	1925	1926	1927	1925	1929	1930	1931	1932	1933	1934	1935
Pending beginning of year	191	176	298	328	224	260	409	307	423	478	760
Instituted during year	1,612	1,483	1,265	1,331	1,469	1,505	1,380	1,659	1,593	2,151	847
Total for disposition	1,803	1,659	1,563	1,659	1,693	1,765	1,789	1,966	2,016	2,629	1,607
Closed after investigation	1,270	1,075	942	1,153	1,049	1,050	1,150	1,319	1,274	1,597	935
Docketed as applications for complaints	357	256	293	282	384	296	332	224	264	272	487
Total disposition during year	1,627	1,361	1,235	1,435	1,433	1,356	1,482	1,543	1,538	1,869	1,422
Pending end of year	176	298	325	224	260	409	307	423	478	760	185

CUMULATIVE SUMMARY TO JUNE 30,1935

Inquiries instituted	24,797
Closed after investigation	17,465
Docketed as applications for complaints	7,147
Total disposition	24,612
Pending June 30, 1935	185

TABLE 2.--*Export trade investigations*

	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
Pending beginning of year	53	35	79	43	10	16	29	42	40	27	17	8	4	0
Instituted during year	10	79	16	11	52	54	68	20	11	7	2	1	0	0
Total for disposition	63	114	95	54	62	70	97	62	51	34	19	9	4	0
Disposition during year	25	35	52	44	46	41	55	22	24	17	11	5	4	0
Pending end of year	35	79	43	10	16	29	42	40	27	17	8	4	0	0

CUMULATIVE SUMMARY TO JUNE 30, 1936

Investigations instituted	384
Total disposition	384
Pending June 30,1936	0

TABLE 3.--Applications for complaints

	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
Pending beginning of year	0	104	130	188	280	389	554	467	458	572	555
Applications docketed	112	134	153	332	535	724	426	382	416	377	340
Rescissions:											
To complaints	0	0	0	0	0	0	0	0	0	0	0
Settled by stipulations to cease and desist-C. T. E	0	0	0	0	0	0	0	0	0	1	1
Settled by stipulations to cease and desist- S. B. I	0	0	0	0	0	0	0	0	0	0	0
Settled by acceptance of T. P. C. rules	0	0	0	0	0	0	0	0	0	0	0
Dismissed for lack of merit	0	0	0	0	0	0	0	5	6	4	3
Closed for other reasons1	0	0	0	0	0	0	0	0	0	0	0
Total for disposition	112	238	283	520	815	1,113	980	854	880	954	909
To complaints	0	3	16	80	125	220	156	104	121	143	118
Settled by stipulations to cease and desist--C. T. E	0	0	0	0	0	0	0	0	0	3	5
Settled by stipulations to cease and desist--S. B. I	0	0	0	0	0	0	0	0	0	0	0
Settled by acceptance of T. P. C. rules	0	0	0	0	0	0	0	0	0	0	0
Dismissed for lack of merit	8	105	79	160	301	339	357	292	187	243	298
Closed for other reasons	1	0	0	0	0	0	0	0	0	0	0
Total disposition during year		8	108	95	240	426	559	513	396	308	389	421
Pending end of year	104	130	188	280	389	554	487	458	572	565	488	

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
Pending beginning of year	488	420	457	530	843	753	754	440	476	469
Applications docketed	273	292	334	679	535	511	378	404	376	913
Rescissions:										
To complaints	0	0	0	0	2	2	0	0	0	0
Settled by stipulations to cease and desist-C. T. E	1	0	2	2	3	5	3	3	1	6
Settled by stipulations to cease and desist-S. B. I	0	0	0	0	0	0	0	0	3	4
Settled by acceptance of T. P. C. rules	0	0	0	1	3	2	0	0	0	0
Dismissed for lack of merit	4	0	0	0	3	4	1	0	3	1
Closed for other reasons1	0	0	0	0	0	0	0	0	0	1
Total for disposition	766	712	793	1,212	1,389	1,277	1,136	850	859	1,394
To complaints	57	45	58	100	171	110	90	52	98	259
Settled by stipulation to cease and desist-C.T.E	102	80	68	118	244	160	123	96	111	228
Settled by stipulations to cease and desist-S.B.I	0	0	0	0	31	48	209	85	90	129
Settled by acceptance of T.P.C. rules	2	3	19	17	32	5	6	3	0	1
Dismissed for lack of merit	185	127	118	134	158	205	268	138	91	66
Closed for other reasons1	0	0	0	0	0	0	0	0	0	77
Total disposition during year	846	255	268	369	636	523	696	374	390	760
Pending end of year	420	457	530	843	753	754	440	475	469	634

CUMULATIVE SUMMARY TO JUNE 30, 1935

Applications docketed		8,626
Rescissions:		
To complaints		7
Settled by stipulations to cease and desist-C. T. E	2	28
Settled by stipulations to cease and desist-S. B. I		7
Settled by acceptance of T. P. C. rules		6
Dismissed for lack of merit		34
Closed for other reasons'		4
Total for disposition		8,709
To complaints		2,126
Settled by stipulations to cease and desist-C. T. E		1,338
Settled by stipulations to cease and desist-S. B. 1		587
Settled by acceptance of T. P. C. rules		88
Dismissed for lack of merit		3,859

Closed for other reason	77	
Total disposition		8,075
Pending June 30, 1935		634

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

2 C T. 0. designates stipulations concerning general unfair practices negotiated for the Commission by its chief trial examiner. S. B. I. means stipulations handled by the special board of investigation in cases of false and misleading advertising. T. P. C. indicates trade practice conference.

TABLE 4.--*Complaints*

	1915	1916	1917	1918	1919	1920	1921	1922	1923	1924	1925
Pending beginning of year	0	0	5	10	86	133	287	312	257	232	264
Complaints docketed	0	5	9	154	135	308	177	111	144	154	132
Orders to cease and desist:											
Contest	0	0	0	0	0	0	0	0	0	4	0
Consent	0	0	0	0	0	0	0	0	0	1	0
Default	0	0	0	0	0	0	0	0	0	0	0
Settled by stipulation, to cease and desist	0	0	0	0	0	0	0	0	0	0	0
Settled by acceptance of T.P.C rules	0	0	0	0	0	0	0	0	0	0	0
Dismissed for lack of merit.	0	0	0	0	0	0	0	1	0	1	1
Closed for other reasons 1	0	0	0	0	0	0	0	0	0	0	0
Total for disposition	0	5	14	164	221	441	465	423	402	392	396
Complaints rescinded	0	0	0	0	0	0	0	0	0	0	0
Orders to cease and deist:											
Contest	0	0	3	71	75	110	116	74	28	45	30
Consent	0	0	0	0	0	0	0	17	54	47	43
Default	0	0	0	0	0	0	0	0	0	0	0
Settled by stipulations to cease and desist	0	0	0	0	0	0	0	0	0	0	8
Settled by acceptance of T.P.C rules	0	0	0	0	0	0	0	0	0	0	0
Dismissed for lack of merit	0	0	1	7	13	44	37	75	88	36	97
Closed for other reasons 1	0	0	0	0	0	0	0	0	0	0	0
Total disposition during year	0	0	4	78	88	154	153	166	170	128	176
Pending end of year	0	5	10	86	133	287	312	257	232	264	220

	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
Pending beginning of year	220	152	147	136	198	275	225	208	144	115
Complaints docketed	82	76	84	149	172	110	92	53	97	280
Orders to cease and desist:										
Contest	0	0	1	0	0	0	0	0	0	0
Consent.	0	0	0	0	0	0	1	0	0	0
Default	0	0	0	0	0	0	0	0	0	1
Settled by stipulations to cease and desist	0	0	0	0	0	0	0	0	0	0
Settled by acceptance of T.P.C rules	0	0	0	0	0	0	0	0	0	0
Dismissed for lack of merit	0	1	0	0	0	0	0	0	0	0
Closed for other reasons	0	0	0	0	0	0	0	0	0	0
Total for disposition	282	229	212	285	370	385	318	261	241	396
Complaints rescinded	0	0	0	0	3	2	1	3	0	0
Orders to cease and desist:										
Contest	28	34	38	56	36	87	39	37	39	54
Consent	16	18	8	7	11	14	18	25	61	70
Default	0	0	2	4	1	7	6	4	11	2
Settled by stipulations to cease and desist	3	1	3	3	3	4	2	1	1	1
Settled by acceptance of T.P.C rules	0	5	5	1	0	1	0	6	0	0
Dismissed for lack of merit	83	24	20	16	41	45	44	41	13	38
Closed for other reasons	0	0	0	0	0	0	0	1	13	
Total disposition during year	130	82	76	87	95	160	110	117	126	178
Pending end of year	152	147	136	198	275	225	208	144	115	218

CUMULATIVE SUMMARY TO JUNE 30, 1935

Complaints	2,484
Orders to cease and desist:	
Contest	5
Consent	2
Default	1
Settled by stipulations to cease and desist	0
Settled by acceptance of T.P.C. rules	0
Dismissed for lack of merit	4
Closed for other reasons 1	0
Total for disposition	2,496
Complaints rescinded	9
Orders to cease and desist:	
Contest	1,000
Consent	409

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

CUMULATIVE SUMMARY TO JUNE 30, 1935--*Continued*

Settled by stipulations to cease and desist	28	
Settled by acceptance or TPC rules	18	
Dismissed for lack or merit	763	
Closed for other reasons [1]	14	
Total disposition		2,278
Pending June 30, 1935		218

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

COURT PROCEEDINGS--ORDERS TO CEASE AND DESIST

TABLE 5.--*Petitions for review--lower courts*

	1919	1920	1921	1922	1923	1924	1925	1925	1927
Pending beginning of year	0	2	8	13	9	4	14	9	8
Appealed	4	9	18	5	5	15	6	5	4
Total for disposition	4	11	26	18	14	19	20	14	12
Decisions for Commission	1	0	1	4	5	1	6	5	4
Decisions for others	1	3	11	5	4	4	3	1	2
Petitions withdrawn	0	0	1	0	1	0	2	0	3
Total disposition during year	2	3	13	9	10	5	11	6	9
Pending end of year	2	8	13	9	4	14	9	8	3

	1928	1929	1930	1931	1932	1933	1934	1935
Pending beginning of year	3	3	35	3	8	15	2	1
Appealed	4	34	1	10	22	3	1	5
Total for disposition	7	37	36	13	30	18	3	8
Decisions for Commission	3	1	4	3	1	2	2	3
Decisions for others	1	1	26	1	11	13	0	0
Petitions withdrawn	0	0	3	1	3	1	0	0
Total disposition during year	4	2	33	5	15	16	2	3
Pending end of year	3	35	3	8	15	2	1	3

CUMULATIVE SUMMARY TO JUNE 30,1935

Appealed		151
Decisions for Commission	46	
Decisions for others	87	
Petitions withdrawn	15	
Total disposition		148
Pending June 30, 1935		3

This table lists a cumulative total of 87 decisions against the Commission is the United States Circuit Courts of Appeals. However the Grand Rapids furniture (veneer) group (with 25 different docket numbers) is in reality 1 case, with 25 different subdivisions. t was tried briefed, and argued as 1 case, and was so decided by the court of appeals. The same holds true of the curb-pump group (with 12 different subdivisions), the Royal Milling Co. group (with 6 different subdivisions), and the white Pine cases (12 subdivisions), In reality. therefore, these 55 docket numbers mean but 4 cases and, if cases and not docket numbers are counted, the total of adverse decisions would be 36.

TABLE 6.--*Petitions for review--Supreme Court of the United States*

	1919	1920	1921	1922	1923	1924	1925	1921	1927
Pending beginning of year	0	0	1	3	3	1	0	4	6
Appealed by Commission	0	2	2	4	5	0	5	2	1
Appealed by others	0	0	0	0	2	1	1	3	1
Total for disposition	0	2	3	7	10	2	8	0	8
Decisions for Commission	0	0	0	2	0	0	0	0	8
Decisions for others	0	1	0	0	5	1	0	0	2
Petitions withdrawn by Commission	0	0	0	0	1	0	0	0	0
Certiorari denied Commission	0	0	0	2	1	0	1	2	1
Certiorari denied others	0	0	0	0	2	1	1	1	1
Total disposition during year	0	1	0	4	9	2	2	3	7
Pending end of year	0	1	3	3	1	0	4	8	1

	1928	1929	1930	1931	1032	1933	1934	1935
Pending beginning of year	1	0	1	0	0	0	1	0
Appealed by Commission	0	0	1	1	0	8	12	0
Appealed by others	0	2	0	0	1	0	1	0
Total for disposition	1	2	2	1	1	8	14	0
Decisions for Commission	0	0	0	0	0	6	13	0
Decisions for others	0	0	1	1	0	0	1	0
Petitions withdrawn by Commission	0	0	1	0	0	0	0	0
Certiorari denied Commission	0	0	0	0	0	1	0	0
Certiorari denied others	1	1	0	0	1	0	0	0
Total disposition during year	1	1	2	1	1	7	14	0
Pending end of year	0	1	0	0	0	1	0	0

CUMULATIVE SUMMARY TO JUNE 30, 1935

Appealed by Commission	43	
Appealed by others	12	
Total appealed		55
Decisions for Commission	24	
Decisions for others	12	
Petitions withdrawn by Commission	2	
Certiorari denied Commission	8	
Certiorari denied others	9	
Total disposition		55
Pending June 30, 1935		0

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

	1919	1920	1921	1922	1923	1924	1925	1926	1927
Pending beginning of year	0	0	0	0	0	0	1	0	2
Appealed	0	0	0	0	1	1	1	8	2
Total for disposition	0	0	0	0	1	1	2	3	4
Decisions for Commission	0	0	0	0	1	0	2	0	0
Decisions for others	0	0	0	0	0	0	0	1	0
Petitions withdrawn	0	0	0	0	0	0	0	0	1
Total disposition during year	0	0	0	0	1	0	2	1	1
Pending end of year	0	0	0	0	0	1	0	2	3

TABLE 7.--*Petitions for enforcement--lower courts*--Continued

	1928	1929	1930	1931	1932	1933	1934	1935
Pending beginning of year	3	2	5	3	2	1	2	2
Appealed	3	9	4	3	0	2	3	6
Total for disposition	6	13	9	6	2	3	5	8
Decisions for Commission	1	5	4	4	0	0	3	4
Decisions for others	1	0	1	0	1	0	0	0
Petitions withdrawn	2	1	1	0	0	1	0	2
Total disposition during year	4	6	6	4	1	1	3	6
Pending end of year	2	5	3	2	1	2	2	2

CUMULATIVE SUMMARY TO JUNE 30, 1935

Appealed		38
Decisions for Commission	24	
Decisions for others	4	
Petitions withdrawn	8	
Total disposition		36
Pending June 30, 1935		2

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

	1919	1920	1921	1922	1923	1924	1925	1926	1927
Pending beginning of year	0	0	0	0	0	0	0	0	1
Appealed by Commission	0	0	0	0	0	0	0	0	0
Appealed by others	0	0	0	0	0	0	0	1	0
Total for disposition	0	0	0	0	0	0	0	1	1
Decisions for Commission	0	0	0	0	0	0	0	0	0
Decisions for others	0	0	0	0	0	0	0	0	1
Certiorari denied others	0	0	0	0	0	0	0	0	0
Total disposition during year	0	0	0	0	0	0	0	0	1
Pending end of year	0	0	0	0	0	0	0	1	0

	1928	1929	1930	1931	1932	1933	1934	1935
Pending beginning of year	0	0	1	0	0	0	0	0
Appealed by Commission	0	1	0	0	0	0	0	0
Appealed by others	1	0	1	0	0	0	0	0
Total for disposition	1	1	2	0	0	0	0	0
Decisions for Commission	0	0	0	0	0	0	0	0
Decisions for others	0	0	1	0	0	0	0	0
Certiorari denied others	1	0	1	0	0	0	0	0
Total disposition during year	1	0	2	0	0	0	0	0
Pending end of year	0	1	0	0	0	0	0	0

CUMULATIVE SUMMARY TO JUNE 30, 1935

Appealed by Commission	1	
Appealed by others	3	
Total appealed		4
Decisions for Commission	0	
Decisions for other,	2	
Certiorari denied others	2	
Total disposition		4
Pending June 30, 1936		0

TABLE 9.--Court proceedings-miscellaneous lower courts

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

	1928	1929	1930	1931	1932	1933	1934	1935
Fending beginning of year	5	3	2	1	1	2	1	0
Appealed by Commission	0	2	0	1	0	1	0	0
Appealed by others	2	1	2	0	2	0	2	0
Total for disposition	7	6	4	2	3	3	3	0
Decisions for Commission	1	4	1	1	1	2	2	0
Decisions for others	1	0	1	0	0	0	0	0
Petitions withdrawn by Commission	2	0	0	0	0	0	0	0
Petitions withdrawn by others	0	0	1	0	0	0	1	0
Total disposition during year	4	4	3	1	1	2	3	0
Pending end of year	3	2	1	1	2	1	0	0

CUMULATIVE SUMMARY TO JUNE 30, 1935

Appealed by Commission	16	
Appealed by others	19	
Total appealed		35
Decisions for Commission	17	
Decisions for others	11	
Petitions withdrawn by Commission	4	
Petitions withdrawn by others	3	
Total disposition		35
Pending June 30,1930		0

TABLE 10.--*Court proceedings-Miscellaneous--Supreme Court of the United States*

	1919	1920	1921	1922	1923	1924	1925	1926	1927
Pending beginning of year	0	0	0	0	0	6	4	1	1
Appealed by Commission	0	0	0	0	6	0	0	0	1
Appealed by others	0	0	0	0	0	0	0	0	0
Total for disposition	0	0	0	0	6	6	4	1	2
Decisions for Commission	0	0	0	0	0	0	0	0	1
Decisions for others	0	0	0	0	0	2	3	0	0
Certiorari denied Commission	0	0	0	0	0	0	0	0	1
Certiorari denied others	0	0	0	0	0	0	0	0	0
Total disposition during year	0	0	0	0	0	2	3	0	2
Pending end of year	0	0	0	0	8	4	1	1	0

TABLE 10.--*Court proceedings-Miscellaneous--Supreme Court of the United States*--Continued

	1928	1929	1930	1931	1932	1933	1931	1935
Pending beginning of year	0	0	0	0	0	0	0	0
Appealed by Commission	0	0	0	0	0	0	0	0
Appealed by others	0	0	1	0	0	0	1	0
Total for disposition	0	0	1	0	0	0	1	0
Decisions for Commission	0	0	0	0	0	0	0	0
Decisions for others	0	0	0	0	0	0	0	0
Certiorari denied Commission	0	0	0	0	0	0	0	0
Certiorari denied others	0	0	1	0	0	0	1	0
Total disposition during year	0	0	1	0	0	0	1	0
Pending end of year	0	0	0	0	0	0	0	0

CUMULATIVE SUMMARY TO JUNE 30, 1935

Appealed by Commission	7	
Appealed by others	2	
Total appealed		9
Decision for Commission	1	
Decisions for others	5	
Certiorari denied Commission	1	
Certiorari denied others	2	
Total disposition		9
Pending June 30, 1936		0

PART III. TRADE-PRACTICE CONFERENCES

HISTORY AND PURPOSE OF PROCEDURE

WHOLESALE DRUG CONFERENCE

RULES ACCEPTED BY INDUSTRIES

OUTLINE OF TRADE CONFERENCE PROCEDURE

GROUP I AND GROUP II RULES

PART III. TRADE-PRACTICE CONFERENCES

HISTORY AND PURPOSE OF TRADE-PRACTICE CONFERENCE PROCEDURE

The trade-practice conference is the logical development of the efforts of the Federal Trade Commission, cooperating with industry, to protect the public against unfair methods of competition and to raise the standards of business practices.

The Division of Trade -Practice Conferences, which was created by the Commission, Apr il 19, 1926, is charged with the duty of coordinating and facilitating the work incident to holding trade practice conferences, an of encouraging cooperation between business as a wholes and the Commission in serving the public. As early as 1919, the Commission utilized the procedure of holding conferences with industry for the purpose of eliminating unfair methods of competition and trade abuses.

The trade-practice conference affords a means whereby representatives of an industry may voluntarily assemble and, under the auspices of the Federal Trade Commission, consider prevailing un-fair trade practices and collectively agree upon and provide for their abandonment in cooperation with the Commission, thus placing all members of the industry concerned on an equally fair competitive basis insofar as unfair trade practices are concerned. Under this procedure a business or industry takes the initiative in establishing self-government by making its own rules of business conduct, subject to approval by the Commission.

Through trade-practice conferences the same results are achieved as by the issuance of formal complaints by the Commission, but without bringing charges, or employing any compulsory process. The procedure is predicated on the theory that the primary concern of the Federal Trade Commission is the interest of the public. Its importance to the public consists of the immediate wholesale relief from the harmful effects of unfair methods of competition which otherwise could not be accomplished in years, and the conservation of public funds which might otherwise be spent in conducting trials of cases, while to industry it means the saving of the, expense, annoyance, and unfavorable publicity incident to the trial or stipulation of numerous complaints.

Since the inauguration of this activity by the Commission, more than 150 trade-practice, conferences have been held under Commission auspices for industries of varied character, comprising memberships of from several hundred to many thousands.

WHOLESALE DRUG CONFERENCE IN CHICAGO

During the last fiscal year, an important conference was held, namely, that for members of the wholesale drug industry, in Chicago, December 6, 1934. Commissioner Charles H. March presided, assisted by George McCorkle, director of the Commission's division of trade-practice conferences. Rules adopted by the industry, and later approved by the Commission, were published and released to all members of the industry on December 13, 1934.

Based on the annual volume of business, almost 90 percent of the industry was represented at the conference, more than 400 concerns in the industry having had delegates present or having been other-wise rep resented at the conference. It was reported at the time of the conference that the annual volume of merchandise distributed by wholesale druggists amounted approximately to a half billion dollars, and that more than 25,000 persons were employed in various capacities in this branch of the drug industry.

In the relatively short the since these rules became effective, several hundred members of the industry have filed individual acceptances with the Commission pledging themselves to observe the rules. Several cases which had previously been suspended by the Commission pending this trade-practice conference were removed from the suspense calendar and the proceedings closed by the Commission because the parties concerned hard accepted the rules of the conference.

Among trade practices which the wholesale drugs industry condemned at this conference were the following: Selling below cost with intent and effect of injuring competitors; using false and mis-leading statements by way of advertisement or otherwise; commercial bribery; defamation of competitors and disparagement of competitors' products; unlawful price discrimination; posing as a wholesale druggist when not qualified to be so classified; imitation of trade marks, trade names, or other identifying marks of competitors; using "marked-up" or "fictitious" p rices; representing certain prices and terms as "special" when in fact they are "regular" prices and terms; substitution, without permission, of drugs or allied products for those ordered by customers, the practice having a tendency to mislead purchasers, and constituting a method dangerous to the public health.

RULES ACCEPTED BY INDUSTRIES

Trade-practice conference rules approved by the Commission as a result of conferences held under Commission auspices were accepted during the fiscal period by 450 individuals, firms, and corporations. This is tantamount to saying that these persons and organizations signed acceptances to observe rules of fair competition be-

cause the rules by which they agreed to abide were designed to eliminate many unfair trade practices complained of in the industries concerned.

During the fiscal year, only 34 complaints of alleged violations of trade-practice conference rules were filed with the Commission of these, 20 were adjusted through correspondence, and 14 referred to the Commission's chief examiner for investigation.

OUTLINE OF PROCEDURE

The first requisite of a trade-practice conference is an expression of desire on the part of a substantial majority of the members of an industry to eliminate unfair methods of competition and trade abuses and to improve competitive conditions. The procedure is as follows:

I. Method of applying for a trade- practice conference.--In authorizing a trade-practice conference, the Commission must first be assured that the holding of such conference is desirable and to the best interest of the industry and the public. An application, in the form of a petition or informal communication, should contain the following information:

1. A brief description of the business for which the conference is intended, stating also the products manufactured or the commodities distributed; the annual volume of production, volume of sales, capitalization of the industry, or like items should be approximated in order to furnish an idea of the size and importance of the industry.

2. The authority of the person making the application must also be shown. If the application is made by an association executive, a resolution showing the action of the association should be submitted, together with a statement showing the percentage of the entire industry represented by the association membership, which may be given on the basis of volume of business, or numerically, or both. If the application comes from an unorganized group, the percentage of the entire industry represented by the group applying for the conference should be indicated.

3. The application should state whether the conference is intended for all branches of the industry, or is to be limited to a particular branch or branches thereof. If the resolutions adopted by manufacturers, for example, are confined to practices which do not materially affect distributors, there would be no particular reason for including distributors; however, if the proposed action involves distribution, the distributors should be included.

4. The application should also set out the various unfair methods of competition, trade abuses, and uneconomic and unethical practices which exist in the industry at the time the application is filed and which the industry desires to eliminate through the medium

of a trade-practice conference. This, however, does not limit discussion at the conference to the particular subjects thus proposed, as the conference itself constitutes an open forum wherein any practice existing in the industry may be brought forward as a proper subject for consideration. Any resolutions submitted by a committee or member of the industry prior to the holding of a trade-practice conference are tentative and their introduction does not prohibit other members of the industry from presenting new or different resolutions.

If convenient, the application should be accompanied by a complete and accurate list of the names and addresses of all firms in the industry, or such list may be furnished shortly thereafter. This list should be divided or symbolized to indicate the types of concerns; i. e., manufacturers, distributors, etc., which are to be included in the conference.

II. Procedure following authorization the Commission.--After a conference has been authorized by the Commission, a the and place are arranged and anyone engaged in the industry may participate. Resolutions are introduced at the conference, freely discussed, and, if necessary, amended.

Following the conference, the proceedings are reported to the Federal Trade Commission with appropriate recommendations. If the rules are approved by the Commission, they are sent to a committee of the industry appointed to cooperate with the Commission, with the request that this committee report to the Commission whether it is willing to accept, on behalf of the industry, the rules as approved by the Commission. Following acceptance of the rules by such committee, every member of the industry is furnished with a copy of the Commission's action, tog ether with a form for his acceptance.

After a trade-practice conference has been held, the Commission retains an active interest in the observance of the rules adopted by the industry and approved by the Commission.

GROUP I AND GROUP II RULES

Rules approved by the Commission relate to practices violative of the law and are designated group I. Other resolutions adopted by the industry, and received by the Commission as expressions of the trade on the subjects covered, are classified as group II.

Explanation of group I rules.--The unfair trade practices which are embraced in group I rules are considered to be unfair methods of competition within the decisions of the Federal Trade Commission and the courts, and appropriate proceedings in the public in-

terest will be taken by the Commission to prevent the use of such unlawful practices in or directly affecting interstate commerce.

Explanation of group II rules.--The trade practices embraced in group II rules do not per se, constitute violations of law. They are considered by the industry either to be unethical, uneconomic, or otherwise objectionable; or to be conducive to sound business methods which the industry desires to encourage and promote. Such rules, when they conform to the above specifications and are not violative of law, will be received by the Commission, but the observance of said rules must depend upon and be accomplished through the cooperation of the members of the industry concerned, exercised in accordance with existing law. Where, however, such practices are used in such a manner as to become unfair methods of competition in commerce or a violation of any law over which the Commission has jurisdiction, appropriate proceedings will be instituted by the Commission as in the case of a violation of group I rules.

PART IV. SPECIAL PROCEDURE IN CERTAIN TYPES OF ADVERTISING CASES

NEWSPAPER, MAGAZINE, AND RADIO ADVERTISING

PART IV. SPECIAL PROCEDURE IN CERTAIN TYPES OF ADVERTISING CASES

NEWSPAPER, MAGAZINE, AND RADIO ADVERTISING

False and misleading advertising matter as published in newspapers and magazines and as broadcast over the radio is surveyed and studied by a special board set up by the Federal Trade Commission in 1929. This board, known as the Special Board of Investigation, consists of three Commission attorneys designated to represent the Commission at preliminary hearings and specialize in this type of cases.

Misrepresentation of commodities sold in interstate commerce is a type of unfair competition with which the Commission has dealt under authority of the Federal Trade Commission Act since its organization in 1915. By 1929 it had become evident that misrepresentation embodied in false and misleading advertising in the periodical field was of such volume that it should receive specialized attention from the Commission.

Since that the time Commission, through its special board, has examined the advertising columns of newspapers and magazines, noting misleading representations, and has received complaints of false and misleading advertising from competitors and consumers. Each instance has been carefully investigated, and where the facts have warranted, and informal procedure has not resulted in the prompt elimination of misleading claims and representations, formal procedure has been resorted to and the cases tried. While a number of orders have been issued requiring the respondents to cease and desist from advertising practices complained of, in a majority of cases the matters have been adjusted by means of the respondent signing a stipulation agreeing to abandon the unfair practices.

The Commission believes its work in this field has contributed to ward the general improvement noticeable in the last few years in the character of newspaper, magazine, and radio advertising.

Newspaper and magazine advertising.--In its work of reviewing advertisements in current publications, the Commission, through its special board, has found it advisable to call for some periodicals on a continuous basis, due to the persistently questionable character of the advertisements published. However, as to publications generally, it is physically impossible to review, continuously, all advertisements of a doubtful nature; also, it is found unnecessary to re-

view all the issues of publications of a high ethical standard where the publishers carefully censor all copy before acceptance.

With this situation in mind, the special board has found it of material value to procure periodicals in cognate groups as to type or class, volume of circulation, and character of field of distribution such as agricultural, fiction, information, movie fan, trade, sales promotion, and the like. Advertisements of similar character, purpose and appeal are thus assembled and reviewed to advantage in a related manner.

Between January 1 and June 30, 1935, magazines having a combined circulation of 27,220,061 copies were received. Up to June 30, 1935, a discerning preliminary scrutiny of 1,126 individual current advertisements had been performed, resulting in 284 being referred to the board members for special consideration as possibly false and misleading.

When the Commission receives complaints or notes the existence of apparently false and misleading representations in advertising, it initiates an investigation. A questionnaire is sent to the advertiser requesting samples of all advertising copy published or broadeast by radio during the year past, together with copies of all booklets, folders, circulars, form letters and other advertising literature, and, if practicable, a sample of the article advertised, and, if the article is a compound, the quantitative formula.

Upon receipt of the material, the sample, formula, and advertising claims and representations are submitted for medical or scientific opinion to such other Governmental agencies as the Public Health Service, Bureau of Standards, or Food and Drug Administration.

Upon receipt of such official opinions the Commission, through its special board, carefully examines all claims and representations, and makes such excerpts as appear to require justification or explanation. Copies of such excerpts and medical or other scientific opinions are then sent to the advertiser, and an opportunity given him to submit such evidence as he may desire to justify or explain the claims and representations scheduled.

If all such claims and representations are justified, the matter is closed without further procedure, and all the data filed for future reference, but if the claims or representations are not justified, the Commission may order the docketing of an application for complaint against the offending advertiser. The entire matter is then referred to the special board for negotiation of a stipulation wherein the advertiser agrees to cease and desist from making such claims and representations as are deemed misleading by the Commission. If such stipulation is executed by the advertiser and accepted by the Commission, the matter is closed, subject to reopening at any the by the Commission if occasion arises. If no stipulation is procured

from the advertiser, the Commission institutes proceedings against the advertiser by the issuance of a formal complaint under the law.

In a large majority of cases, advertisers have entered into stipulations with the Commission to cease and desist from publishing the misleading statements. In only a relatively few cases do advertisers refuse to stipulate, making it necessary for formal complaints to be issued.

In many cases the advertiser immediately cancels all advertising complained about upon receipt of the first communication from the Commission, and does not advertise again until his matter has been adjudicated.

Radio advertising.--The Commission began its review of advertising copy broadcast over the radio at the beginning of the fiscal year 1934-35. At the outset the Commission, through its special board of investigation, made a survey of all commercial continuities, covering the broadcasts of all radio stations during July 1934. The volume of returns received and the character of the announcements indicated clearly that a satisfactory continuous scrutiny of current broadcasts could be maintained with a limited force and at small expense, by adopting a plan of grouping the stations for certain specific periods.

Consequently, starting in September 1934, calls have been issued to individual radio stations according to their location in the five radio zones established by the Federal Communications Commission These returns cover specified 15-day periods.

National and regional networks, however, respond on a continuous weekly basis, submitting copies of commercial continuities for all programs wherein linked hook-ups are used involving two or more affiliated or member stations.

To complete the observation of radio advertising, the producers of electrical-transcription recordings submit regular weekly and monthly returns of typed copies of the commercial portions of all recordings manufactured by them for radio broadcast. As the actual broadcast of a commercial recording is not always known to the manufacturer of the commodity being advertised, the Commission's knowledge of current transcription programs is supplemented by special reports from individual stations from the to the, listing the programs of recorded transcriptions with essential data as to the name of the advertiser and the article sponsored.

The combined material received from the individual stations for specified periods, from the weekly returns on regional and national network broadcasts, and from the special transcription reports, furnishes the Commission with representative and specific data on the

character of radio advertising which has proven of great value in its efforts to curb false and misleading trade representations.

Up to June 30,1935, 439,253 radio continuities had been received by the Commission. Of these a preliminary review had been completed on 376,53 resulting in 38,873 being referred, as possibly false and misleading, to the members of the board and their legal assistants for further consideration and possible action.

In all cases where false and misleading advertising is detected in radio broadcasts, the Commission is applying substantially the same procedure as is followed in cases of false and misleading advertising in newspapers, magazines, or other periodicals. This scrutiny of radio advertising is being conducted with a minimum of expense to the Government as well as to the industry because of the cooperation of members of the industry and the system of procedure developed.

In its examination of radio continuities, as well as of newspaper, magazine, and other periodical advertising, the Commission‘s sole purpose is to curb unlawful abuses of the freedom of expression guaranteed by the Constitution. It does not undertake to dictate what an advertiser shall say, but rather indicates what he may not say. Jurisdiction is limited to cases which have a public interest as distinguished from a mere private controversy, and which involve practices held to be unfair to competitors in interstate commerce.

Effective cooperation has obtained throughout the last year as for many years, with other departments of the Government. Cases involving what appear to be fraudulent schemes in violation of the postal laws are referred to the Post Office Department. Action by the Commission in such cases as are found to be under investigation by that Department is suspended pending the outcome of such proceedings. Valuable scientific opinions have been rendered by the Food and Drug Administration, Bureau of the Public Health Service, and the Bureau of Standards. Also analyses and comments regarding the therapeutic properties of various preparations have been furnished by the Food and Drug Administration. In a number of cases, Commission action against advertisers of medical preparations has been undertaken at the request of the Department of Agriculture.

PART V. FOREIGN-TRADE WORK

THE EXPORT TRAD E ACT (WEBB-POMERENE LAW)

FUNCTIONS OF A WEBB-POMERENE LAW GROUP

FORTY-THREE ASSOCIATIONS FILE PAPER

EXPORTS BY ASSOCIATIONS DURING 1934

TRUST LAWS AND UNFAIR COMPETITION ABROAD

PART V. FOREIGN-TRADE WORK

Foreign-trade work of the Commission includes administration of the Export Trade Act and inquiries into trade conditions in foreign countries under section 6 (h) of the Federal Trade Commission Act. This work is done by the Commission's export trade section under direction of the chief counsel.

THE EXPORT TRADE ACT (WEBB-POMERENE LAW)

The Export Trade Act, commonly known as the "Webb-Pomerene law", was passed by Congress, April 10, 1918, for the promotion of export trade. Exemption from antitrust laws is granted to a combine or association which, under the terms of the act, must be entered into for the sole purpose of engaging in export trade, and actually engaged solely in such export trade.

An export association organized under the act files with the Commission a first report and copies of its organization papers, including certificate of incorporation, if it is incorporated, articles of association, bylaws, membership agreement, or other contracts and regulations under which the group proposes to operate. These papers are placed on file in the export trade section, together with annual reports and such other reports or information as the Commission may require as to its organization, business, conduct, practices, management, and relation to other associations, corporations, partnerships, and individuals.

If the Commission has reason to believe that a Webb-Pomerene law association or an agreement or act done by such association is in restraint of trade within the United States or in restraint of the export trade of any domestic competitor of such association, or that an association, either in the United States or elsewhere, has entered into any agreement, understanding, or conspiracy, or done any act which artificially or intentionally enhances or depresses prices within the United States of commodities of the class exported by such association, or which substantially lessens competition within the United States or otherwise restrains trade therein, it may resort to the procedure provided in section 5 of the law, including investigation and recommendations for readjustment of the business. In case of failure to comply with the Commission's recommendations, the findings and recommendations may be referred to the Attorney General.

FUNCTIONS OF A WEBB-POMERENE LAW GROUP

The Commission is frequently asked just what the associations do and how they operate.

The two general types of organization are the central selling agency corporation, selling in foreign markets for the member companies, and the more loosely drawn group that leaves the actual negotiation of sales to the. member companies, but still is engaged in export trade work for the member companies. The two types may be combined if the association proposes to negotiate sales in some foreign markets but not in others, or if diminished business in some parts of the world make it necessary or desirable to pool orders through all association agent rather than maintain separate agencies for the individual companies. The more numerous the functions adopted by a Webb-Pomerene law group, the more economy may be effected in operating cost.

Several years ago the Commission published a list of functions adopted by Webb-Pomerene law groups. This list is repeated in revised form as follows, although no one association may adopt all of these functions:

Serving as export sales agent for the member companies in all foreign markets or in certain markets to be agreed upon.

Maintaining a quota system agreed upon by the members, under which the export business of the association is divided among them in equal or other determined proportions. (Some associations do not agree upon quota.)

Recording and allocating export orders and sales of the members; keeping copies of invoices and other documents.

Agreeing upon price for export, terms of sale, sales policies in foreign markets. and adopting uniform forms of contracts. In some cases only a minimum price is agreed upon; in others, members are free to quote price but are required to report to the association any change in price.

Establishing rules and regulations for packing mind ship ping the goods in export. Standardizing products for export and improving the quality of the goods.

Arranging for freight rates, cargo space, and shipping dates; consolidating the export shipments of the members, effecting economy in shipping expense. Taking out insurance and shipping documents.

Providing for storage during transit and warehousing abroad.

Appointing agents in foreign markets, or instructing and advising agents of the members abroad.

Exploitation of members' products abroad, especially introducing them in new markets. Joint advertising and use of joint trade marks in export trade.

Maintaining inspection service in this country under which all the goods exported are subjected to inspection at seaport before shipment. Employing claims agents and arranging for settlement of disputes over export sales; arranging for arbitration proceedings.

Collecting and disseminating trade information as to market conditions abroad, foreign credits, stocks available for export by the members, the exchange situation, tariff requirements, foreign laws that affect our export trade, etc.

FORTY-THREE ASSOCIATIONS FILING PAPERS WITH THE COMMISSION

Forty-three Webb-Pomerene law groups were on file with the Federal Trade Commission, June 30, 1935. These include three associations organized during the last fiscal year, as follows: Carbon Black Export, Inc., with offices in New York City; Pacific Forest Industries, exporting plywood and other forest products, with offices in Tacoma, Wash. and the Inter-America Exporters, Inc., exporting fruits, with offices in New York. The list is as follows :

American Hardwood Exporters, Inc., Queen & Crescent Building, New Orleans, La.

American Locomotive Sales Corporati on, 30 Church Street, New York City.

American Paper Exports, Inc., 75 West Street, New York City.

American Pitch Pine Export Co., Pere Marquette Building. New Orleans, La.

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

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

American Spring Manufacturers Exeport Association, 30 Church Street, New York City.

American Tire Manufacturers Ex port Association, 80 Church Street, New York City.

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

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

Cement Export Co., The, 270 Broadway, New York City.

Copper Exporters, Inc., 26 Broadway, New York City.

Douglas Fir Exploitation & Export Co., Henry Building, Seattle, Wash.

Durex Abrasives Corporation, 82 Beaver Street, New York City.

Electrical Apparatus Export Association, 541 Lexington Avenue, New York City.

Export Petroleum Association, Inc., 67 Wall Street, New York City.

Export Screw Association of the United States, Box 1242, Providence, R. I.

Florid Hard Rock Phosphate Export Association, Savannah Bank & Trust Building, Savannah, Ga.

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

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

Grapefruit Distributors, Inc., Davenport, Fla.

Hawkeye Pearl Button Export Co., 601 East Second Street, Muscatine, Iowa.

Inter-America Exporters, Inc., 11 Broadway, New York City.

Metal Lath Export Association, 11 West Forty-second Street, New York City.

Northwest Dried Fruit Export Association, Title & Trust Building, Portland, Oreg.

Pacific Flour Export Co., care of Fisher Flouring Mills Co., Seattle, Wash.

Pacific Forest Industries, Tacoma Building, Tacoma, Wash.

Phosphate Export Association, 393 Seventh Avenue, New York City.

Pipe Fittings & Valve Export Association, 1421 Chestnut Street, Philadelphia, Pa.

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

Rubber Export Association, 19 Goodyear Avenue, Akron, Ohio.

Shook Exporters Association, Stahlman Building, Nashville, Tenn.

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

Standard Oil Export Corporation 30 Rockefeller Plaza, New York City.

Steel Export Association of America, 75 West Street, New York City.

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

Sulphur Export Corporation, 420 Lexington Avenue, New York City.

Textile Export Association of the United States, 320 Broadway, New York City.

United States Alkali Export Association, Inc., 11 Broadway, New York City.

United States Handle Export Co., Piqua, Ohio.

Walnut Export Sales Co., Inc., Twelfth Street and Kaw River, Kansas City, Kans.

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

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

Webb-Pomerene law exports in 1934 are tabulated as follows:

ASSOCIATION EXPORTS DURING 1984 TOTAL $115,800,000

Metal and metal products, copper, iron and steel, metal lath, zinc, machinery, rail-way equipment, pipes and valves, screws, electrical apparatus, and signal apparatus	$27,000,000
Products of mines and wells, crude sulphur, phosphate rock, petroleum products, and carbon black	53,000,000
Lumber and wood products, pine, fir, redwood, walnut, hardwood, plywood, tool handles, barrel shooks	8,500,000
Foodstuffs such as milk, meat, sugar, flour, fresh fruit, canned fruit, and dried fruit	21,300,000
Other manufactured goods, rubber, paper, abrasives, cotton goods, buttons, and chemicals	36,000,000
Total	145,800,000

The above totals indicate improvement in some lines and decreased business in others. The value was $2,800,000 more than total exports by Webb-Pomerene law groups in 1933, but the volume would show a smaller increase because prices were higher in 1934.

The upward curve of prices in this country, in some cases made necessary by higher costs, placed American exporters at a disadvantage in markets where costs had not risen and prices were falling, and made it difficult to meet the competition of foreign producers who were in agreement or under Government direction to lower their prices.

The general effort among nations to balance exports and imports, through exchange control boards, quota systems, or increased duties, proved the chief source of difficulty to Webb-Pomerene law exporters. There was, however, a noticeable renewal of interest in export organization during the first 6 months of 1935, and when this report was closed on June 30 a number of new groups were negotiating agreements in anticipation of export activity.

One group advised the Commission that at such a time “operation as an association is essential in order to reap the greatest benefits in the export market.”

TRUST LAWS AND UNFAIR COMPETITION IN FOREIGN COUNTRIES

In accordance with section 6 (h) of the Federal Trade Commission Act, the Commission notes the following legislative, judicial, and administrative measures in foreign countries and in international trade, for the regulation of business and the suppression of unfair competition.

Australia.--The Companies Act, December 6, 1934, included provisions to safe guard the sale of shares of stock. An ordinance issued by the Federal Government gave power to investigate the affairs of any companies the operation of which the attorney general may consider injurious to the interests of the general public. The New South Wales Royal Commission Act, 1934, extended authority to inspect books and documents, and similar laws authorizing investigations have been passed in Victoria and South Australia. The Raw Cotton Bounty Act was passed August 4, 1934, and the Wheat Bounty Act, December 27, 1934.

Austria.--A law dated October - 26, 1934, supplemented and amended the Austrian Unfair Competition Act of 1923 by providing for bureaus of arbitration within the commerce courts to handle cases involving ruinous price cutting.

Belgium.--The unfair competition decree, December 23, 1934, de-finned certain actions which are contrary to honest commercial or industrial practice, and empowered the president of then commercial court to order immediate cessation of such actions as may be found to constitute unfair competition. This was amended and strengthened by a decree on January 24, 1935. Decrees dated January 13 and February 26 , 1935, under administration of the Minister of Economic Affairs; forbade the use of gifts or premiums in the sale of an article or service, and included measures to prevent unfair com petition in liquidation sales.

Bolivia.--A decree published January 20, 1935, provided for a general board of national consumption, under direction of the Ministry of Defense, for the purpose of controlling imports and exports, regulating the profits of merchants and industrialists, establishing a rationing system, improving standards of living by lowering prices of foodstuffs and articles of first necessity, fostering national production of essential articles, and restricting or prohibiting the production, sale, or consumption of articles considered unessential in the of war.

Brazil.--Under the newly adopted constitution published July 16, 1934, the Union shall be empowered to monopolize an industry if by reason of public interest this shall be authorized by law; measures shall be taken toward nationalization of banks of deposit and enter-

prises of insurance; mines or other riches of the subsoil shall be subject to federal authorization or concession; and the government shall encourage assistance to production, and shall establish conditions of labor.

A federal foreign-trade council to promote exports was created by a decree of June 20, 1934. A new mining code was established under a decree, July 10, 1934. A decree dated June 29, 1934, regulating industrial designs and models, commercial names and titles of establishments, provided for criminal or civil action in repression of unfair competition and lists certain practices that shall be considered unfair.

Canada.--The Companies Act effective on October 1, 1934, repealed the Companies Act of 1927 and substituted new rules to safeguard investors, shareholders, and creditors. The Canadian antidumping law is amended by an act to amend the Customs Tariff, July 3, 1934 The Economic Council Act, April 17, *1935,* provided for an advisory council on social and economic matters, with power to investigate, report, and advise upon questions relating to the general trend of social or economic conditions, or to any special problem relating thereto.

Trade and Industry Commission Act, July 5, 1935, provided for establishment of a commission which shall administer all Dominion laws for the regulation of business and prohibition of unfair trade practices including the Combines Investigation Act, the Unfair Com-petition Act, the Natural Products Marketing Act the various inspection acts, certain laws regulating specific industries such as the certain Grain Act, the Dairy Industry Act, etc., and sections of the criminal code. The Commission may conduct "fair-trade conferences" and may approve agreements for control of production and regulation of prices. A director of public prosecutions will be appointed to assist the commission in its investigations and to institutes criminal proceedings for violations of the laws under administration.

The wheat law, July 5, 1935, provided for a board with authority to fix a minimum price to be paid to wheat growers, to take over existing wheat stocks, purchase wheat' whenever the growers cannot sell in the open market at or above the fixed price, store, transport, and sell or dispose of wheat, and, to investigate the operations of grain exchanges.

Under the Combines Investigation Act and section 498 of the criminal code, importers of British anthracite coal , were convicted of a conspiracy in restraint of trade, and fines imposed, under judgments rendered by the court of Kings Bench at Quebec in October 1934 and January 1935. Under the Natural Products Marketing Act of 1934, 14 marketing schemes are in operation.

New laws in the Provinces, for regulations of intraprovincial trade, include the Natural Products Marketing Act of British Columbia; the Saskatchewan Coal Mining Industry Act, Milk Control

Act, and Labor and Public Welfare Act; the Alberta Trade and Industry Act; the Manitoba Unfair Trade Practices Act; the Ontario Milk Control Act; the Public Enquiries Act in Nova Scotia; and laws in Nova Scotia and New Brunswick to limit competitive practices in the oil industry.

Chile.--Law No. 5454, July 31, 1934, authorized an emergency plan for the economic reconstruction of the country, and organization of an industrial company of the State, and a Mineral company of the State.

Cuba.--Law No.14, March 16, 1935, established control of imports; raw materials and other articles of prime necessity are exempt. A special antidumping committee may recommend increases in tariff duties to offset bounty or exchange dumping. Law No. 148 published on April 18, 1934, prohibited the exchange of trade coupons in sale of cigarettes. Decree Law No.486, published September 15, 1934, established the Cuban Coffee Stabilization Institute to study all matters relating to the production and sale of coffee.

Czechoslovakia.--A law passed on June 21, 1934, effective until June 30, 1935, extended the enabling act of 1933, giving to the Government absolute power during the economic crisis to pass economic legislation by decrees, including authority to change duties, and control prices. Under the Cartel Act of 1933, 712 agreements were in force on May 1, 1935. *A* compulsory cartel act was under consideration.

France.--An interministerial economic committee was deliberating a plan for the organization and regulation of French industry, through trade agreements for the control of production, working hours, and disposition of stocks. The existing syndicates of producers would be maintained and encouraged and their resolutions made binding by law. A law to regulate joint stock companies, in order to protect investors, was also under consideration in France.

Germany.--The law of February 27, 1934, for the reconstruction of industry and commerce, led to formation of a Federal Chamber of Economy; and further legislation on November 27, 1934, included an elaborate plan for coordination of the various branches of industry into organized groups, each under direction of a leader.

In the summer of 1934, measures were taken for the purpose of encouraging the voluntary transformation of so-called "capital enterprises " into enterprises with higher personal responsibility, or those in which there exists the individual responsibility of the entrepreneur. Two laws were passed on July 5, 1934; the second, later supplemented by executive decrees, provided lighter taxes for those concerns that availed themselves of the reorganization plans set out in the first law.

Under the Compulsory Cartel Act of 1933, official action was taken in a number of industries during 1934. But in November 1934 a new cartel regime was made effective by creation of the office of Federal Price Commissioner under direct control of the Chancellor. A series of decrees grouped together in a law dated December 11, 1934, authorized the Commissioner to protect the public from undue price increases by fixing prices and price margins on all goods and serv ices except wages and salaries. The formation of compulsory cartels was abandoned, price-fixing activities of some cartels changed, and some were dissolved. The maximum and minimum prices formerly in effect were replaced by a "guiding price" arrived at by the Price Commissioner, with the intention of permitting fluctuations to meet competitive conditions.

Government control of stock exchanges was increased by a law of March 5, 1934. *A* series of economic measures adopted in February 1935 included a decree authorizing the Labor Minister to issue obligatory labor passports for all workers, and a law transferring the administration of mines from the states to the central government.

Agricultural groups were under control of the Minister of Agriculture, by a law passed in September 1933 authorizing formation of an organization to regulate production, marketing and prices of agricultural products. The Price Commissioner has also issued orders affecting agricultural prices.

Foreign trade was under control of the Reich Minister of Economics. An ordinance for trade in commodities, based on the law for trade in industrial raw and half-finished materials of March 22, 1934, gave to the Minister authority to supervise and regulate trade in commodities and to issue regulations concerning their provision, distribution, storage, sale and consumption. Import control boards have been established to take the place of the former exchange boards. Export cartels were encouraged, and a plan proposed whereby a common fund may be created by contributions from various industries, for the granting of subsidies to exporters.

Great Britain.--A board of trade committee was appointed to consider and report measures necessary at the expiration in 1936 of the duties imposed in protection of key industries, under part I of the Safeguarding of Industries Act, 1921, as amended by the Finance Acts. The Petroleum (Production) Act of 1934 vested in the Crown the property rights in petroleum and natural gas within Great Britain; and provided for searching, boring and producing petroleum and natural gas.

Greece.--Law No.6099, 1934, created a national organization of export trade for the purpose of developing exports, regulating imports, and improving the balance of accounts with foreign countries.

Guatemala.--Decree No. 1580, September 18, 1934, amended the mining law and declared the mining industry to be a public utility, providing for government concessions to individuals.

International.--Ratifications of the treaty for elimination of double taxation, between the United States and France, Signed in April 1932, were exchanged at Paris, April 9, 1935.

A little entente 4-year plan has been concluded which provides for an exchange of goods between Czechoslovakia, Rumania, and Yugoslavia, to open the way to an eventual customs union between those countries.

An agreement on industrial property, between Czechoslovakia and Russia, effective April 15, 1935, provided for reciprocity in cases of unfair competition and in the protection of patents and trade marks.

Swedish adherence to the International Convention for the Protection of Industrial Property became effective July 1, 1934, and Japanese adherence on January 1, 1935.

Trade agreements under the United States Trade Reciprocity Act of 1934, were concluded by the United States with Cuba on August 24, 1934, effective on September 3, 1934; with Brazil on February 2, 1935; with Belgium on February 27, 1935, effective on May 1, 1935; with Haiti on March 28, 1935, effective on June 3, 1935; and with Sweden on May 25, 1935, effective on August 5, 1935.

Among international industrial and trade agreements signed in 1934, are the German-Chilean nitrate compensation agreement effective from July 1, 1934, joined by the Japanese producers in 1935; the: German chemicals and Rumanian grain barter agreement; the Russian trade agreements; and the naval stores compacts entered into by Greece, Japan, Rumania, and Yugoslavia.

Japan.--A trade-control law, effective April 28, 1934, included provisions for investigations by a dumping committee and the imposition of duties: (1) In case of bounty dumping, or (2) in case an important industry in Japan were threatened with injury by the importation of unreasonably cheap articles or the sale of imported, articles at unreasonably low prices.

Lithuania.--A price-regulation law; published March 5, 1935, directed appointment of a price commissar with authority to protect the public welfare by determining (1) prices of merchandise and compensation for services, (2) distribution of merchandise, prices of individual grades, covers, weights, measures, and markings on goods and their containers, and (3) other conditions of production, trade, service, and compensation insofar as they may affect prices of goods and salaries paid.

Mexico.--A law dated July 17, 1934, modifying the Monopolies Act of 1931, placed petroleum and its derivatives in the classifica-

tion of "articles of prime necessity", the prices of which may' be fixed by the Ministry of National Economy. The mining law of 1930 was amended by a decree Dated August 28, 1934. The law of business organizations, August 28, 1934, and regulations thereunder, provided for a new type of "public interest " business organization to operate under supervision of the Minister of National Economy. A decree published January 23, 1935, provided fines and prison penalties for infringement of the law of trade marks, advertisements, and commercial names of June 26, 1928.

Netherlands.--Recent legislation in Netherlands provided for industrial codes for regulation of wages and industries, under administration of the Minister of Economic Affairs. The Import Restrictions Act was supplemented by the Currency Clearance Act, 1934. *A* law effective from May 20, 1934, to January 1, 1937, authorizes special tariff orders to make effective agreements with foreign powers, or to prevent the ruin of Dutch industries by foreign measures which threaten their existence.

Newfoundland.--An Act Concerning Public Inquiries, No.10, of 1934, empowered the governor in commission to make inquiry into and concerning any matter connected with the peace, order, and good government of the colony, or the conduct of any part of the public business thereof, or the administration of justice therein, or into any of the industries of the colony, or into any other matter as to which he deems it to be for the public good.

New Zealand--The Agricultural (Emergency Powers) Act, November 1934, set up an executive commission of agriculture with drastic powers of control over production and trade in primary products, inducing the licensing of dairy factories and imposition of levies on milk products.

Rhodesia.-- The Customs and Excise Amendment Act, 1935, included provisions for duties to be imposed on imports in case of ordinary, freight, bounty, or exchange dumping.

Rumania.--A commission for the direction and supervision of foreign trade was created under a decree of October 25, 1934, revising the regulations for control of exports, imports, and foreign exchange, and limiting total imports from all countries to 60 per cent of actual previous exports of Rumanian goods.

Spain.--The wheat law published on March 3, 1935, conferred wide powers upon the Minister of Agriculture to regulate the production and marketing of wheat, prevent the planting of new areas to cereals, control the opening of mills, and to provide for the storing of wheat.

Union of South Africa.--The Trade Coupons Act, 1935, effective July 1, prohibited the offering or giving, selling, or publication of trade coupons or benefits. The Tobacco Control Amendment Act,

1935, supplementary to the act of 1932, provided for a control board to administer regulations issued by the Minister of Agriculture and Forestry, and to distribute bounties to exporters.

Uruguay.--The mining law was modified by a decree dated January 12, 1935, declaring that all mineral deposits belong to the nation in imprescriptible and inalienable ownership.

Yugoslavia.--Under an antitrust law and regulations issued there under on August 18, 1934, cartels were forbidden in Yugoslavia unless the Minister of Commerce and Industry, in agreement with the Council of Ministers, might find such a cartel warranted by economic reasons or the public interest, in which case the Minister might authorize the cartel for the regulation of the production and sale of goods, or for the definition of business conditions and the fixing of prices or tariffs. Approved agreements were to be subject to inquiry by the Minister who might order them modified or canceled if they were found to be detrimental to public or economic interests or a menace to national industry or the general welfare.

FISCAL AFFAIRS

APPROPRIATIONS, ALLOTMENTS, AND EXPENDITURES

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FISCAL AFFAIRS

APPROPRIATIONS, ALLOTMENTS, AND EXPENDITURES

Appropriations available to the Commission for the fiscal year ended June 30, 1935, under the Independent Offices- Act approved March 28, 1934, $672,163.24; under the Deficiency Act approved June 19, 1934, $30,000; -under the Deficiency Act approved March 21, 1935 $110,000; under the act of February 13, 1935, $81,040.01; in all, $1,893,203.25. This sum was made up of three separate items: (1)$50,000 for salaries of the Commissioners, (2) $1,809,203.25 for the general work of the Commission, and (3) $34,000 for the printing and binding.

In addition there was allotted funds from the National Recovery Administration the sum of $139,194.76; from the Agricultural Adjustment Administration the sum of $5,000; by the President from Emergency Relief and Public Works Fund, $60,000; a total of $204,194.76 in allotted funds.

Appropriations, allotments, expenditures, liabilities, and balances

	Amount available	Amount expended	Liabilities	Expenditures and liabilities	Balance
Federal Trade Commission, 1935:					
Salaries, Commissioners, and all other authorized expenses	$1,859,203.25 [1]	$1,681,925.83	$58,280.50	$1,740,206.33 [2]	$118,996.92
Printing and binding	34,000.00	22,222.20	11,777.80	34,000.00	
Allotments from National Recovery Administration	139,104.76	121,069.36	8,055.47	129,124.83	10,069.93
Allotments from Agricultural Adjustment Administration	5,000.00	747.11		747.11	4,252.89
Allotments from Emergency Relief and Public Works Fund	80,000.00	52,235.07		52,235.07	7,76493
Total fiscal year 1935	2,097,397.01	1,878,199.57	78,113.77	1,956,313.34	141,083.67
Unexpended balance:					
1934	38,772.76	38,510.08	82.83	38,632.91	139.85
1933-34	809.46	550.15		560.15	259.31
1933	4,526.61	8.80	58.12	66.92	4,459.69
1932-33	334.46	1.75	12.15	13.90	320.58
Total	2,141,840.30	1,917,310.35	78,266.87	1,995,577.22	146,263.08

[1] Includes the following transfers:

To Securities and Exchange Commission	$264,337.80
To chief disbursing officer, Treasury Department	4,000.00
Total	268,337.80

[2] $110,000 was made available during the fiscal years 1935 and 1936; since none was expended during the fiscal year 1035. the total amount will be used during the fiscal year 1936

Detailed statement of costs for the fiscal year ending June 30, 1935

	Salary	Travel expense	Other	Total
Commissioners	$37,232 95	$65.68		$37,298.63
Clerks to Commissioners	10,346.69			10,346.69
Messengers to Commissioners	5,127.34			5,127.34
Total	52,706.98	65.68		52,772.66
Administration:				
Office of secretary	38,138.43			38,138.43
Accounts and personnel section	21,987.12			21,987.12
Docket section	27,708.16			27,708.16
Hospital	1,555.27			1,555.27
Labor	2,886.75			2,886.75
Library section	11,808.50			11,808.50
Mail and files section	13,709.89			13,709.89
Messenger service	10,161.73			10,161.73
Public relations.	13,217.29			13,217.29
Publications section	23,191.83			23,191.83
Purchases and supplies section	8,801.63			8,801.63
Stenographic sect ion	51,567.67			51,567.67
Communications			$8,525.83	8,525.83
Court charge			l 90.00	l 90.09
.Equipment			39,268.09	39,268.09
Miscellaneous			617.21	617.21
Rents			5,751.13	5,751.13
Repairs			1,187.28	1,187.28
Reporting service			9,851.92	9,851.92
Supplies			29,289.95	29,289.95
Transportation of things			751.28	751.28
Witness fees			1,335.00	1,335.00
Total	224,734.27		96,487.69	321,221.96
Legal:				
Application for complaints	86,984.80	12,323.13	539.12	99,847.05
Complaints	184,025.50	24,939.08	356.34	209,314.92
Export trade	6,410.77			6,410.77
National Recovery Administration	124,081.72	20,251.19	731.80	145,064.71
Preliminary inquiries	176,511.16	12,352.82	491.59	189,355.57
Trade practice conferences	13,446.51	385.25		13,831.76
Total	591,460.46	70,251.47	2,112.85	663,824.78
General investigations:				
Agricultural Adjustment Administration.	2,593.49	339.60		2,933.09
Amended steel code	9,074.21	604.78	33.85	9,712.84
Building materials	2,038.61	271.53	31.60	2,341.74
Cement industry	821.85			821.85
Cement	1,010.10			1,010.10
Chain stores	1,936.49			1,936.49
Milk investigation	97,335.85	21,502.64	.56	118,139.05
Power and gas	278,557.55	39,763.33	1,575.32	319,896.20
Price bases	5,884.63			5,884.63
Resale price maintenance	235.05			235.05
Salaries for executives	823.90			823.90
Securities	48,605.32	1,078.68	185.92	49,869.92
Senate bread Inquiry	684.14			684.14
Steel industry codes	2,172.57	19.50		2,192.07
Tennessee Valley Authority	219.14			219.14
Textile	48,983.50		1,224.64	50,208.20
Total	500,976.46	63,580.06	3,051.89	567,608.41
Printing and binding			43,544.74	43,544.74
Transferred to chief disbursing officer, Treasury Department			4,000.00	4,000.00
Securities and Exchange Commission			264,537.80	264,337.80
Summary:				
Commissioners	52,708.98	65.68		52,772.66
Administration	224,734.27		96,487.69	321,221.96
Legal	591,460.46	70,251.47	2,112.85	663,824.78
General investigations	500,976.46	63,580.96	3,051.89	567,608.41
Printing and binding			43,544.74	43,544.74
Transferred to chief disbursing officer, Treasury Department			4,000.00	4,000.00

Securities and Exchange Commission				264,337.80	264,337.80
Total	1,369,878.17	133,897.21	413,534.97		1,917,310.35

l Credit.

Recapitulation of costs by *divisions*

	Salary	Travel expense	Other	Total
Administrative	$286,701.81	$95.67	$128.935.51	$415,732.99
Economic	370,443.31	52,460.09	2,796.86	425,700.26
Chief counsel	169,371.18	17,014.88	11,334.53	197,720.59
Chief examiner	381,960.79	55,981.97	1,874.24	439,817.00
special board of investigation	30,066.00			30,066.00
Trial examiner	62,397.35	6,929.24		69,326.59
Trade practice conferences	21,993.55	385.25	24.71	22,403.51
Securities	46,944.18	1,030.11	231.32	48,205.61
Transferred to chief disbursing officers, Treasury Department			4,000.00	4,000.00
Securities and Exchange Commission			264,337.80	264,337.80
Total	1,369,878.17	133,897.21	413,534.97	1,917,310.35

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

Year	Appropriations	Expenditures	Balance	Year	Appropriations	Expenditures	Balance
1915	$184,016.23	$90,442.05	$93,574.18	1926	1,008,000.00	996,745.58	11,254.42
1916	430,964.08	379,927.41	51,036.67	1927	$997,000.00	$960,654.71	$36,345.29
1917	567,025.92	472,501.20	94,524.72	1928	984,350.00	972,966.64	11,383.96
1918	1,608,865.92	1,462,187.32	156,678.60	1929	1,163,192.62	1,169,459.76	3,732.77
1919	1,753, 530.75	1,522,331.95	231,198.50	1930	1,495,821.69	1,494,619.69	1,202.00
1920	1,305,708.82	1,120,301.32	186,407.80	1931	1,863,348.42	1,861,971.72	1,376.70
1921	1,032,005.67	938,659.69	93,345.98	1932	1,817.382.49	1,778,427.88	38,954.61
1922	1,026,150.54	956,116.50	70,034.04	1933	1,426,714.70	1,393,427.90	33,286.80
1923	974,480.32	970, 119.66	4,360.66	1934	1,314,013.49	1,313,614.33	399.16
1924	1,010,000.00	977,018.28	32,981.72	1935	2,097,397.01	1,956,313.34	141,083.67
1925	1,010,000.00	1,008,998.80	1,001.20				

EXHIBITS

FEDERAL TRADE COMMISSION ACT

SHERMAN ACT

CLAYTON ACT

EXPORT TRADE ACT

RULES OF PRACTICE

INVESTIGATIONS, 1913-1935

FEDERAL TRADE COMMISSION ACT

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

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

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 hun-

dred 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, prose-cute any inquiry necessary to its duties in *any* part of the United States.

SEC. 4. That 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" means any company, or association incorporated or unincorporated, which is organized to carry on business for its own profit and has shares of capital or capital stock, and any company, 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" means all documents, papers, and correspondence, in existence at and after the passage of this act.

"Acts to regulate commerce" means the Act entitled "An Act to regulate commerce," approved February fourteenth, eighteen hundred and eighty-seven, 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 second, eighteen hundred and ninety; 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 twenty-seven, eighteen hundred and nintey-four; also the Act entitled "An Act to amend sections 73 and 76 of the Act of August twenty-seven, eighteen hundred and ninteyfour, entitled 'An Act to reduce taxation, to provide revenue for the Government, and for other purposes,'" approved February twelveth, nineteen hundred and thirteen; and also the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October fifteenth, nineteen hundred and fourteen.

Sec. 5. That unfair methods of competition 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, from using unfair methods of competition in commerce and unfair or deceptive acts or practices in commerce.

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 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. upon such hearing the commission shall be of the opinion that the method of competition 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. Until a transcript of the record in such hearing shall have 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.

If such person, partnership, or corporation fails or neglects to obey such order of the commission while the same is in effect, the commission may apply to the circuit court of appeals of the United States, within any circuit where the method of competition in question was used or where such person, partnership, or corporation resides or carries on business, for the enforcement of its order, and shall certify and file with its application a transcript of the entire record in the proceeding, including all the testimony taken and the report and order of the commission. Upon such filing of the application and transcript the court shall cause notice thereof to be served upon such person, partnership, or corporation and thereupon shall have jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, testimony, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside the order of the commission. The findings of the commission as to the facts, if supported by testimony, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the commission, the court may 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 testimony, 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 two hundred and forty of the Judicial Code.

Any party required by such order of the commission to cease and desist from using such method of competition may obtain a review of such order in said circuit court of appeals by filing in the court a written petition praying that the order of the commission be set aside. A copy of such petition shall be forth-with served upon the commission, and thereupon the commission forthwith shall certify and file in the court a transcript of the record as hereinbefore provided. Upon the filing of the transcript the court shall have the same jurisdiction to affirm, set aside, or modify the order of the commission as in the case of an application by the commission for the enforcement of its order, and the findings of the commission as to the facts, if supported by testimony, shall in like manner be conclusive.

The jurisdiction of the circuit court of appeals of the United States to enforce, set aside, or modify orders of the commission shall be exclusive.

Such proceedings in the circuit court of appeals shall be given precedence over other cases pending therein, end shall be in every way expedited. No order of the commission or judgment of the court to enforce the same shall in any wise relieve or absolve any person, partnership, or corporation from any liability under the antitrust acts.

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 to the president, secretary, or other executive officer or a director of the corporation to be served; or *(b)* by leaving a copy thereof at the principal office of place of business of such person, partnership, or corporation; or *(c)* by registering and mailing a copy thereof addressed to such person, partner-ship, or corporation at his or its 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.

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 y 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 pulic from time to time such portions of the information obtained publicly 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 such exceptions may. be filed and such proceedings had in relation thereto as upon the report of a matter 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 ca se may in its judgment require.

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

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

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

may invoke the aid of any court of the United States in requiring the attendance and testimony of witnesses and the production of documentary evidence.

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

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

The commission may order testimony to be taken by deposition in any proceeding or investigation pending under this Act at any stage of such proceeding or investigation. Such deposition may be taken before an y 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 will-fully 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 an y 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 punishable 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 act 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.

Approved, September 26, 1914.

SHERMAN ACT

SECTION 1. Every contract, combination the form of trust or otherwise, conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

SEC. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the. trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

SEC. 3. Every contract, combination in form of trust or otherwise, or conspiracy, in restraint of trade or commerce in any Territory of the United States or of the District of Columbia, or restraint of trade or commerce between any such Territory and another, or between any such Territory or Territories and any State or States or the District of Columbia, or with foreign nations, or between the District of Columbia and any State or States or foreign nations, is hereby declared illegal. Every person who shall make any such contract or engage in any such combination or conspiracy shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

SEC. 4. The several circuit courts of the United States are hereby invested with jurisdiction to prevent and restrain violations of this act; and it shall be the duty of the several district attorneys of the United States; in their respective districts, under the direction of the Attorney General, to institute proceedings in equity to prevent and restrain such violations. Such proceedings may be by way of petition setting forth the case and praying that such violation shall be enjoined or otherwise prohibited. When the parties complained of shall have been duly notified of such petition the court shall proceed, as soon as may be, to the hearing and determination of the case; and pending such petition and before final decree, the court may at any time make such temporary restraining order or prohibition as shall be deemed just the premises.

SEC. 5. Whenever it shall appear to the court before which any proceeding under section four of this act may be pending, that the ends of justice require that other parties should be brought before the court; the court may cause them to be summoned, whether they reside in the district in which the court is held or not; and subpoenas to that end may be served in any district by the marshal thereof.

SEC. 6. Any property owned under any contract or by any combination, or pursuant to any conspiracy (and being the subject thereof) mentioned section one of this act, and being in the course of transportation from one State to another, or to a foreign. country, shall be forfeited to the United States, and may be seized and condemned by like proceedings as those provided by law for the forfeiture, seizure, and condemnation of property imported into the United States contrary to law.

SEC. 7 Any person who shall be injured in his business or property by any other person or corporation by reason of anything forbidden or declared to be unlawful by this act, may sue therefor in any circuit court of the United States in the district in which the defendant resides or is found, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the costs of suit, including a reasonable attorney's fee.

SEC. 8. That the word "person", or "persons", wherever used in this act shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of any of the Territories, the laws of any State, or the laws of any foreign country.

Approved, July 2, 1890.

SECTIONS OF THE CLAYTON ACT ADMINISTERED BY THE FEDERAL TRADE COMMISSION

AN ACT To supplement existing laws against unlawful restraints and monopolies, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States Of America in Congress assembled, That "antitrust laws," as used herein, includes the Act entitled "An Act to protect trade and commerce against unlawful restrains and monopolies," approved July second, eighteen hundred and ninety: sections seventy-three to seventy-seven, inclusive, of an Act entitled, "An Act to reduce taxation, to provide revenue for the Government, and for other purposes," of August twenty-seventh, eighteen hundred and ninety-four; an Act entitled "An Act to amend sections seventy-three and seventy-six of the Act of August twenty-seventh, eighteen hundred and ninety-four, entitled 'An Act to reduce taxation, to provide revenue for the Government, and for other purposes,'" approved February twelfth, nineteen hundred and thirteen; and also this Act.

"Commerce," as used herein, means trade or commerce among the several States and with foreign nations, or between the District of Columbia or any Territory of the United States and any State, Territory, or foreign nation, or between any insular possessions or other places under the Jurisdiction of the United States, or between any such possession or place and any State or Territory of the United States or the District of Columbia or any foreign nation, or within the District of Columbia or any Territory or any insular possession or other place under the Jurisdiction of the United States: *Provided,* That nothing in this Act contained shall apply to the Philippine Islands.

The word "person" or "persons" wherever used in this Act shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States the laws of any of the Territories, the laws of any State; or the laws of any foreign country.

SEC. 2. That it shall he unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly to discriminate in price between different purchasers of commodities, which commodities are sold for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly in any line of commerce: *Provided,* That nothing herein contained shall prevent discrimination in price between purchasers, of commodities, on account of differences in the grade, quality, or quantity of the commodity sold, or that makes only due allowance for difference in the cost of Selling or transportation, or discrimination in price in the same or different communities made in good faith to meet competition: *And provided further,* That nothing herein contained shall prevent persons engaged in selling goods, wares, or merchandise in commerce from .selecting their own customers in bona fide transactions and not in restraint of trade.

SEC. 3. That it shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies or other commodities of a competitor or competitors of the lessor or seller, where the effect

of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce.

* * * * * * *

SEC. 7. That no corporation engaged in commerce shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of another corporation engaged also in commerce, where the effect of such acquisition may be to substantially lessen competition between the corporation whose stock is so acquired and the corporation making the acquisition, or to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce.

No corporation shall acquire, directly or indirectly, the whole or any part of the stock or other share capital of two or more corporations engaged in commerce where the effect of such acquisition, or the use of such stock by the voting or granting of proxies or otherwise, may be to substantially lessen competition between such corporations, or any of them, whose stock or other share capital is so acquired, or to restrain such commerce in any section or community, or tend to create a monopoly of any line of commerce.

This section shall not apply to corporations purchasing such stock solely for investment and not using the same by voting or otherwise to bring about, or in attempting to bring about, the substantial lessening of competition. Nor shall anything contained in this section prevent a corporation engaged in commerce from causing the formation of subsidiary corporations for the actual carrying on of their immediate lawful business, or the natural and legitimate branches or extensions thereof, or from owning and holding all or a part of the stock of such subsidiary corporations, when the effect of such formation is not to substantially lessen competition.

Nor shall anything herein contained be construed to prohibit any common carrier subject to the laws to regulate commerce from aiding in the construction of branches or short lines so located as to become feeders to the main line of the company so aiding in such construction or from acquiring or owning all or any part of the stock of such branch lines, nor to prevent any such common carrier from acquiring and owning all or any part of the stock of a branch or short line constructed by an independent company where there is no substantial competition between the company owning the branch line so constructed and the company owning the main line acquiring the property or an interest therein, nor to prevent such common carrier from extending any of its lines through the medium of the acquisition of stock or otherwise of any other such common carrier where there is no substantial competition between the company extending its lines and the company whose stock, property, or an interest therein is so acquired

Nothing contained in this section shall be held to affect or impair any right heretofore legally acquired: *Provided*. That nothing in this section shall be held or construed to authorize or make lawful anything heretofore prohibited or made illegal by the antitrust laws, nor to exempt any person from the penal provisions thereof or the civil remedies therein provided.

SEC. 8. * * * That from and after two years from the date of the approval of this Act no person at the same time shall be a director in any two or more corporations, any one of which has capital, surplus, and undivided profits aggregating more than $1,000,000 engaged in whole or in part in commerce other than banks, banking associations, trust companies, and common carriers subject to the Act to regulate commerce, approved February fourth, eighteen hundred and eighty-seven, If such corporations are or shall have been theretofore, by virtue of their business and location of operation, competitors, so that the elimination of competition by agreement between them would constitute a violation of any of the provisions of any of the antitrust laws. The eligibility of a director under the foregoing provision shall be determined by the aggregate amount of the capital, surplus, and undivided profits, exclusive of dividends declared but not paid to stockholders, at the end of the fiscal year of said corporation next preceding the election of directors, and when a director has been elected in accordance with the provisions of this Act it shall be lawful for him to continue as such for one year thereafter.

When any person elected or chosen as a director or officer or selected as an employee of any bank or other corporation subject to the provisions of this Act is eligible at the time of his election or selection to act for such bank or other corporation in such capacity his eligibility to act in such capacity shall

not be affected and he shall not become or be deemed amenable to any of the provisions hereof by reason of any change in the affairs of such bank or other corporation from whatsoever cause, whether specifically excepted by any of the provisions hereof or not, until the expiration of one year from the date of his election or employment.

* * * * *

SEC. 11. That authority to enforce compliance with sections two, three, seven, and eight of this Act by the persons respectively subject thereto is hereby vested: in the Interstate Commerce Commission where applicable to common carriers subject to the Interstate Commerce Act, as amended; in the Federal Communications Commission where applicable to common carriers engaged in wire or radio communication or radio transmission of energy; in the Federal Reserve Board where applicable to banks, banking associations, and trust companies; and in the Federal Trade Commission where applicable to all other character of commerce, to be exercised as follows:

Whenever the commission, authority, or board vested with jurisdiction thereof shall have reason to believe that any person is violating or has violated any of the provisions of sections two, three, seven, and eight of this Act, it shall issue and serve upon such person 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 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, authority, or board requiring such person to cease and desist from the violation of the law so charged in said complaint. Any person may make application, and upon good cause shown, may be allowed by the commission, authority, or board, 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, authority, or board. If upon such bearing the commission, authority, or board, as the case may be, shall be of the opinion that any of the provisions of said sections have been or are being violated, 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 an order requiring such person to cease and desist from such violations, and divest itself of the stock held or rid itself of the directors chosen contrary to the provisions of sections seven and eight of this Act, if any there be, in the manner and within the time fixed by said order. Until a transcript of the record in such hearing shall have been filed in a circuit court of appeals of the United States, as hereinafter provided, the commission, authority, or board 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.

If such person fails or neglects to obey such order of the commission, authority, or board while the same is in effect, the commission, authority, or board may apply to the circuit court of appeals of the United States, within any circuit where the violation complained of was or is being committed or where such person resides or carries on business, for the enforcement of its order, and shall certify and file with its application a transcript of the entire record in the proceeding, including all the testimony taken and the report and order of the commission, authority, or board. Upon such filing of the application and transcript the court shall cause notice thereof to be served upon such person, and thereupon shall have Jurisdiction of the proceeding and of the question determined therein, and shall have power to make and enter upon the pleadings, testimony, and proceedings set forth in such transcript a decree affirming, modifying, or setting aside the order of the commission, authority, or board. The findings of the commission, authority, or board as to the facts, if supported by testimony, shall be conclusive. If either party shall apply to the court for leave to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the commission, authority, or board, the court may order such additional evidence to be taken before the commission, authority, or board 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, authority, or board 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 testimony, shall be conclusive, and its recommendations, 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 two hundred and forty of the Judicial Code.

Any party required by such order of the commission, authority, or board to cease and desist from a violation charged may obtain a review of such order in said circuit court of appeals by filing in the court a written petition praying that the order of the commission, authority, or board be set aside. A copy of such petition shall be forthwith served upon the commission, authority, or board, and thereupon the commission, authority, or board forthwith shall certify and file in the court a transcript of the record as hereinbefore provided. Upon the filing of the transcript the court shall have the same jurisdiction to affirm, set aside, or modify the order of the commission, authority, or board as in the case of an application by the commission, authority, or board for the enforcement of its order, and the findings of the commission, authority, or board as to the facts, if supported by testimony, shall in like manner be conclusive.

The Jurisdiction of the circuit court of appeals of the United States to enforce, set aside, or modify orders of the commission, authority, or board shall be exclusive.

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, authority, or board or the judgment of the court to enforce the same shall in any wise relieve or absolve any person from any liability under the antitrust Acts.

Complaints, orders, and other processes of the commission, authority, or board under this section may be served by anyone duly authorized by the commission, authority, or board, either (*a*) by delivering a copy thereof to the person to be served, or to a member of the partnership to be served, or to the president, secretary, or other executive officer or a director of the corporation to be served; or (*b*) by leaving a copy thereof at the principal office or place of business of such person; or (*c*) by registering and mailing a copy thereof addressed to such person at his 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.

* * * * * * *

Approved October 15, 1941.

EXPORT TRADE ACT

An Act to promote export trade, and for other purposes

Be it enacted by the Senate and *House of Representatives of the United States of America in Congress assembled*, That the words "export trade" where-ever used in this Act mean solely trade or commerce in goods, wares, or merchandise exported, or in the course of being exported from the United States or any Territory thereof to any foreign nation; but the words "export trade" shall not be deemed to include the production, manufacture, or selling for consumption or for resale, within the United States or any Territory thereof, of such goods, wares, or merchandise, or any act in the course of such production, manufacture, or selling for consumption or for resale.

That the words "trade within the United States" wherever used in this Act mean trade or commerce among the several States 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 or Territories and any State or States or the District of Columbia, or between the District of Columbia and any State or States.

That the word "Association" wherever used in this Act means any corporation or combination, by contract or otherwise, of two or more persons, partnerships, or corporations.

SEC. 2. That nothing contained in the Act entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," approved July second, eighteen hundred and ninety, shall be construed as declaring to be illegal an association entered into for the sole purpose of engaging in export trade and actually engaged solely in such export trade, or an agreement made or act done in the course of export trade by such association, provided such association, agreement, or act is not in restraint of trade within the United States, and is not in restraint of the export trade of any domestic competitor of such association: *And provided further*, That such association does not, either in the United States or elsewhere, enter info any agreement, understanding, or conspiracy, or do any act which artificially or intentionally enhances or depresses prices within the United States of commodities of the class exported by such association, or which substantially lessens competition within the United States or otherwise restrains trade therein.

SEC. 3. That nothing contained in section seven of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October fifteenth, nineteen hundred and fourteen, shall be construed to forbid the acquisition or ownership by any corporation of the whole or any part of the stock or other capital of any corporation organized solely for the purpose of engaging in export trade, and actually engaged solely in such export trade, unless the effect of such acquisition or ownership may be to restrain trade or substantially lessen competition within the United States.

SEC. 4. That the prohibition against "unfair methods of competition" and the remedies provided for enforcing said prohibition contained in the Art entitled "An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes", approved September twenty-sixth, nineteen hundred and fourteen, shall be construed as extending to unfair methods of competition used in export trade against competitors engaged in export trade, even though the acts constituting such unfair methods are done without the territorial jurisdiction of the United States.

SEC. 5. That every association now engaged solely" in export trade, within sixty days after the passage of this Act, and every association entered into hereafter which engages solely in export trade, within thirty days after its creation, shall file with the Federal Trade Commission a verified written statement setting forth the location of its offices or places of business and

the names and addresses of all its officers and of all its stockholders or members, and if a corporation, a copy of its certificate or articles of incorporation and by-laws, and if unincorporated, a copy of its articles or contract of association, and on the first day of January of each year thereafter it shall make a like statement of the location of its offices or places of business and the names and addresses of all its officers and of all its stockholders or members and of all amendments to and changes in its articles or certificate of incorporation or in its articles or contract of association. It shall also furnish to the com-mission such information as the commission may require as to its organization, business, conduct, practices, management, and relation to other associations, corporations, partnerships, and individuals. Any association which shall fail so to do shall not have the benefit of the provisions of section two and section three of this Act, and it shall also 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 association 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 the forfeiture. The costs and expenses of such prosecution shall be paid out of the appropriation for the expenses of the courts of the United States.

Whenever the Federal Trade Commission shall have reason to believe that an association or any agreement made or act done by such association is in restraint of trade within the United States or in restraint of the export trade of any domestic competitor of such association, or that an association either in the United States or elsewhere has entered into any agreement, understanding, or conspiracy, or done any act which artificially or intentionally enhances or depresses prices within the United States of commodities of the class exported by such association, or which substantially lessens competition within the United States or otherwise restrains trade therein, it shall summon such association, its officers, and agents to appear before it, and thereafter conduct an. investigation into the alleged violations of law. Upon investigation, if it shall conclude that the law has been violated, it may make to such association recommendations for the readjustment of its business, in order that it may thereafter maintain its organization and management and conduct its business in accordance with law. If such association fails to comply with the recommendations of the Federal Trade Commission, said commission shall refer its findings and recommendations to the Attorney General of the United States for such action thereon as he may deem proper.

For the purpose of enforcing these provisions the Federal Trade Commission shall have all the powers, so far as applicable, given it in “An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes.”

Approved, April 10, 1918.

RULES OF PRACTICE

I. SESSIONS

(*a*) The principal office of the commission at Washington, D. C., is open each business day from 9 a.m. to 4:30 p.m. The commission may meet and exercise all its powers at any other place, and may, by one or more of Us members, or by such examiners as it may designate, prosecute any inquiry necessary to its duties in any part of the United States.

(*b*) Sessions of the commission for hearing contested proceedings will be held as ordered by the commission.

(*c*) Sessions of the commission for the purpose of making orders and for the transaction of other business, unless otherwise ordered, will be held at the office of the commission at Washington, D. C., on each business day at 10.30 a. m. A majority of the membership of the commission shall constitute a quorum for the transaction of business.

(*d*) All orders of the commission shall be signed by the Secretary.

RULE II. APPEARANCE

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

(*b*) A party may also appear by an attorney at law possessing the requisite qualifications, as hereinafter set forth, to practice before the Commission. Upon application and for good cause shown, the commission, in its discretion, may permit a party to be represented by any person having requisite qualification to represent others.

RULE III. PRACTICE BEFORE THE COMMISSION

(*a*) Attorneys at law who are admitted to practice before the Supreme Court of the United States, or the highest court of any State or Territory of the United States, or the Court of Appeals of the Supreme Court of the District of Columbia, may be admitted to practice before the Commission. No register of admitted attorneys is maintained.

(*b*) The Commission may, in its discretion, deny admission, suspend, or disbar from practice before it, any person, who, it finds, does not possess the requisite qualifications to represent others, or is lacking in character, integrity, or is guilty of unprofessional conduct. Any person who has been admitted to practice before the Commission may be disbarred of suspended from practice for good cause shown, but only after he has been afforded an opportunity to be heard.

RULE IV. COMPLAINTS

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

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

(*c*) The Commission shall investigate the matters complained of in such application, and if upon investigation made either on its own motion or upon application, the Commission shall have reason to

believe that there is a violation of law over which the Commission has jurisdiction, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, the Commission shall issue, and serve upon the party complained of, a complaint stating its charges and containing a notice of a hearing upon a day and at a place therein fixed, at least 80 days after the service of said complaint.

RULE V. ANSWERS

(*a*) In case of desire to contest the proceeding the respondent shall, within 20 days from the service of the complaint, file with the Commission an answer to the complaint. Such answer shall contain a concise statement of the facts which constitute the ground of defense. Respondent shall specifically admit or deny or explain each of the facts alleged in the complaint, unless respondent is without knowledge, in which case respondent shall so state, such statement operating as a denial. Any allegation of the complaint not specifically denied in the answer, unless respondent shall be deemed to be admitted to be true and may be found by the Commission.

(*b*) In case the respondent desires to waive hearing on the charges set forth the complaint and not to contest the proceeding, the answer may consist of a statement that respondent admits all the material allegations of the complaint to be true. Any such answer shall be deemed to waive a hearing thereon, and to authorize the Commission, without trial and without further evidence, or other intervening procedure, to make, enter, issue, and serve up on respondent:

(*c*) In cases arising under section 5 of the act of Congress approved September 26, 1914, entitled "An act to create a Federal Trade Commission, to define its powers and duties, and for other purposes " (the Federal Trade Commission Act), or under sections 2 and 3 of the act of Congress approved October 15, 1914, entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purpose" (the Clayton Act,) or under section 2 of the aforesaid Clayton Act as amended by "An act to amend section 2 of the act entitled 'An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes' approved October 15, 1914, as amended (U.S. C., title 15, sec. 13), and for other purposes", approved June 19, 1936 (the Robinson-Patman Act), findings of fact and an order to cease and desist from the violations of law charged in the complaint

(*d*) In cases arising under section 7 of the said act of Congress approved October 15, 1914 (the Clayton Act), findings of fact and an order to cease and desist from the violations of law charged in the complaint and to divest itself of the stock found to be held contrary to the provisions of said section 7 of said Clayton Act;

(*e*) In cases arising under section 8 of the said act of Congress approved October 15, 1914 (the Clayton Act), findings of fact and an order to cease and desist from the violation of law charged in the complaint and to rid itself of the directors found to have been chosen contrary to the provisions of said section 8 of said Clayton Act.

(*f*) Failure of the respondent to file answer within the time above provided for shall be deemed to admission of all allegations of the complaints and to authorize the Commission to find them to be true and to waive hearing on the charges set fourth in the complaint.

(*g*) Three copies of answers shall be furnished. All answers shall be signed in ink, by the respondent or by his attorney at law, or by a duly authorized agent with appropriate power of attorney affixed, and are required to show the office and post-office address of the signer. All answers are required to be type-written or printed. If type-written, they are required to be on paper not more than 8 ½ inches wide and not more than 11 inches long. If printed, they are required to be on paper 8 inches wide and 10 ½ inches long.

RULE VI. SERVICE

(*a*) Complaints, orders, and other processes of the Commission, may be served by the Commissions secretary by registered mail, (except whenever otherwise method specifically ordered by the Commission), and in those instances where service cannot be made by such method, service may be made by anyone duly authorized by the Commission, or by any examiner of the Commission, either (*a*) by delivering a copy of the thereof to the person served, or to a member of

the partnership to be served, or to the president, secretary, or other executive officer or a director of the corporation to be served; or (*b*) by leaving a copy thereof at the principal office or place of business of such person, partnership, corporation, or association; or (*c*) by registering and mailing a copy thereof addressed to such person, partnership, corporation, or association at his or its 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 wailed as aforesaid, shall be proof of the service of the same.

VII. INTERVENTION.

(*a*) Any person, partnership, corporation, or association desiring to intervene in a contested proceeding shall make application in writing, setting out the grounds on which he or it claims to be interested. The commission may, by order, permit intervention by counsel or in person to such extent and upon such terms as it shall deem just.

(*b*) Applications to intervene must be on one side of the paper only, on paper not more than 8 ½ inches wide and not more than 11 inches long, and weighing not less than 16 pounds to the ream, folio base, 17 by 22 inches, with left-hand margin not less than 1 ½ inches wide, or they may be printed in 10 or 12 point type on good unglazed paper 8 inches wide by 10 ½ inches long, with inside margins not less than 1 inch wide.

VIII. WITNESSES AND SUBPOENAS.

(*a*) Witnesses shall be examined orally, except that for good and exceptional cause for departing from the general rule the commission may permit their testimony to be taken by deposition.

(*b*) Subpoenas requiring the attendance of witnesses from any place in the United States at any designated place of hearing may be issued by any member of the commission.

(*c*) Subpoenas for the production of documentary evidence (unless directed to issue by a commissioner upon his own motion) will issue only upon application in writing, which must be verified and must specify, as near as may be, the documents desired and the facts to be proved by them.

(*d*) 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. Witness fees and mileage shall be paid by the party at whose instance the witness appear.

IX. TIME FOR TAKING TESTIMONY.

Upon the joining of issue in a proceeding by the Commission the examination of witnesses therein shall proceed with all reasonable diligence and with the least practicable delay. Not less than 5 nor more than 10 days' notice shall be given by the Commission to counsel or parties of the time and place of examination of witnesses before the Commission, a commissioner, or an examiner.

X. OBJECTIONS TO EVIDENCE.

Objections to the evidence before the Commission, a commissioner, or an examiner shall, in any proceeding, be in short form. starting the grounds of objections relied upon, and no transcript filed shall include argument or debate.

XI. MOTIONS.

A motion in a proceeding by the Commission shall briefly state the nature of the order applied for, and all affidavits, records, and other helpers upon which the same is founded, except such as have been previously filed or served in the same proceeding, shall be filed with such motion and plainly referred to therein.

XII. HEARINGS ON INVESTIGATIONS.

(*a*) When a matter for investigation is referred to a single commissioner for examination or report, such commissioner may conduct or hold conferences or bearings thereon, either alone or with other commissioners who may sit with him, and reasonable notice of the time and place of such hearings shall be given to parties in interest and posted.

(*b*) The chief counsel or one of his assistants, or such other attorney as shall be designated by the commission, shall attend and conduct such hearings, and such hearings may, in the discretion of the commissioner holding same, be public, unless otherwise ordered by the Commission.

RULE XIII. HEARINGS BEFORE TRIAL EXAMINERS

(*a*) Where evidence is to be taken in a proceeding upon complaint issued by the Commission, a trial examiner shall be designated by the Commission for that purpose. It shall be the duty of the trial examiner to complete the taking of evidence with all due dispatch and he shall state the place, day, and hour to which the taking of evidence may from time to time be adjourned.

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

(*c*) The trial examiner shall, within 15 days after the receipt of the steno-graphic report of the testimony, make his report on the facts, and shall forthwith serve copy of the same on the parties or their attorneys, who, within 10 days after the receipt of same, shall file in writing their exceptions, if any, and said exceptions shall specify the particular part or parts of the report to which exception is made, and said exceptions shall include any additional facts which either party may think proper. Seven copies of exceptions shall be filed for the use of the Commission. Citations to the record shall be made in support of such exceptions. Where briefs are filed, the same shall contain a copy of such exceptions. If exceptions are to be argued, they shall be argued at the final argument on the merits.

(*d*) The report of the trial examiner is not a decision, finding, or ruling of the Commission, and is not a part of the record in the proceeding. The Commission's findings as to the facts are based upon the record.

(*e*) When, in the opinion of the trial examiner engaged in taking evidence in any formal proceeding, the size of the transcript or complication or importance of the issues involved warrants it, he may of his own motion or at the request of counsel, at the close of the taking of evidence, announce to the attorney for the respondent and for the Commission that the examiner will receive, at any time before he has completed the drawing of the trial examiner's report upon the facts, a statement in writing (one for either side) in terse outline setting forth the contentions of each as to the facts proved in the proceeding.

(*f*) These statements are not to be exchanged between counsel amid are not to be argued before the trial examiner.

(*g*) Any such statement submitted by either side shall be submitted within 5 days after the closing of the taking of evidence and not later, which time shall not be extended.

RULE XIV. DEPOSITIONS

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

(*a*) Any party desiring to take the deposition of a witness shall make application in writing, setting out the reasons why such deposition should be taken, and stating the time when, the place where, and the name and post office address of the person before whom it is desired the deposition be taken, the name and postoffice address of the witness, and the subject matter or matters concerning which the witness is expected to testify. If good cause be shown, the Commission will make and serve upon the parties, or their attorneys, an order wherein the Commission shall name the witness whose deposition is to be taken and specify the time when, the place where, and the person before whom the witness is to testify, but such time and place, and

the person before whom the deposition is to be taken, so specified in the Commission's order, may or may not be the same as those named in said application to the Commission.

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

(*d*) Such depositions shall be typewritten, on one side of only of the paper, which shall not be more than 8 ½ inches and not more than 11 inches long and weighing less than 16 pound to the ream, folio base 17 by 22 inches, with left handed margin not less than 1 ½ inch.

(*e*) Unless notice be waived, no depositions shall be taken except after at least 6 day's notice to the parties, and where the deposition is taken in a foreign country, such notice be at least 15 days.

XV. DOCUMENTARY EVIDENCE.

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

RULE XVI. BRIEFS

(a) All briefs must be filed with the secretary of the Commission, and briefs on behalf of the Commission must be accompanied by proof of the service of the same as hereinafter provided, or the mailing of same by registered mall to the respondent or its attorney at the proper address. Twenty copies of each brief shall be furnished for the use of the Commission unless otherwise ordered. The exceptions, if any, to the trial examiner's report must be incorporated in the brief. Every brief, except the reply brief on behalf of the Commission, hereinafter mentioned, shall contain in the order here stated:

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

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

(d) Every brief of more than 10 pages shall contain on its top flyleaves a subject index with page references, the subject index to be supplemented by a list of all cases referred to, alphabetically arranged, together with references. to pages where the cases are cited.

(e) Briefs are required to be printed in 10- or 12-point type on good unglazed paper 8 by 10½ inches, with inside margins not less than 1 inch wide, and with double-leaded text and single-leaded citations.

(f) The reply brief on the part of the Commission shall be strictly in answer to respondent's brief.

(g) The opening brief in support of the complaint shall be filed within 20 days of the date of the service upon the trial attorney of the Commission of the trial examiner's report. The brief on behalf of the respondent shall be filed within 20 days from the service upon the respondent or his attorney of the brief in support of the complaint. A reply brief in support of the complaint shall be filed only when recommended by the chief counsel and then within 10 days after the filing of respondent's brief. A reply brief on behalf of respondent will not be permitted to be filed. Appearance of additional counsel in a case shall not constitute grounds for extending the time for filing brief or for final hearing.

(h) Briefs not filed with the Commission on or before the dates fixed hereunder will not be received except by special permission of the Commission.

(i) Briefs on behalf of the Commission may be served by delivering a copy thereof to the respondent's attorney or to the respondent in case respondent be not represented by attorney, or by registering and mailing a copy thereof addressed to the respondent's attorney or to the respondent in case respondent

be not represented by attorney, at the proper post-office address. Written acknowledgment of services, or the verified return of the party making the service, shall constitute proof of personnel services hereinbefore provided and mailed shall constitute proof of the service of the same.

(j) Oral arguments may be had only as ordered by the Commission on written application of the chief counsel or of respondent filed not later than 5 days after expiration of time allowed for filing of reply brief of counsel for the Commission

RULE XVII. FILING MOTIONS, ANSWERS, ECT.

All matter required to be filed with the Commission shall be filed with the secretary.

RULE XVIII.--REPORTS SHOWING COMPLIANCE WITH ORDERS

In every case where an order is issued by the Commission for the purpose of preventing violations of the law, the respondent or respondents therein named shall file with the Commission, within the time specified in said order, a report, in writing, setting forth in detail the manner and form in which the said order of the Commission has been complied with.

RULE XIX.--REOPENING PROCEEDINGS

In any case where an order to cease and desist, an order dismissing a complaint, or other order disposing of a proceeding has been issued by the Commission, the Commission may, at any time within ninety (90) days after entry of such order, for good cause shown, in writing, and on notice to the parties, reopen the case for such further proceeding as to the Commission may seem proper.

RULE. XX CONTINUANCES AND EXTENSION OF TIME

The Commission may, in its discretion, grant continuances, or, good cause shown in writing and prior to the expiration of the time fixed, extend the time fixed in these rules.

XXI. ADDRESS OF THE COMMISSION.

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

INVESTIGATIONS, 1913-35

Antidumping Legislation in the United States and Foreign Countries (on motion of the Commission).--The inquiry was begun in the spring of 1933 when amendments to the antidumping laws of this country were under consideration by Congress. Authority for this study is found in sections 5 and 6 (h) of the Commission's organic law. The several recognized types of dumping-(1) real or ordinary dumping, (2) bounty dumping, (3) freight dumping, (4) dumping of materials, (5) consignment dumping, (6) exchange dumping, and (7) social dumping, were studied, as well ns more general provisions which may be used to prevent the dumping of goods from foreign countries. International action in suppression of dumping was briefly mentioned, and the legislation of each country was studied separately. The study was ordered printed on January 11, 1934, as Senate Document No.112, Seventy-third Congress, second session.

Book Paper (S. Res. 269, 64th Cong., 1st sess., Sept. 7, 1916. See also Newsprint Paper.) --The inquiry into book paper, which was made shortly following the newsprint inquiry, had a similar origin and disclosed similar restraints of trade, resulting in proceedings by the Commission against the manufacturers involved therein to prevent the enhancement of prices. The Commission also recommended legislative action to repress restraints of trade by certain associations. Reports transmitted June 13, 1917, and August 21, 1917.

Bread (S. Res. 163, 68th Cong., 1st sess., Feb.16, 1924. See also Flour Milling) --This resolution directed the Commission to investigate the production, distribution, transportation, and sale of flour and bread, showing costs, prices, and profits at each stage of the process of production and distribution; the extent and methods of price fixing, price maintenance, and price discrimination; concentration of control in the milling and baking industries: and evidence indicating the existence of agreements, conspiracies, or combinations in restraint or trade. Two preliminary reports were issued, dealing with competitive conditions in flour milling and bakery combines arid profits. The final report showed among other things that wholesale baking in recent years had been generally profitable. It disclosed also price-cutting wars by big bakery combines and subsequent price-fixing agreements. Reports transmitted May 3, 1926, February 11, 1927, and January 11, 1928. Supplementary report covering data with-held during court proceeding (Millers' National Federation against Federal Trade Commission) transmitted May 28, 1932.

Calcium Arsenate (S. Res. 417, 67th Cong., 4th sess., Jan.23, 1923) --The high prices of calcium arsenate, a poison used to destroy the cotton boll weevil, led to this inquiry from which it appeared that the cause was due to the sudden increase in demand rather than to any restraints of trade. Report transmitted March 3, 1923.

Cement Industry (S. Res. 448, 71st Cong., 3d sess., Feb.16, 1931) .--This resolution instructed the Commission to investigate competitive conditions and distributing processes in the cement industry to determine the existence, if any, of unfair trade practices or violations of the antitrust laws. The Commission submitted its report on Julie 9, 1933 (printed as S. Doc. No.71, 73d Cong., 1st sess.) . The report indicated that rigid application to the multiple basing-point price system, universally used in the industry, tended to lessen price competition and destroy the value of sealed bids; that manufacturers in concert with dealer organizations had engaged in activities which strengthened the system's price effectiveness and that dealers' associations had engaged in practices designed to restrict sales to those recognized as legitimate dealers by the associations. It was indicated such practices also tended to control sales terms. This report reiterated certain findings and conclusions of the Commission's earlier report on the cement industry made as a part of the price bases inquiry. (See Price bases report below.) The investigation revealed no evidence of monopoly.

Chain Stores (S. Res. 224, 70th Cong., 1st Sess., May 12, 1928)--Under the resolution the Commission was directed to ascertain the advantages and disadvantages of chain-store distribution as compared with other types of distribution and how far the increase in the former system depended upon quantity prices and whether or not such quantity prices were in violation of law and what legislation, if any, should be enacted regarding them. The resolution also called for a report upon the extent to which the chain stores had tended to monopoly or concentration of control, the existence of unfair methods, and agreements in restraint of trade. The factual data have been submitted in 33 separate reports and are now available as Senate documents. These reports include detailed statistical analyses of nearly all phases of chain-store operations. The final report was transmitted on December 14, 1934, and printed as Senate Document 4, Seventy-fourth Congress, first session.

Coal, Anthracite (S. Res. 217, 64th Cong., 1st sess., June 22, 1916, and S. Res. 51, 65th Cong., 1st sess., Apr.30, 1917) --The rapid advance in the prices of anthracite at the mines, compared with costs, and the overcharging of anthracite jobbers and dealers were disclosed in the inquiry in response to these resolutions. Current reports of operators' and retailers' selling prices were obtained, and this was believed to have substantially benefited the consumer. Reports transmitted May 4, 1917, and June 20, 1017.

Coal, Anthracite (on motion of the Commission).--The report on this inquiry dealt with premium prices of anthracite coal charged by certain mine operators and the premium prices and gross profits of wholesalers in the latter part of 1923 and early in 1924. The report discussed also the development of the anthracite combination and the results of the Government's efforts to dissolve it. Report dated July 6, 1926.

Coal, Bituminous (H. Res. 352, 64th Cong., 1st sess., Aug.18, 1916) .--While this resolution aimed originally at the investigation of the alleged depressed condition of the bituminous-coal industry, the inquiry had not long been under way before there was a great advance in prices, and the commission, in its report, suggested various measures for insuring a more adequate supply at reasonable prices. War-time price control was soon afterward established. Reports transmitted May 4, 1917, May 19, 1917, and June 20, 1917.

Coal, Bituminous (on motion of the Commission).--The reports on investment and profit in soft-coal mining were prepared and transmitted to Congress in the belief that the information would be of timely value in consideration of pending legislation regarding the coal trade. The data covers the years 1916 to 1921, inclusive. Reports dated May 31, 1922, and July 6, 1922.

Coal, Reports on Cost of Production.--Before the passage of the Lever Act in August 1917, the Commission was called upon by the President to furnish information to be used by him in fixing coal prices under the said act. On the basis of the information furnished the prices of coal were fixed by Executive order. The work of the Commission in determining the cost of production of coal was continued by obtaining monthly reports. This information was compiled for the use of the Fuel Administration in continuing the control of prices. Detailed cost records were collected from January 1917, through December 1918, for about 99 percent of the anthracite tonnage production and for about 95 percent of the bituminous coal production, This information was summarized, after the war, min a series of reports for the principal coal producing States or regions.

Commercial Bribery (on motion of the Commission) --The prevalence of commercial bribery of employees was brought out in a special report to Congress, dated May 15, 1918. The report carried with it recommendations for legislation striking at this practice.

Commercial Feeds (S. Res. 140, 66th Cong., 1st sess., July 31, 1919) -This inquiry into commercial feeds aimed to discover whether there were combinations or restraints of trade in that business; and though it disclosed some association activities in restraint of trade, it found no important violation of the antitrust laws. Certain minor abuses in the trade were eliminated. Re-port transmitted March 29, 1921.

Cooperation in American Export Trade (on motion of the Commission) --An extensive investigation of competitive conditions affecting Americans In international trade. The report disclosed the marked advantages of other nations in foreign trade by reason of their superior facilities and more effective organi-

zations. The Webb-Pomerene Act authorizing the association of manufacturers for export trade was enacted as a direct result of the recommendations em-bodied in the report. Reports dated May 2, 1916, and Tune 30, 1916.

Cooperation in Foreign Countries (on motion of the Commission).--The report on cooperation in foreign countries was the result of studies of the cooperative movement in 15 European countries, and concluded with recommendations for further developments of cooperation in the United States. Report dated December 2, 1924.

Cooperative Marketing (S. Res. 34, 69th Cong., special sess., Mar.17, 1925).--An inquiry on the development and Importance of the cooperative movement in the United States and illegal interferences with the formation and operation of cooperatives. The report included also a study of comparative costs, prices, and marketing practices as between cooperative marketing organizations and other types of marketers and distributors handling farm products. Transmitted April 30, 1928.

Copper.--One of the first products for which the Government established a definite maximum price during the war was copper. The information upon which the price was fixed was primarily the cost findings of the Federal Trade Commission, and a summary of this cost information was published in a report issued in 1919.

Cotton Merchandising Practices (S. Res. 252, 68th Cong., 1st sess., June 7, 1924).--Abuses in handling consigned cotton were discussed in the report on this inquiry, and a number of recommendations designed to correct or alleviate existing conditions made. Transmitted January 20, 1925.

Cottonseed (H. Res. 439, 69th Cong., 2d sess., Mar. 2, 1927) --Alleged fixing of prices paid for cottonseed. The Commission found considerable evidence of cooperation among the State associations, but the evidence as a whole did not indicate that prices had been fixed by those engaged in crushing or refining cottonseed in violation of the antitrust laws. One of the main causes of dissatisfaction to both the producer of cottonseed and those engaged in its purchase and manufacture was found to be the lack of a uniform system of grading. Report transmitted March 5, 1928.

Cottonseed Industry (S. Res. 136, 71st Cong., 1st sess., Sept.30, 1929, and S. Res. 147, 71st Cong., 1st sess., Oct: 30, 1929) --These resolutions instructed the Commission to investigate practices of corporations operating cottonseed-oil mills to determine the existence of unlawful combinations seeking to lower and fix prices of cottonseed, and seeking to sell cottonseed meal at a fixed price under boycott threat. The Commission was also to determine whether such corporations were acquiring control of cotton gins for the purpose of destroying competitive markets as well as for depressing or controlling prices paid to seed producers. The final report was submitted on May 19, 1933.

Cotton Trade (S. Res. 262, 67th Cong., 2d sess., Mar. 16, 1922) --The inquiry into cotton trade originated by this resolution was covered in part by a preliminary report issued in February 1923, which discussed especially the causes of the decline in cotton prices in 1922 and left the consideration of the other topics indicated to be treated hum connection with an additional and related inquiry called for by the Senate at that the. Reports transmitted February 26, 1923, and April 28, 1924.

Cotton Trade (S. Res. 429, 67th Cong., 4th sess., Jan.31, 1923) .--The inquiry in response to this second resolution on the cotton trade was combined with the one mentioned above and resulted in a report which was sent to the Senate in April 1924. This report recommended that Congress enact legislation pro viding for some form of southern warehouse delivery on New York contracts, and as a part of such a delivery system the adoption of a future contract which would require that *not* more than three adjacent or contiguous grades should be delivered on any single contract. The Commission also recommended a

revision of the system of making quotations arid differences at the various: spot markets and the abolition of deliveries on futures at New York. The special warehouse committee of the New York Cotton Exchange on June 28, 1924, adopted the recommendations of the Commission with reference to the southern delivery on New York contracts, including the contiguous grade contract. Report transmitted April 28, 1924.

Cotton Yarn (H. Res. 451, 66th Cong., 2d sess., Apr. 5, 1920) .--The Commission was called upon, in this resolution, to investigate the very high prices of combined cotton yard, and the inquiry disclosed that there had been an unusual advance in prices and that the profits in the industry had been extraordinarily large for several years. Report transmitted April 14, 1921.

Du Pont Investments (on motion of the Commission, July 29, 1927) .--The reported acquisitions of E. l du Pont de Nemours & Co. of the stock of the United States Steel Corporation, together with the previously reported holdings in the General Motors Corporation, caused an inquiry into these relations with a view to ascertaining the real facts and their probable economic consequences. Report dated February 1, 1929.

Electric and Gas Utilities.--See Electric Power, interstate Power Transmission, and Utility Corporations.

Electric Power (S. Res. 329, 6th Cong., 2d sess., Feb. 9, 1925) --Two reports. on the electric-power industry were made pursuant to this resolution. The first dealt with the organization, control, and ownership of commercial electric-power companies, and showed the extreme degree to which pyramiding had been carried in superposing a series of holding companies over the underlying operating companies. The second report related to the supply of electrical equipment and competitive conditions existing in the industry. The dominating position of the General Electric Co. is clearly brought out. Reports. transmitted February 21, 1927, and January 12, 1928.

Empire Cotton Growing Corporation (S. Res. 317, 6th Cong., 2d sess., Jan.27, 1925) --This inquiry concerned the development, methods and activities of the Empire Cotton Growing Corporation, a British company. The report discussed world cotton production and consumption and concluded that there was little danger of serious competition to the American cotton grower and that it would be many years before there is a possibility of the United States losing its position as the largest producer of raw cotton. Transmitted February 28, 1925.

Export Grain (S. Res. 133, 67th Cong., 2d sess., Dec.22, 1921) .--The low prices of export wheat gave rise to thus inquiry, which developed extensive-and harmful speculative manipulation of prices on the grain exchanges and. conspiracies among country grain buyers to agree on maximum prices for grain purchased. Legislation for a stricter supervision of grain exchanges was recommended, together with certain changes in their rules. The com mission also recommended governmental action hooking to additional storage facilities for grain uncontrolled by grain dealers. Reports transmitted May 16, 1922, and June 18, 1923.

Farm Implements S. Res. 223, 65th Cong., 2d sess., May 13, 1918.)--See also. Independent Harvester.)--The high prices of farm Implements led to this inquiry, which disclosed that there were numerous trade combinations to advance prices and that the consent decree for the dissolution of the International Harvester Co. was inadequate. The Commission recommended a revision of the-decree and the Department of Justice proceeded against the company to that end. Report transmitted May 4, 1920.

Fertilizer (S. Res. 487, 62d Cong., 3d sess., Mar. 1, 1913) .--This inquiry, begun by the Bureau of Corporations, disclosed the extensive use of bogus independent fertilizer companies for purposes of competition, but through conferences with the principal manufacturers agreements were reached for the abolition of such unfair competition. Report transmitted August 19, 1916.

Fertilizer (S. Res. 307, 67th Cong., 2d sess., June 17, 1922) .--The fertilizer inquiry developed that active competition generally prevailed in the industry in This country, though in foreign countries combinations controlled some of tine-most Important raw materials. The Commission recommended constructive legislation to improve agricultural credits and more extended cooperative action in the purchase of fertilizer by farmers. Report transmitted March 3, 1923.

Flags (S. Res. 35, 65th Cong., 1st sess., Apr.16, 1917) .--This inquiry resulted from unprecedented increases in the prices of American flags due to the wartime demand. Report transmitted July 26, 1917.

Flour Milling (S. Res. 212, 67th Cong., 2d sess., Jan. 18, 1922. See also Bread Y.-A report on the inquiry into the flour-milling industry was sent to the Senate in May 1924. It showed the costs of production of wheat flour and the profits of the flour-milling companies in recent years. It also discussed the disadvantages to the miller and consumer arising from an excessive and con fusing variety in the sizes of flour packages. Transmitted May 16, 1924.

Food Canning.--As a part of a general food investigation ordered by the President in 1917, the Commission made a study of canned food, and in 1918 published two reports, one entitled "Canned Foods: General Report, Canned Vegetables and Fruits"; and another entitled "Canned Foods: Canned Salmon." Also, the Commission, in connection with its general war-time cost finding activity, obtained a large amount of cost data for the use of the War and Navy Departments, including data on canned foods. A report was published in 1921, entitled " Canned Foods, 1918: Corn, Peas, String Beans, Tomatoes, and Salmon."

Food Inquiry (authorized by the President, Feb. 7, 1917. See also Meat-Packing Profit Limitations) .--The general food investigation, undertaken with a special appropriation of Congress, resulted in 2 major series of reports, namely, meat packing and the grain trade. In addition brief separate reports were issued on flour milling, canned vegetables and fruits, and canned salmon. The Commission recommended divorcing the packers from the control of the stockyards, a recommendation subsequently adopted in the Packers and Stock-yards Act, their exclusion from non-related lines of business, and acquisition by the Government of meat packer private car lines. These reports also resulted in the prosecution of the packers for a conspiracy in restraint of trade by the Department of Justice resulting in the so-called "Packer consent decree", which provided for the withdrawal of the packing companies from unrelated lilies, a matter subsequently contested in court. (See Packer consent decree below.) A half dozen reports were issued on the grain trade including the first detailed statistical analysis of the incidents and results of future trading. The Commission recommended that the quotations of the various exchanges should he made up and published on a more uniform basis and that railroads should be required to operate public elevators for the convenience of their shippers or that there should be governmental operation of storage elevators to permit small dealers to compete more nearly on an equality with the large elevator merchandisers.

Gasoline (S. Res. 457, 63d Cong., 2 sess., Sept.-28, 1914) .--Acting under this resolution, the Commission published a report on gasoline prices in 1915, which discussed the high prices of petroleum products and showed how the various Standard Oil companies had continued to maintain a division of marketing territory among themselves. The Commission suggested several plans for restoring effective competition in the oil industry. Transmitted April 11, 1917.

Gasoline (authorized by the President, Feb. 7, 1924) .--At the direction of the President, the Commission undertook an inquiry into a sharp advance in gasoline prices. The report on this inquiry was referred by the President to the Attorney General.- Report dated June 4, 1924.

Gasoline--Importation of Foreign Gasoline at Detroit (S. Res. 274, 72d Cong., 1st sess., July 16, 1932) .--This investigation had its inception in complaints filed against four major oil companies operating in Detroit alleging price discrimination due to zoning divisions in which different retail prices prevailed. This situation was the result of a fifth company selling Rumanian gasoline at retail prices below those prevailing in Michigan. The possibility that foreign gasoline was being dumped into the Detroit market prompted the Senate resolution. The Commission transmitted its report February 27, 1933. It found no tangible evidence of collusion among the four companies to establish zones or determine prices, also that the companies acted in good faith to meet competition.

Gasoline Prices (S. Res. 166, 73d Cong., 2d sess., Feb. 2, 1934) .--This resolution directed the Commission to inquire into the causes of increased gasoline prices during the 6-month period preceding the' resolution's adoption and the effect

of such increases on gasoline consumers. The report, submitted May 9, 1984, was printed as a Senate document (no. 178, 73d Cong., 2d sess.). The inquiry extended to 272 cities and towns, supplemented by data from leading oil companies. The report revealed an average price increase of 2 cents about the time of the effective date, September 2, 1933, of the petroleum code. Sub sequent declines resulted in an average net increase of 1.04 cents. The Commission estimated consumers were paying an increased annual rate of approximately. $160,550,000 on January 31, 1934. Except for a short period following the code's effective date, gasoline prices were comparatively low due to price wars in a number of markets. Sales taxes, the report also indicated, represented 27 percent of the simple average price or approximately $700,000,000 annually.

Grain Trade. (See Food inquiry above.)

House Furnishings (S. Res. 127, 67th Cong., 2d sess., Jan. 4, 1922) .--The Commission investigated the alleged consistent high level of prices for house furnishing goods prevailing since 1920, as compared to the price declines in other lines. Three reports were issued on the subject, dealing with household furniture, household stoves, kitchen furnishings, and domestic appliances. These reports showed that extensive conspiracies existed to inflate the prices of such goods. Reports transmitted January 17, 1923, October 1, 1923, and October 0, 1924.

Independent Harvester Co. (S.- Res. 212, 65th Cong., 2d sess., Mar.-11, 1918). (See also Farm Implements.).--This resolution called for an investigation of the organization and methods of operation of the company which had been formed several years before to compete with the "Harvester Trust." The company passed into receivership and the report disclosed that mismanagement and insufficient capital brought about its failure. Report transmitted May 15, 1918.

Interstate Power Transmission (S. Res. 151, 71st Cong., 1st sess., Nov. 8, 1929.) (See also Electric Power and Utility Corporations.).--This resolution provided for the Commission's filing, within 30 days after passage, and at least once each 90 days thereafter until completion of the investigation, statements of the quantity of electric energy used for development of power Or light, or both, generated in any State and transmitted across State lines, or between points within the same State but through any place outside thereof. Report transmitted December 20, 1930.

Leather and Shoe Industries (on motion of the Commission).--The general complaint about the high prices of shoes in the latter part of 1917 as compared with the low prices of country hides led the Commission to undertake this investigation.- No justification for the high prices of shoes could be found and recommendations were made for the relief of this condition. Report dated August 21, 1919.

Lumber Trade Associations (authorized by the Attorney General, Sept. 4, 1919).--An extensive survey of lumber manufacturers' associations throughout the United States. The information obtained was presented in a series of reports revealing the activities and attitude of lumber manufacturers toward national legislation, amendments to the revenue laws, elimination of competition of competitive woods, control of prices and production, restriction of reforestation, and other matters.- In consequence of the Commission's findings and recommendations the Department of Justice initiated proceedings against certain of these associations for violations of the antitrust laws. Reports dated January 10, 1921, February 18, 1921, June 9, 1921, and February 15, 1922.

Lumber Trade Associations (on motion of the Commission). (See also Open price Associations.).--An investigation of the activities of five large lumber trade associations bringing down to date the study made at the request of the Attorney General in 1919-20. This inquiry was conducted in conjunction with the inquiry into open-price associations. Transmitted February 13, 1929.

Meat-Packing Profit Limitations (S. Res. 177, 66th Cong., 1st sess., Sept. 3, 1919. (See also Food Inquiry.).--The inquiry into meat packing profit limitations had as its object the study of the system of war-time control established by the Food Administration; certain changes were recommended by the Cornmission including more complete control of the business and lower maximum profits.- Report transmitted August 24, 1919.

Milk (S. Res. 431, 65th Cong., 3d sess., Jan. 31, 1919).--This inquiry into the fairness of milk prices to producers and of canned milk to consumers, and whether they were affected by fraudulent or discriminatory practices, resulted

in a report showing marked concentration of control and of questionable practices in the buying and handling of cream by butter manufacturers, many of which have since been recognized as unfair by the trade itself. Report transmitted June 6, 1921.

Milk Investigation (H. Con. Res. 32, 73d Cong., 2d sess., Feb. 5, 1984.).--An inquiry into the existence of questionable trade practices in the milk industry and the tendency toward a monopolistic control of the milk supply. The Commission's first report, dealing with the Philadelphia and Connecticut milk sheds, was transmitted April 5, 1935, and printed as Senate Document 152, Seventy-fourth Congress, first session. Monopolistic practices in both areas were indicated as well as existence of agreements between producer-cooperatives and distributors fixing consumer prices. However, Philadelphia margins were found to have remained substantially the same over a period of years although prices charged consumers and paid to producers varied widely. It was estimated on the basis of audits of the books of the distributors that the dairy farmers in these two sheds incurred losses of several hundred thousand dollars a year "through practices of certain distributors for most of which it is difficult to find justification." A survey of the Chicago milk shed was begun.

National Wealth (S. Res. 451, 67th Cong., 4th sess., Feb. 28, 1923).--This resolution called for a comprehensive inquiry into national wealth and income and specially indicated for investigation the problem of tax exemption and the increase in Federal and State taxes. Two reports were made. The first was a discussion of taxation and tax exemption, which among other things comprised an elaborate estimate of the amount and ownership of tax-exempt securities by different classes of corporations and persons, and examined the significance of these facts with respect to the great increase in the burdens of taxation. The second report was devoted to national wealth and income, estimating the former to be $353,000,000,000 in 1922 and the national income in 1923 at $70,000,000,000. The nature of the wealth and income and its distribution among various classes were also given. Reports transmitted June 6, 1924, and May 25, 1926.

Newsprint Paper (S. Res. 177, 64th Cong., 1st sess., Apr. 24, 1916).--The newsprint-paper inquiry resulted from an.-unexpected advance in prices.- The reports of the Commission showed that these prices were very profitable, and that they had been partly the result of certain newsprint association activities which were in restraint of trade. Through the aid of the Commission distribution of a considerable quantity of paper to needy publishers was obtained at comparatively reasonable prices. The Department of Justice instituted proceedings in consequence of which the association was abolished and certain newsprint manufacturers indicted.- Reports transmitted March 3, 1917, and June 13, 1917. Following this inquiry the Commission established a system of monopoly reporting of current figures dealing with production, stocks, sales, and the like which was continued for several years.

Newsprint Paper (S. Res. 337, 70th Cong., 2d sess., Feb.27, 1929).--An inquiry to determine the presence of an alleged monopoly among manufacturers and distributors of newsprint paper in the supplying of paper to publishers of small daily and weekly newspapers. Report transmitted July 3, 1930.

Open-Price Associations (S. Res. 28, 69th Cong., special sess., Mar.-17, 1925). (See also "Lumber Trade Associations.").--This resolution called for an investigation to ascertain the number and names of so-called "open-price associations", their importance in the industry, and the nature of their activities, with particular regard to the extent to which uniform prices were maintained among members to wholesalers or retailers.- Report transmitted February 13, 1929.

Packer Consent Decree (S. Res. 278, 68th Cong., 2d sess., Dec. 8, 1924). (See also "Food Inquiry" and "Meat-packing Profit Limitations.").--In response to this resolution a report was made reviewing the legal history of the consent decree and the efforts made to modify or vacate it. A summary was given of the divergent economic interests involved in the question of packer participation in unrelated lines. The report recommended the enforcement of the decree against the Big Five packing companies. Transmitted February 20, 1925.

Peanut Prices (S. Res. 139, 71st Cong., 1st sess., Oct.22, 1929) -Under direction of this resolution the Commission sought data concerning an alleged combination of peanut crushers and mills for price-fixing purposes in violation of

the antitrust laws as well as information with respect to an alleged arbitrary decrease in prices. Report transmitted June 30, 1932.

Petroleum (on motion of the Commission) -Complaints of several Important producing companies in the Salt Creek oil field led to this investigation. The report covered the production, pipe-line transportation, refining, and wholesale marketing of crude petroleum and petroleum products in the State of Wyoming. Report dated January 3, 1921.

Petroleum (on motion of the Commission) .--A special report directing the attention of Congress to conditions existing in the petroleum trade in Wyoming and Montana. Remedial legislation was recommended by the Commission. Report dated July 13, 1922.

Petroleum Industry, Foreign Ownership in (S. Res. 311, 67th Cong., 2d sess., June 29, 1922) .--The acquisition of extensive oil interests in this country by the Dutch-Shell concern, and alleged discrimination practiced against Americans in foreign countries, provoked this inquiry which developed the situation in a manner to promote greater reciprocity on the part of foreign governments. Report transmitted February 12, 1923.

Petroleum, Pacific Coast (S. Res. 13S, 66th Cong., 1st sess., July 31, 1919).--The great increase in the prices of gasoline, fuel oil, and other petroleum products on the Pacific coast led to this inquiry, which disclosed that several of the companies were fixing prices. Reports transmitted April 7, 1921, and November 28, 1921,

Petroleum (on motion of the Commission, Oct. 6, 1926) .-An inquiry into conditions in the Panhandle (Texas) oil field was made in response to requests of crude-petroleum producers. The report revealed that a reduction of prices late in 1926 was largely a result of difficulties of handling and expenses of marketing this oil because of peculiar physical properties. Report dated February 3, 1928.

Petroleum Prices (S. Res. 31, 69th Cong., 1st sess., June 3, 1926) .--A comprehensive study covering all branches of the industry from the ownership of oil hands and the production of crude petroleum to the conversion of petroleum into finished products and their distribution to the consumer. The report described not only the influences affecting the movements of gasoline and other products, but also discussed the organization and control of the various important concerns in the industry. No evidence was found of any understanding, agreement, or manipulation among the large oil companies to raise or depress prices of refined products. Report transmitted December 12, 1927.

Petroleum Prices (H. Res. 501, 66th Cong., 2d sess., Apr. 5, 1920).--A short inquiry into high prices of petroleum products. The report of the Commission pointed out that the Standard companies practically made the prices in their several marketing territories and avoided competition among themselves. Various constructive proposals to conserve the oil supply were made by the Commission. Transmitted June 1, 1920.

Pipe Lines (S. Res. 109, 63d Cong., 1st sess., June 18, 1913).--The report on this inquiry, which was begun by the Bureau of Corporations, showed the dominating. importance of the pipe lines in the great mid-continent oil fields, and that the pipeline companies, which were controlled by a few large oil companies, not only charged excessively high rates for transporting petroleum but also evaded their duties as common carriers by insisting on unreasonably large shipments, to the detriment of the numerous small producers. Report transmitted, February 28, 1916.

Power and Gas Utilities.--See "Electric Power", "Interstate Power Transmission", and "Utility Corporations."

Price Bases (on motion of the Commission, July 27, 1927). (See also "Steel Code Inquiry" and "Steel Code as Amended ").-The Commission initiated this investigation for the purpose of studying methods in use to compute delivered prices on industrial products for the purpose of determining what factual and potential influences such methods might have on competitive markets and price levels. The study also included factors which determined the methods used. This survey extended to more than 3,500 reporting manufacturers representing practically every industrial segment. The first report "The Basing-point Formula and Cement Prices" was submitted to Congress on March 26, 1932. The study revealed this system contributed to a "very imperfect price competition", and tended to establish an unhealthy uniformity

of delivered prices from the competitive standpoint together with a lack of price flexibility over variable periods of time. "Cross-haul" or cross-freighting was found to be one of the industry's economic evils and to be generally admitted as such by the industry itself.

Radio (H. Res. 548, 67th Cong., 4th sess., Mar. 4, 1923).--As a result of this investigation it was found that a large number of patents were owned by and cross licensed among a number of large companies. At the conclusion of the investigation the Commission instituted proceedings against these companies charging a monopoly of the radio field. Report transmitted December 1, 1923.

Raisin Combination (authorized by the Attorney General, Sept.30, 1919).--Allegations of a combination among raisin growers in California were referred to the Commission for examination by the Attorney General pursuant to the Federal Trade Commission Act. The Commission found that it was not only organized in restraint of trade but was being conducted in a manner that was threatening financial disaster to the growers. The Commission recommended changes to conform to the law, which were adopted by the raisin growers. Report dated June 8, 1920.

Resale Price Maintenance (on motion of the Commission).--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 the purchasers could resell them, led to this inquiry. The Commission recommended to Congress the enactment of legislation permitting resale-price maintenance under certain conditions. Reports dated December 2, 1918, and June 30, 1919.

Resale Price Maintenance (on motion of the Commission, July 25, 1927).--A further investigation into this subject was ordered by the commission on July 25, 1927. The study was conducted from the point of view of its economic advantages or disadvantages to the manufacturer, distributor, and consumer, the effects on costs, profits, and prices, and the purpose and results of price cutting. Part I of the report was transmitted to Congress January 30, 1929; part II (final), June 22, 1931.

Salaries Inquiry (S. Res. 75, 73d Cong., 1st sess., May 5, 1933).--This resolution requested a report from the Commission showing the salary schedules of executive officers and directors of corporations engaged in interstate commerce (other than public utilities corporations) having capital and assets of more than a million dollars, whose securities were listed on the New York Stock Exchange or the New York Curb Exchange. The investigation was confined to the 5-year period, 1928~32, and was necessarily limited to a comparatively small proportion of corporations coming within the Commission's jurisdiction. The report was transmitted on February 28, 1934, in 14 volumes containing 877 salary schedules.

Shoe Costs and Prices (H. Res. 217, 66th Cong., 1st sess., Aug.19, 1919).--The high price of shoes after the war led to this inquiry, and the investigation of the commission attributed such prices chiefly to supply and demand conditions. The economic waste due to the excessive variety of styles and rapid changes therein was emphasized. Report transmitted June 10, 1921.

Sisal Hemp (S. Res. 170, 64th Cong., 1st sess., Apr. 17, 1916) .-In response to a resolution calling on the commission to assist the Senate Committee on Agriculture and Forestry by advising how certain quantities of hemp, promised hy the Mexican Sisal Trust, might be fairly distributed among American manufacturers of binder twine, the commission made an inquiry and submitted a plan of distribution, which was followed. Report transmitted May 9, 1916.

Southern Livestock Prices (S. Res. 133, 66th Cong., 1st sess., July 25, 1919).The low prices of southern livestock, which gave rise to the belief that discrimination was being practiced, were investigated, but the alleged discrimination did not appear to exist. Report transmitted February 2, 1920.

Steel Code Inquiry (S. Res. 166, 73d Cong., 2d sess., Feb. 2, 1934).--This resolution directed the Commission to investigate the N. R. A. code for the steel industry with particular reference to price fixing, increased prices of steel products and "other such matters as would give a full presentation of he facts touching the industry since it went under the code." The inquiry entered largely upon the effects of the multiple basing-point system, influence if code limitations, composition of selling prices which the code required and general summary of price increases. The Commission found the code enforced violation by some producers of a cease and desist order issued some

years ago against the basing-point system in what is known as the "Pittsburgh Plus" case. The report was transmitted on March 19, 1934. Certain modifications of the steel code were approved by the President on May 30, 1934.

Steel Code as Amended, Effects of Multiple Basing-Point System Thereunder (Executive order, May 30, 1934).--This order directed the Commission and the National Recovery Administration to undertake a joint study of the effect of the multiple basing-point system under the amended steel code, particularly within the realm of the system's influence on prices to consumers, permitting or encouraging price fixing and "providing unfair competitive opportunities for producers or disadvantages for consumers not based on natural causes." The order called for "recommendations for revisions of the code." It also directed the study to be concluded within 6 months. The Commission's report was transmitted on November 30, 1934. It recommended code revisions eliminating provisions giving sanction to the multiple basing point system in aid of price fixing and relating to the regulation of production and new capacity.

Stock Dividends (S. Res. 304, 69th Cong., 2d sess., Dec. 22, 1926).--This resolution called for a list of the names and capitalization of those corporations which had issued stock dividends, together with the amount of such stock dividends, since the decision of the Supreme Court, March 8, 1920, holding that stock dividends were not taxable. The same information for the equal period prior to that decision was also called for. The report contains a list of 10,245 such corporations and a brief discussion on the practice of declaring stock dividends, concluding it to be of questionable advantage as a business policy. Transmitted December 5, 1927.

Sugar (H. Res. 150, 66th Cong., 1st sess., Oct. 1, 1919).--The extraordinary advance in the price of sugar in 1919 led to this inquiry. The price advance was found to be due chiefly to speculation and hoarding in sugar. Certain recommendations were made for legislative action to cure these abuses. Report transmitted November 15, 1920.

Textile Industry (authorized by Executive order, Sept. 26, 1934).--The order instructed the Commission to inquire into the industry's labor costs, profits, and investment structure to determine whether increased wages and reduced working hours could be sustained under prevailing economic conditions. It also established "The Textile Labor Relations Board" and directed the Department of Labor to report on actual hours of employment in the industry, employees' earnings and general working conditions. Five reports have been submitted: (1) Investment and Profit (Dec.31, 1934), (2) Cotton and Textile Industry (Mar. 8, 1935), (3) Woolen and Worsted Textile Industry (Jan.24, 1935), (4) Silk and Rayon Textile Industry (Feb.22, 1935), and (5) Thread, Cordage, and Twine Industries (Feb. 18, 1935). Conditions prevailing in the 20 months preceding the 1934 textile strike were studied. These were divided into three 6-month periods and a 2-month period-January-June 1933, before N. R. A. codes became effective; July-December 1933, covering their effective dates; January-June 1934, while codes were functioning; and July-August 1934, the 60-day period prior to the strike. Due to the desirability of an early report, essential information was obtained by means of a comprehensive schedule, subscribed to under oath and forwarded to approximately 2,600 textile manufacturing companies. Material for immediate comparable results was transmitted by 765 concerns, with an aggregate investment of slightly less than $1,200,000,000 The investigation is being continued.

Tobacco Marketing, Flue-Cured Leaf (on motion of the Commission).--This investigation was instituted upon complaint of representative groups of North Carolina tobacco farmers charging the existence of territorial and price agreements among the larger manufacturers to control cured leaf tobacco prices. In 1929 the price to growers was approximately 25 percent below cost of production. The inquiry was broadened to included the entire flue-cured belt extending from southern Virginia through north central Florida. The Commission found no evidence of price agreements. It recommended curtailing production, improved marketing processes, a standardized system of grading, and greater cooperation between manufacturers and growers. It also recommended enactment of legislation similar to the Cotton Standardization Act which would make mandatory existing classification under the Tobacco Stocks and Standards Act. The report was released May 23, 1931.

Tobacco Prices (H. Res. 533, 66th Cong., 2d sess., June 3, 1920).--An inquiry into the prices of leaf tobacco and the selling prices of tobacco products. The

unfavorable relationship between them was reported to be due in part to the purchasing methods of the large tobacco companies. As a result of this inquiry the Commission recommended that the decree dissolving the old Tobacco Trust should be amended and alleged violations of the existing decree prosecuted. Better Systems of grading tobacco were also recommended by the Commission. Report transmitted December 11, 1920.

Tobacco Prices (S. Res. 129, 67th Cong., 1st sess., Aug. 9, 1921).--This inquiry was also directed to the low prices of leaf tobacco and the high prices of tobacco products. It disclosed that in the sale of tobacco several of the largest companies were engaged in numerous conspiracies with their customers-the jobbers-to enhance the selling prices of tobacco. Proceedings against these unlawful acts were instituted by the Commission. Report transmitted January 17, 1922.

Tobacco (S. Res. 329, 68th Cong., 2d sess., Feb. 9, 1925).--The report on tills investigation related to the activities of the American Tobacco Co. and the Imperial Tobacco Co. of Great Britain. The alleged illegal agreements, combinations, or conspiracies between these companies did not appear to exist Transmitted December 23, 1925.

Trade and Tariffs in South America (authorized by the President, July *22,* 1915).--This inquiry was an outgrowth of the First Pan American Financial Conference which met at Washington, May 229, 1915. Its immediate purpose was to furnish the American branch of the International High Commission, appointed as a result of this financial conference, with information to assist in the deliberations of the International High Commission. Tariff characteristics of Brazil, Uruguay, Argentina, Chile, Bolivia, and Peru were discussed in the report The investigation established the prevalence of a decided protective tariff tendency in some of the South American countries as against the erroneous impression that had been created in this country that all the Latin American tariffs were devised purely for revenue. Report dated June 30, 1916.

Utility Corporations (S. Res. 83, 70th Cong., 1st sess., Feb. 15, 1928, and S. J. Res. 115, 73d Cong., 21 sess., June 1, 1934). (See also Electric Power and Interstate Power Transmission.)--The first resolution directed the Com mission to investigate electric and gas utility holding companies, operating companies, and construction and other affiliated companies; their financial structures; growth of their capital assets and liabilities, methods and costs of issuing and marketing the various types of stocks and other securities; capitalization in engineering and management and other types of supervisor and con trolling contracts; methods of creation of capital surplus and the payment of dividends therefrom, etc. The resolution also directed the Commission to ascertain the facts with respect to propaganda hostile to public ownership, and to suggest legislation to correct abuses found to exist in the organization or operation of holding companies. The resolution required monthly reports. The first of these was dated March 15, 1928. The second resolution directed the Commission to conclude the investigation and submit its final report by the first Monday in January 1936. Reports have been printed in approximately 80 volumes as Senate Document 92, Seventieth Congress, first session; also the following summaries: Compilation of proposals advocating or antagonistic to Federal incorporation or licensing together with State constitutional, statutory, and case law relating particularly to utility and holding companies (S. Doe. 92, Pt. 69-A, 70th Cong., 1st sess.) ; financing and scope of public-utility publicity and propaganda activities and their objectives (S. Doc. 92, Pt. 71-A, 70th Cong., 1st sess.); economic, financial, and corporate phases of holding and operating companies of electric and gas utilities (S. Doc. 92, p 72-A, 70th Cong. 1st sess.) ; and efforts of States to control holding companies, the extent to which holding companies have been regulated by the Federal Government, need for enlargement of such regulation, and the Commission's recommendations in this premise (S. Doc. 92, Pt. 73-A, 70th Cong., 1st sess.)

War-Time Cost Finding (authorized by the President, July 25, 1917).--The numerous cost investigations made by the Federal Trade Commission during the war into the coal, steel, lumber, petroleum, cotton-textile, locomotive, leather, canned foods, and copper industries, and scores of other important industries on the basis of which prices were fixed by the Food Administration, the War Industries Board, and purchasing departments like the Army, Navy,

Shipping Board, and Railroad Administration, were all done under the President's special direction, and it is estimated that they helped to save the country many billions of dollars by checking unjustifiable price advances. Subsequent to the war a number of reports dealing with costs and profits were published based on these war-time inquiries. Among these were reports on steel, coal, copper, lumber, and canned foods.

Wheat Prices (authorized by the President, Oct.12, 1920) .-The extraordinary decline of wheat prices in the summer and autumn of 1920 led to a direction of the President to inquire into the reasons for the decline. The chief reasons were found in abnormal market conditions, including certain arbitrary methods pursued by the grain-purchasing departments of foreign governments. Report dated December 13, 1920,

Woolen Rag Trade (on motion of the Commission).--This report contains certain information gathered during the war at the request of the War Industries Board for its use in regulating the prices of woolen rags. The compilation of the data and the preparation of the report was authorized by the Commission on June 30, 1919.

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