

Syllabus

IN THE MATTER OF
MACFADDEN PUBLICATIONS, INC.COMPLAINT (SYNOPSIS), FINDINGS AND ORDER IN REGARD TO THE ALLEGED
VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914*Docket 1549. Complaint, Nov. 24, 1928—Decision, Apr. 11, 1932*

Where a corporation engaged in operating, conducting, managing, controlling and directing various subsidiaries, publishers or printers of certain magazines, periodicals and tabloid dailies, and in acting as distributing agent for publications concerned, subscription, circulation and advertising activities of which it managed, controlled and directed; in soliciting subscriptions to said magazines through circulars and literature sent to from 50,000 to over a million and a half names, according to the particular magazine,

- (a) Represented subscription price of a periodical as \$2.50 for one year so that "at this rate it would ordinarily cost you \$5 for two years," but informed prospect that "by using the attached credit memorandum worth \$1 you pay only \$4 and you get two whole years," and offered special health or other advisory services and/or books without cost to prospect, attributing ability to offer such purported saving to economies effected through 2-year subscriptions and large subscription lists, and made representations of similar tenor in connection with solicitation of other subscriptions, facts being pretended reduced prices constituted its regular prices for various magazines and subscription periods concerned through agents and news dealers, books and services were regularly included with subscriptions, at no additional cost, and subscriber at pretended reduced prices made no savings;
- (b) Made such statements in aforesaid offers and solicitations as "the very nature of this big offer forces us to hold it open for the next thirty days only," facts being prices and terms held out were generally available as aforesaid, and without any such limitation of time; and
- (c) Falsely represented to prospect that he was being offered opportunity of said supposed special concessions in price and otherwise by reason of his membership in that class of the general public whose greater purchases and purchasing power make its members particularly desirable subscribers through enhancing the financial value of advertising in the particular periodical, advising prospect offer was "not to be broadcast," and "we do not want orders from anyone but you or members of your immediate family at this reduced rate";

With effect of deceiving and misleading purchasers and prospective purchasers into believing that prices offered as aforesaid constituted prices reduced from the regular and usual rate, and into subscribing in such belief, and of diverting trade from competitors to it, and with capacity and tendency so to mislead, deceive and divert, and otherwise injure competitors in their businesses:

Held, That such acts and practices, under the circumstances set forth, constituted unfair methods of competition.

Mr. Baldwin B. Bane for the Commission.

Mr. Joseph Schultz, of New York City, for respondent.

SYNOPSIS OF COMPLAINT

Reciting its action in the public interest pursuant to the provisions of the Federal Trade Commission Act, the Commission charged respondent, a New York corporation owning and controlling the stock of other corporations engaged in the publication of various magazines, periodicals and tabloid dailies, and engaged in managing, controlling and directing said corporations, acting as their distributing agent, and managing, controlling and directing their subscription, circulation and advertising activities, and with principal office and place of business in New York City, with advertising falsely or misleadingly as to price, in violation of the provisions of section 5 of such act, prohibiting the use of unfair methods of competition in interstate commerce; in that respondent in circulars and letters to prospective purchasers or subscribers in the various States represented a certain sum as the usual full subscription price, and that it was offering the particular publication for a limited time to the particular person or to a few specially selected prospective customers at a reduced and special price, substantially smaller, fact being that purported reduced price was its regular and usual price to everyone; with tendency and capacity to mislead and deceive and with effect of misleading and deceiving public into subscribing to and buying aforesaid publications in the belief that they were being obtained at a reduced and special price; all to the prejudice of the public and respondent's competitors.

Upon the foregoing complaint, the Commission made the following

REPORT, FINDINGS AS TO THE FACTS, AND ORDER

Pursuant to the provisions of an Act of Congress approved September 26, 1914 (38 Stat. 717), the Federal Trade Commission issued and served a complaint upon the respondent above named, charging it with the use of unfair methods of competition in commerce in violation of the provisions of said act.

The respondent having entered its appearance and having filed its answer herein, hearings were had and evidence was thereupon introduced before an examiner of the Federal Trade Commission theretofore duly appointed.

Thereupon this proceeding came on for decision by the Commission on the briefs submitted by counsel for the Commission and counsel for the respondent and argument by counsel for the Commission, counsel for the respondent failing to appear, and the Commission having duly considered the record and being fully advised in the premises makes this its findings as to the facts and conclusion drawn therefrom:

FINDINGS AS TO THE FACTS

PARAGRAPH 1. Respondent, Macfadden Publications, Inc., is a corporation organized and existing under the laws of the State of New York, with its principal office and place of business in the City of New York, State of New York. Respondent is a holding company, owning and controlling the stock of other corporations engaged in the publishing or printing of various magazines, periodicals, and tabloid dailies. Respondent operates, conducts, manages, controls, and directs the corporations whose stock it owns and acts as the distributing agent for such publications, managing, controlling, and directing the subscription, circulation, and advertising activities for such publications. In the course and conduct of such business respondent sells said magazines, periodicals, and tabloid dailies to purchasers located in various States of the United States and causes said magazines, periodicals, and tabloid dailies to be shipped from their respective places of publication or printing through and into other States of the United States to the purchasers thereof; and it solicits and sells subscriptions to said magazines, periodicals, and tabloid dailies by means of circulars, pamphlets, and letters which it causes to be sent from its place of business through and into other States of the United States to prospective purchasers or subscribers. In the course and conduct of its aforesaid business respondent is in competition with other corporations, partnerships, and individuals.

PAR. 2. Among the magazines which respondent, in the course and conduct of its business as described above, distributes throughout the United States are True Story, True Romances, True Experiences, Physical Culture, True Detective Mysteries, Dream World, The Dance Magazine, Your Home, Ghost Stories, World's Greatest Stories, and True Strange Stories. These are all monthly magazines.

PAR. 3. Respondent solicits and obtains subscriptions to the magazines by each of the following methods: Direct mail efforts, circularization, advertising, individual spare time canvass, various magazine agencies, and newspaper dealers. In order to promote the sale of the magazines respondent from time to time sends out circu-

lars or letters to prospective subscribers. With these circulars or letters there is usually inclosed a credit coupon or check which sets forth a sum which the prospective subscriber is told will be credited to him on the price of the subscription which the respondent is soliciting. During the course of a year from about 50,000 names for some of the magazines to over 1,500,000 names for others are so circularized for subscriptions.

PAR. 4. Respondent solicits and obtains subscriptions to various of its magazines by such statements and representations as the following in the circulars and literature which it distributes throughout the United States:

(1) DEAR SUBSCRIBER:

Mr. Macfadden asks that you accept with his compliments the Credit Memorandum attached. It is worth \$1.00 when applied on your renewal subscription for Physical Culture.

In sending you this \$1.00 Credit, Mr. Macfadden is only further fulfilling his policy of service and saving to subscribers.

As you know the regular subscription price for Physical Culture is \$2.50 for one year, at this rate it would ordinarily cost you \$5.00 for two years. But you need not pay this amount. By using the attached Credit Memorandum worth \$1.00 you pay only \$4.00 and you get two whole years of Physical Culture.

Let us explain how this unusual offer can be made to you.

Every new subscription entered on our books costs us a surprising amount of money. And every time a subscription is removed—it costs us money.

Therefore by renewing your subscription now you save us this expense. And in recognition of this, Mr. Macfadden, instead of pocketing this saving—passes it along to you. And in sending you this \$1.00 Credit he wishes to cordially thank you for your past patronage and he hopes that he may again have the pleasure of serving you during the next two years.

Because of its extensive growth, Physical Culture during the next years will be better able to render the utmost in health service—give you fascinating fiction of the better sort—maintain a more complete health advice department for you subscribers. So—

Don't delay sending in your renewal. Just endorse and mail the Credit Memorandum today—you see the very nature of this big offer forces us to hold it open for the next 30 days only.

Cordially yours,

FRANK MARTIN, *Manager,*
Subscribers' Service Bureau.

The credit memorandum rendered to is as follows:

MACFADDEN PUBLICATIONS, INC.,
1926 Broadway, New York City, N. Y.:

Credit endorsee \$1.00

Under the full price to apply on a 2-year subscription for PHYSICAL CULTURE Magazine. The full regular price is \$5.00. By endorsing this credit on the back you need pay only \$4.00.

On the back of this credit memorandum is the following:

MACFADDEN PUBLICATIONS, INC.

I accept this Credit as part payment for my 2-Year Renewal Subscription for Physical Culture. Please enter same immediately.

Another form of credit memorandum used by respondent:

Physical Culture
1926 Broadway
New York City

Saves You Saves You

\$1.00 Special Credit Memorandum \$1.00

Macfadden Publications will credit the subscriber named below \$1.00 under the full price, to apply on a 2-year subscription for Physical Culture Magazine. The full regular price for such a subscription is \$5.00. By endorsing this credit memorandum on the back—you need pay only \$4.00.

When this letter and these so-called credit memoranda were used the full, regular subscription price for two years to the Physical Culture Magazine was \$4.00. The price at which the subscription was offered was not for only the next thirty days. Four dollars for a 2-year subscription had been and was the full, regular rate for a number of years.

(2) DEAR SUBSCRIBER:

The attached Cash Saving Credit is worth \$1.00 to you when applied on your renewal subscription for True Story Magazine. It has been drawn to your order and will be honored in full when signed on the back and returned to us.

The regular price for one year of True Story is \$2.50, at this rate it would ordinarily cost you \$5.00 for two years. But by using the attached check you need pay only \$4.00.

But why, you ask, do you offer me this saving? Let me explain.

Every time a new subscription is entered upon our books it costs us a surprising amount of money. And every time a sub-

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scription is taken off—additional expense is entailed. So by renewing your subscription now you save us this expense and—instead of pocketing the saving—we pass it along to you. It's part of the Macfadden policy of fairness and service which we pledge to all subscribers.

And in sending you this \$1.00 we want to cordially thank you for your past patronage. We trust that we may be able to be of more service to you during the next year.

Let me say a word about True Story. As you know this famous magazine has the largest news-stand sale in the world. Every month more than 2,225,000 enthusiastic readers buy True Story. It is America's favorite magazine. True Story's immense popularity has enabled the publishers to make a bigger and better magazine for you during the year to come. You know what that means. So—

Don't delay sending your renewal. Just sign your name on the back of the check and mail to-day. For the very nature of this remarkable offer forces us to hold it open for the next 30 days only.

Cordially yours,

FRANK MARTIN, *Manager.*

Subscribers' Service Bureau.

The cash saving credit referred to and attached to the letter is as follows:

MACFADDEN PUBLICATIONS, INC.,

1926 Broadway, New York City, N. Y.:

Credit endorsee \$1.00 Under the full price to apply on a two-year subscription for TRUE STORY Magazine. Such a subscription would ordinarily cost \$5.00. By endorsing this credit on the back you need pay only \$4.00.

On the back of this cash saving credit is the following:

MACFADDEN PUBLICATIONS, INC.

I accept this Credit as part payment for my 2-Year Renewal Subscription for True Story Magazine. Please enter same immediately.

At the time this letter was used the regular subscription rate to any and everyone for the True Story Magazine for two years was \$4.00, and such had been and remained the regular subscription rate to this magazine for several years.

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HOME BEAUTIFUL SERVICE
1926 Broadway
New York, N. Y.

Home Beautiful Service will credit Two Dollars (\$2.00) to the endorsee only under the full price of Own Your Own Home Magazine for two years. The regular price for Own Your Own Home Magazine is \$6.00 for two years. But by endorsing this credit coupon you need send only \$1.00 per month for four months. In addition you receive the Library of Home Planning and the Home Beautiful Service absolutely free.

FRANK MARTIN, *Manager*
Subscribers' Service Bureau.

At the time this credit coupon was used the full, regular price for a two-year subscription to Own Your Own Home Magazine, including the Library of Home Planning and the Home Beautiful Service, was \$4.00.

Home Beautiful Service
GUARANTEE

Your Home Magazine guarantees to credit the endorsee of the enclosed Cash Saving Certificate with \$2.00 under the full \$6.00 price or Your Home Magazine for two full years. It also guarantees all new subscribers FREE ADVICE SERVICE covering all home building and decorating problems.

It is further guaranteed that all those taking advantage of this special low price offer will receive the Complete Home Beautiful Library. This consists of three books. "Small Home Planning," "Beauty and Economy in Home Furnishing," and "How to Build Out of Income"—also a valuable Building Cost folder.

FRANK MARTIN, *Manager*
Subscribers' Service Bureau.

The cash saving certificate accompanying this guarantee read as follows:

YOUR HOME
Magazine
1926 Broadway
New York City, N. Y.

Credit Endorsee with Two and no/100 Dollars To Apply on
A Two Years Subscription for YOUR HOME Magazine.
\$2.00 CREDIT.

YOUR HOME MAGAZINE.
Per F. M.

And on the back of the cash saving certificate was the following:

YOUR HOME MAGAZINE,

1926 Broadway, New York, N. Y.:

Instead of the full regular price of \$6.00 you are to enter my subscription for two years of Your Home Magazine, send me the Complete Home Beautiful Library, and enter my name as one entitled to free home planning service for two years—All for only \$4.00.

At the time that this guarantee and cash saving certificate were used, the full, regular price for a 2-year subscription to Your Home Magazine was \$4.00. The advice on home building, planning, and decorating problems was free to all subscribers. The Complete Home Beautiful Library was given to all subscribers with a 2-year subscription at the regular price.

(5) DEAR FRIEND:

A few days ago I was called to a very important meeting with Mr. Macfadden and other Company executives. Our problem was to get more readers for Physical Culture Magazine.

For, although we now have thousands more readers than last year, Mr. Macfadden insists that the general public will subscribe in even larger groups if we come to them with the right proposition. And he had a very extraordinary plan to suggest.

He began by saying, "Our regular price for Physical Culture is twenty-five cents a copy. This makes the cost \$3.00 a year or \$6.00 for two years at the single-copy rate. It costs us almost that much to edit, manufacture and distribute the magazine.

"But," he continued, "I propose that we offer to mail the magazine to our new subscribers (and our old ones who want to renew their subscriptions) for the next two years—for only \$4.00.

"And that is not all," he insisted, "let's offer an added inducement. Let us give all those who take up this offer this beautiful and essential health book." He indicated with his hand Milo Hasting's new Food Directory which lay with his favorite books there on his desk.

"But", questioned one of the other executives, "if we put the price at \$4.00 and offer this rather expensive book in addition, wouldn't we lose money?"

Mr. Macfadden was quick to reply, "If we do as I propose we will get a response from the public so large that its very bulk

will make my proposition profitable." "And" he added, "I would be tempted to make the offer even more attractive."

The others of us looked at him in amazement.

"I would further offer our prospective readers Free Health Service for the next two years." He added, "We have a large staff of health experts here with us. Why not let them give expert advice to our new readers—free of charge?" "And", he continued, "we will not insist that this full \$4.00 price be paid in advance. Let them pay at the rate of \$1.00 a month."

Mr. Macfadden's suggestion was so liberal, so extraordinary that the rest of us hardly knew what to make of it. But knowing his keen insight in the publishing business, cognizant of the great success which came to him mostly through knowing just what the public wanted and needed—we all decided that we would indeed be short-sighted if we did not at least see how the public would accept his proposition.

We decided to test out Mr. Macfadden's idea. In other words, we would like to have you help us solve the problem.

Do you want two years of Physical Culture Magazine—a beautiful copy of Milo Hasting's Food Directory (150 pages bound in maroon leatherette, embossed in gold) two years Free Health Service for you and your family—all for only \$4.00, payable at the rate of only \$1.00 a month?

All you need do is sign and return the special \$2.00 Credit Voucher at the top of this letter, which represents your saving over the full \$6.00 single copy price of Physical Culture. Show us that it will be worth our while to go ahead on this basis and we will do it. Of course, you need send no money now—you can pay later upon receipt of memorandum.

Your answer counts—and counts big. Whether we go ahead or not, you, as one of those selected for the test, can order at this special price. Nowhere else can you get so much for so little money.

But act now. For this test bargain offer is open for the next thirty days only, as it is being tried only as an experiment—and in a very limited way.

Cordially yours,

FRANK MARTIN, *Manager*
Subscribers' Service Bureau.

P. S.—If you care to pay in full now and not be bothered with monthly payments—remit \$4.00 with the attached \$2.00

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voucher. And in return for this favor we will give you an extra issue of Physical Culture FREE—giving you a two-year and one-month subscription.

The credit voucher attached to this letter is as follows:

MACFADDEN PUBLICATIONS, INC.

1926 Broadway

New York City, N. Y.

Credit endorsee----- \$2.00

Under the full price to apply on a two-year subscription for Physical Culture Magazine.

TWO DOLLARS.

PHYSICAL CULTURE MAGAZINE,

Per F. M.

Manager Subscribers' Bureau.

And on the back of this credit slip was the following:

MACFADDEN PUBLICATIONS, INC.,

1926 Broadway, New York, N. Y.

Instead of the full regular price of \$6.00 you are to enter my subscription for two years of PHYSICAL CULTURE MAGAZINE, send me Milo Hasting's Food Directory, and enter my name as one entitled to free health service for two years—All for only \$4.00.

At the time this letter and so-called credit voucher were used the full, regular subscription rate for a 2-year subscription to Physical Culture Magazine was \$4.00. Diet books with no stated value were offered free to subscribers with 1-year, 18-month, and 2-year subscriptions at the regular rates, and such was not done for only 30 days. The so-called health service was free to all readers of the Physical Culture Magazine.

(6) DEAR READER:

Do you know that you are considered, in certain very interesting ways, a privileged person?

And that, because of this fact, you are able to buy certain merchandise for less than your friends and neighbors?

For instance, you will find a special \$2.00 Cash Saving Certificate enclosed with this letter. And we would further like you to accept a beautiful, new 200-page novel.

And this is why:

As you probably know, big national magazines get most of their revenue from their advertising pages. And, in order to

get this advertising, these magazines must prove that their readers are the really responsible, substantial folks in every community.

For the advertiser wants to reach only this so-called "preferred class"—folks who have the means to buy if they see fit.

This peculiar circumstance has made it necessary for publishers to conduct extensive investigations throughout the country. We have just finished a most complete one, which has enabled us to compile a list of the people in every community whom we want as readers of our magazine.

Your name is on this list. And therefore you are a privileged buyer. One who can not only buy our magazine for less than others pay. But you also are offered a beautiful new novel free with your True Story Magazine subscription if you act now.

You see True Story sells everywhere for 25¢ a copy. Over 2,000,000 people buy it at this price every month. At this rate it would ordinarily cost you \$6.00 for two years. But by signing the enclosed Cash Saving Certificate, you gain a \$2.00 reduction, and get True Story for two whole years.

Of course, the remaining \$4.00 (which is but slightly more than most folks pay for a single year of the magazine)—need not be paid now—if it isn't convenient. You can remit at the rate of only \$1.00 a month for four months—if you so desire.

And as a further inducement for you to become one of our regular subscribers. We want to give you one of the greatest True Story novels ever written. It is entitled "Wife or Stenographer—which?" And is fully described in the accompanying folder.

This book is not for sale. It can not be bought at any store or by mail for any amount of money. It was published in this beautiful red leatherette binding to be given to those who we particularly want as our subscribers. A copy is being reserved for you—and will be held for you for 30 days.

True Story Magazine needs no introduction. For you perhaps know it is without question the world's most popular magazine. Think of the real enjoyment for you—not for an evening—but every evening for two full years from the thrilling delightful stories that only True Story Magazine can offer you.

No doubt, the real sincerity of this offer will appeal to you. Certainly no other publisher has ever been half so liberal.

Just write your name and address in the space provided on the face of the Special \$2.00 Cash Saving Certificate. And

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send it along to-day. You can pay later in easy installments if you prefer after the magazines start coming and you receive your copy of this most extraordinary gift book.

We ask only one favor of you. And that is if you or any member of your family can not use the enclosed \$2.00 Cash Saving Certificate, please destroy it. We can't afford to make this offer broadcast. It is only for the special class of folks we particularly want as subscribers.

Cordially yours,

FRANK MARTIN, *Manager*
Subscribers' Service Bureau.

During the time that this letter was used, the full, regular price for a 2-year subscription to True Story Magazine was \$4.00 to any and everyone who would subscribe for such a period, and various books of no advertised value were given free with 1-year, 2-year, and 18-month subscriptions.

(7) DEAR FRIEND:

As perhaps you know, magazines depend largely upon advertising for their revenue. Advertisers will pay for pages in a magazine not only according to the number of readers but also in consideration of their buying habits.

That brings us to you. By careful research, our statisticians have found that you belong to a "key" group. That not only do you buy large quantities of advertised goods yourself—but other people are strongly influenced by you in their purchases.

For this reason we have decided to make it profitable for you to read this letter—and profitable for you to become a reader of our magazine. Because frankly, we want you as a subscriber for True Story Magazine. And so in order to secure your good will, we have enclosed a dollar saving certificate that is worth \$1.00 in actual cash saving.

You see, over two million readers of True Story are now paying at the rate of \$5.00 for twenty issues—but you need send, for the reasons mentioned above, only \$4.00—at the rate of \$1.00 per month for four months if you prefer.

Besides, as an added inducement, we are going to give you two modern up-to-the-minute true novels—to make our offer irresistible, we hope. These novels are sent to you with the magazine, at the special rate of \$4.00 for the magazine alone—without a cent being paid for the books.

And let me assure you right now, that this offer is not to be broadcast. We do not want orders from anyone but you or members of your immediate family at this reduced rate.

True Story, as perhaps you know, is the only magazine that is comprised wholly of really true stories told by living men and women. Its millions of readers attest better than anything else its tremendous popularity.

In fairness to this great following, you can well understand why we are limiting this offer to you and a few others in each locality throughout the country.

And for this reason—and because of the limited number of novels we have available, we can not hold this offer open more than thirty days.

Moreover, it is important that you do fill out and mail the dollar saving certificate to-day. So that you will be certain to get your copies of the novels and your cash savings. You may be too late if you wait.

Cordially yours,

FRANK MARTIN, *Manager,*
Subscribers' Service Bureau.

P. S.—There is no truth in the rumors circulating about various parts of the country, that we are unable to print any more copies in addition to the two million three hundred thousand now issued each month. We have made special arrangements, and can guarantee deliveries of all copies ordered through this offer.

P. S.—If it is convenient for you to send the \$4.00 with the order we will send you an additional copy of the magazine for your trouble. Making twenty-one issues in all.

When this letter was used the full, regular subscription rate to True Story Magazine for 2 years (24 months) was \$4.50.

- (8) Here's your chance to get the two most remarkable true story novels ever written—without charge, with your True Romances renewal—if you act at once.

These two great books, "A Child of Love," and "The Truth About a College Girl," are unobtainable in any book shop, store, or library. They are not for sale anywhere. The only way they can be obtained is through a renewal and subscription to True Romances Magazine.

Think of it, with your one year's renewal to True Romances, you get either of these wonderful books. With your two years' renewal you may have them both.

And this most liberal offer comes at indeed an opportune time for you. For your True Romances subscription is now due for renewal.

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But you must act at once. Our supply of these great novels is limited. And as soon as our present stock is exhausted, this offer must be withdrawn.

And here is some more good news! The price of a year's subscription has been reduced from \$3.00 to \$2.50 but even so you get one book without charge. The price of a two year subscription is \$5.00—and you get two novels without charge.

You need send no money now if it is not convenient. Just sign and return the enclosed Gift Coupon at once. Your subscription will be entered, and your books will be reserved in your name. You can pay later, when we send you a memorandum.

If you care to remit now, the books you desire will be sent you immediately.

Cordially yours,

FRANK MARTIN, *Manager,*
Subscribers' Service Bureau.

This letter was used during times when the full, regular subscription prices to True Romances for two years were \$4.00 and \$4.50, and the novels of no stated value were given with one and 2-year subscriptions at the regular prices.

(9) Saves You

Saves You

\$1.00 SPECIAL CREDIT MEMORANDUM \$1.00

Macfadden Publications will credit the subscriber named below \$1.00 under the full price to apply on a Two Years' Subscription for True Romances. The full, regular price for such a subscription is \$6.00. By endorsing this Credit Memorandum on the back you need pay only \$5.00.

During a part of the period that this so-called credit memorandum was used, the full, regular price for a 2-year subscription was \$4.00, and for the balance of the period, \$4.50. At no time was the full, regular price for such a subscription \$6.00.

(10) Saves You

Saves You

\$1.00 SPECIAL CREDIT MEMORANDUM \$1.00

Macfadden Publications will credit the subscriber named below \$1.00 under the full price to apply on a Two Years' Subscription for Dream World. The full, regular price for such a subscription is \$6.00. By endorsing this Credit Memorandum on the back you need pay only \$5.00.

The full, regular prices for a 2-year subscription at different times during the period that this so-called credit memorandum was used were \$4.50, \$4.00, and \$5.00. At no time during the period was the full, regular price for such a subscription \$6.00.

Letters and so-called credit memoranda or vouchers similar to those set out above were used by respondent in soliciting subscriptions to various of the magazines distributed by it.

PAR. 5. In 1928 the total circulation of Dream World was over 250,000 a month, the subscription circulation was about 35,000 a month, to which figure it had grown from about 3,000 a month in the latter part of 1924. In 1928 the total circulation of Physical Culture Magazine was about 300,000 a month; the subscription circulation was about 150,000 a month, to which figure it had grown from about 60,000 a month in the early part of 1924. In 1928 the total circulation of True Detective Mysteries was about 180,000 a month; the subscription circulation was about 40,000 a month, to which figure it had grown from 1,970 a month in the latter part of 1924. In 1928 the total circulation of True Story Magazine was over 2,000,000 a month; the subscription circulation was about 200,000 a month, to which figure it had grown from about 65,000 a month in the early part of 1924. In 1928 the total circulation of True Romances was about 600,000 a month; the subscription circulation was about 70,000 a month, to which figure it had grown from about 3,000 a month in the early part of 1924. For each of the above magazines respondent circularizes for subscriptions, using the forms of letters, circulars, so-called credit vouchers, and literature set out above. In 1928 the total circulation of True Experiences was about 115,000 a month; the subscription circulation was about 450 a month. The subscription circulation of this magazine in the latter part of 1926 was about 500 a month. Respondent does not circularize for subscriptions to this magazine.

PAR. 6. Respondent regularly attempts to sell and sells subscriptions for one and two years to its various magazines through agents and news dealers at the prices which it represents in its circulars, letters, and literature as special or reduced prices. The prices at which the magazines are offered in the circulars, letters, and literature are the full, regular subscription rates or prices for the period of subscription solicited, or something above them. At the price offered by respondent through its literature the purchaser makes no saving on the price of the subscription solicited. The prices at which respondent in these circulars, letters, and literature offers to sell the subscriptions solicited are not reduced or special prices. Such offers are not made for only a 30-day period or to only the particu-

lar persons to whom the literature is addressed. Such offers are to anyone who will subscribe for the period, and such continue in effect for two or more years at a time. At no time since January 1, 1924, has the full, regular subscription rate or price for two years to either True Story, True Experiences, True Romances, Physical Culture, Dream World, Your Home, or True Detective Mysteries been \$6.00. The "full regular price" for such a subscription to neither of these magazines was ever \$6.00.

PAR. 7. The use by respondent of such statements and representations in its literature as those set out and described above tends to and does deceive and mislead purchasers and prospective purchasers into the belief that the price at which respondent is offering the particular subscription solicited is a price reduced from the regular and usual price or rate for such subscription, and in such belief to subscribe for respondent's magazine or magazines, and tends to and does divert trade to respondent from its competitors and otherwise tends to injure competitors of respondent in their businesses.

CONCLUSION

The acts and practices of respondent as set forth in the foregoing findings as to the facts constitute, under the circumstances therein stated, unfair methods of competition in interstate commerce in violation of the provisions of an 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."

ORDER TO CEASE AND DESIST

This proceeding having been heard by the Federal Trade Commission upon the complaint of the Commission, the answer of the respondent, the testimony, evidence, briefs, and argument by counsel for the Commission, and the Commission having made its findings as to the facts and conclusion that respondent has violated the provisions of an 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,"

It is now ordered, That respondent, Macfadden Publications, Inc., its officers, agents, representatives, and employees, cease and desist from making statements or representations in advertisements in magazines, periodicals, or newspapers, or in circulars, letters, pamphlets, booklets, or other advertising literature circulated and distributed in

connection with the offering for sale or sale in interstate commerce of any of its magazines or other publications,

- (1) That the regular or usual price of a particular subscription to such magazine or publication is a certain definitely set out sum when such is not the fact;
- (2) That prospective purchasers or subscribers are being offered a particular subscription to the magazine or publication at a reduced price for a limited period of time unless said subscription is actually so limited in point of time for acceptance at such price;
- (3) That the subscription to the magazine or publication at the stated price is offered only to a certain limited and specially selected group of persons when such is not the fact.

And it is further ordered, That respondent, within 60 days after the service upon it of a copy of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which this order has been complied with and conformed to.

IN THE MATTER OF
UNITED STATES PENCIL COMPANY, INC.

COMPLAINT (SYNOPSIS), FINDINGS, AND ORDER IN REGARD TO THE ALLEGED VIOLATION OF SEC. 5 OF AN ACT OF CONGRESS APPROVED SEPT. 26, 1914

Docket 1905. Complaint, Jan. 21, 1931—Decision, Apr. 11, 1932

Where a corporation dealing in pencils bought by it from the manufacturer (1) complete and ready for sale and made in certain cases pursuant to its instructions and specifications, or (2) in the rough for painting and imprinting by it and addition of tips and erasers by a separate concern, and in sale of aforesaid pencils to jobbers, large chain store and retail organizations, and large business houses for their own use, and neither owning, controlling, operating, nor interested in any factory making pencils from the raw material into the finished product, nor equipped itself to manufacture pencils from the raw material into the finished product;

Caused itself to be described in a paid listing in a trade directory as "Makers of finest quality lead pencils" and made no effort to have changed a free and unauthorized listing in an earlier edition of the same directory in which its name, under heading, "Pencils," was immediately followed with the abbreviation "Mfrs.";

With tendency and capacity to mislead and deceive jobbers, retailers and purchasing public into buying from it as and for a manufacturer of pencils, and thereby divert trade to it from competitors who are in fact such manufacturers and from retailers who do not represent themselves as such:

Held, That such practice, under the circumstances set forth, was to the prejudice of the public and competitors and constituted an unfair method of competition.

Mr. G. Ed. Rowland for the Commission.

Miss Ruth Gottdiener, of New York City, for respondent.

SYNOPSIS OF COMPLAINT

Reciting its action in the public interest, pursuant to the provisions of the Federal Trade Commission Act, the Commission charged respondent, a New York corporation engaged in the sale and distribution of lead pencils to jobbers, retailers, and ultimate consumers in the various States and the District of Columbia, and with principal office and place of business in New York City, with misrepresenting business status or advantages and advertising falsely or misleadingly in said respect, in violation of the provisions of section 5 of such act, prohibiting the use of unfair methods of competition in interstate commerce; in that—