

MUSICAL INSTRUMENT AND ACCESSORIES INDUSTRY

It is a sign of great hope and constructive thought in an industry when it comes together in a voluntary and united effort to maintain fair competitive methods and high ethical standards of business practices. Your meeting here today has that high significance. Available data shows your industry, which is composed of a number of subdivisions or industrial groups, to be large not only in numbers of units or members but also in volume and value of product. Normally the retail value, I am informed, approaches 80 million dollars per annum.

On behalf of the Federal Trade Commission I welcome you to this conference, called with the purpose of letting us all sit down together in cooperative effort toward providing against unfair or harmful practices and consequently toward the better protection of the industry itself and of the public.

Possibly some of you here today are attending a trade practice conference for the first time. I believe, therefore, it will be helpful at the outset if I explain briefly the procedure which will be followed.

A trade practice conference for an industry looks toward the promulgation by the Commission of rules of fair competition designed to protect both industry members and the consuming public. The conference procedure leading up to the adoption and promulgation of rules utilizes the cooperative effort of industry members and other interested parties to aid the Commission in its duty, under the statute and in the public interest, to prevent the use of all unfair methods of competition and all unfair or deceptive acts and practices in interstate commerce.

The Commission, a number of years ago, initiated the conference procedure as a means whereby the forces working for good in an industry might be effectively organized and directed, to the end that unfair practices existing in that industry might be eliminated "wholesale," and without resort to the formal legal proceedings against industry members which the law empowers and directs the Commission to employ in preventing, severally, their use of any such practices.

This procedure of the Commission is based upon the theory that a voluntary elimination of unfair competition and unfair practices in an industry leads not only to fair competition in that industry but also is to the interest of the public. If, by such procedure, all unfair competitive practices in an industry are eliminated simultaneously and voluntarily without delay and expense incident to the investigation and trial of many cases against individual members of that industry, it appears to the Commission that such procedure exemplifies the old adage that an ounce of prevention is worth a pound of cure.

It is understood that the purpose of the meeting today is to give an opportunity to members of your industry to consider any unfair trade practices which may exist in the industry and to propose for submission to and consideration by the Federal Trade Commission, rules designed to eliminate such practices.

Fair trade practice rules are classified into two groups, Group I and Group II. The Group I rules forbid, as unfair or unlawful, those practices which are violative of the laws administered by the Federal Trade Commission, under decisions of the Commission and the courts. When it is considered in the public interest, proceedings may be instituted by the Commission against those who use such unlawful practices in interstate commerce.

Group II rules, on the other hand, either condemn practices which, while not unlawful, are considered harmful or unethical in the industry, or they encourage practices considered ethical and desirable although not required by law.

Such Group II rules are received and published by the Commission as the expression of the industry rather than as requirements of law. While practices contrary to Group II rules are not generally violations of the law, and their use does not usually result in action by the Commission, under certain conditions a practice in violation of a Group II rule might be employed in such a way as to constitute an unfair or deceptive practice. In any such case there exists a violation of law, and corrective action will be instituted as if a Group I rule had been violated.

Following the conference, a draft of proposed rules and expressions of policy will be published with notice to all interested parties of a 15-day period during which any suggestions or objections may be made. Thereafter, a hearing for the voicing of these matters will be had and all suggestions and objections will be considered by the Commission before the rules are promulgated and approved. A copy of all rules thus finally promulgated is furnished every member of the industry, accompanied by a form inviting individual acceptance.

The Commission retains a cooperative interest in the observance of trade practice rules after their final approval. Complaints of violation of Group I rules or of the use of unfair practices which violate the law, whether or not covered by either Group I or Group II rules, will receive prompt attention.

Proceedings by the Commission are not based directly upon a violation of the rules, but upon a violation of the law itself in relation to which fair trade practice rules in Group I supply a concreteness not available in the more general language of the statute.

Upon complaint of a violation, careful investigation is made, and if the facts warrant further action, proceedings are then instituted to stop unfair practices by members of the industry, whether or not such members take part in the conference or accept such rules for the industry as may be approved by the Commission.

Actual experience of the Commission in the formulation, adoption and promulgation of trade practice rules during a twenty-year period has shown conclusively their constructive and wholesome effect upon the country's whole business structure. The substantial good achieved by trade practice conference rules points to the possibilities of future growth of this method of industry self-policing and self-regulation for the benefit of our national economy.

The trade practice conference procedure is particularly valuable as a pleasant and inexpensive method of enforcing the law for the benefit of industry and the consumer. Cases prove that most businessmen are inherently honest, and the Commission has found generally that a frank conference between representatives of an industry and the Commission's staff more often than not accomplishes more in a sweeping and wholesale elimination of trade abuses than would a series of formal proceedings against individual companies.

One important trade group, after adopting trade practice conference rules, advised the Commission of their effect as follows:

"Trade practice rules have a double influence. In the first place it gives an industry a set of regulations to guide them in their business activities. In the second place it causes the companies in an industry to scrutinize their practices more carefully."

I close with the official assurance that the Federal Trade Commission will render you every assistance possible in eliminating all unfair and harmful competitive practices which may have crept into your industry, to the end that both you and the consumer may enjoy the benefit of free and fair competition.

