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REMARKS

OF

HONORABLE ROBERT E. FREER

MEMBER OF THE FEDERAL TRADE COMMISSION

OPENING THE TRADE PRACTICE CONFERENCE

FOR THE

PISTON RING INDUSTRY

DRAKE HOTEL

CHICAGO, ILLINOIS

APRIL 4, 1946

10:00 A.M.

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TRADE PRACTICE CONFERENCE

for the

PISTON RING INDUSTRY

It is indeed a pleasure for me to be with you today on the occasion of this trade practice conference for the Piston Ring Industry. The Federal Trade Commission is prepared to assist you and industry in general to maintain business on a basis of fair competition, to protect ethical business, and at the same time to safeguard the interests of the purchasing public upon whose goodwill all industry must depend for prosperity and progress.

It is a sign of progressiveness and high purpose for an industry to come together in a voluntary and united effort to maintain and promote fair competitive methods and practices and high standards of business ethics. Your industry is to be congratulated upon pausing for a brief time from its reconversion activities to take part in this conference called to establish fair trade practice rules in the industry.

On behalf of the Federal Trade Commission, I welcome you to this conference. Many of you are undoubtedly attending such a conference for the first time. I believe, therefore, it would be helpful for me to explain briefly the nature, scope, and procedure of this activity of the Commission, which has been found so helpful to industry generally.

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 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.

The Commission is directed to prevent unfair competition and unfair practices largely to the end that the freedom of fair competition and its wholesome effects may be more fully enjoyed by all concerned. Hence, the Commission seeks to accomplish its preventive duty through utilization of cooperative effort to the fullest extent possible, leaving the mandatory remedies for use in those instances and types of violation where voluntary restraint has failed or experience has shown it to be

inadequate. "An ounce of prevention is worth a pound of cure," and constructive trade practice rules provide wholesale relief from the harmful effects of unfair competitive methods without incurring the expenditure of time and money incident to the formal trial of cases against individual offenders.

All members of the industry are afforded opportunity to consider any unfair trade practices applicable to their industry and to propose for consideration by the Federal Trade Commission rules designed to eliminate or prevent such practices.

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

Practices which are the subject of Group II rules are not usually in and of themselves violations of law. In general, such rules condemn practices which the industry considers harmful or unethical although not per se illegal; some Group II rules may also encourage practices which the industry considers beneficial to itself and the public. Business standards and practices on a higher ethical plane than required by law may thus be adopted and employed voluntarily in the public interest.

Since Group II rules do not prohibit methods and practices generally held to be violative of law, the failure to observe them may not result in action by the Commission. However, failure to observe such rules under certain conditions may constitute an unfair practice contrary to law, and in such instances corrective action will be instituted as in the case of violation of a Group I rule.

Following the conference a draft of proposed rules 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 will be had and all suggestions and objections will be considered by the Commission before the rules are finally approved and promulgated. A copy of all rules thus finally promulgated is furnished each member of the industry accompanied by a form inviting his acceptance thereof and his adherence thereto.

The Commission retains a cooperative interest in the observance of trade practice rules after their promulgation. Complaints of violation of Group I rules or of the use of unfair practices which violate the law, whether or not covered by any of the 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, and the Commission has found generally that acceptance of sound rules resulting from 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.

An important industrial group, after adopting a set of trade practice conference rules, advised the Commission of a double effect observed:

"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."

A prime objective of Congress in empowering the Federal Trade Commission to prevent or eliminate artificial restraints upon or unfairness in commerce was to preserve and foster free and fair competition. In my opinion, great progress toward this objective can be made through the employment of the voluntary cooperation of industry members to aid the Commission in enumerating and classifying as unfair all practices unduly interfering with or unjustly handicapping the honest and ethical in their efforts to achieve success under the free enterprise system.

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 will enjoy the benefit of free and fair competition.