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"INFLUENCE OF FEDERAL TRADE COMMISSION'S GENERAL INVESTIGATIONS"

ADDRESS BY

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The Federal Trade Commission is empowered by Section 6 of its organic Act to make investigations and reports upon the direction of the President or either House of Congress, or upon application of the Attorney General, or upon the initiative of the Commission.

The query is often made as to what benefits result from general investigations conducted by the Federal Trade Commission. To let the keen light of publicity play on improper or questionable practices in itself generally serves a useful purpose; in fact, is oftentimes wholly effective.

It is frequently impossible to measure or appraise the influence of such general investigations. However, we are able to cite certain concrete effects resulting from the general investigations and reports of the Commission. Time will permit but brief mention of these.

Export Trade Act

As a direct consequence of an inquiry into conditions in the export trade conducted by the Federal Trade Commission and report thereon and legislation recommended, Congress enacted in 1918, the Export Trade Act, often referred to as the "Webb-Pomerene Act."

Packers and Stockyards Act, 1921.

The Packers and Stockyards Act, 1921, was passed as the direct result of the investigation of the meat packing industry by the Federal Trade Commission, as a part of the general food inquiry initiated at the direction of President Wilson. The reports of the Commission dealing with the meat packers, issued in five volumes beginning in 1918, led first to an indictment of the principal companies and persons charged with violation of the anti-trust acts. This prosecution was concluded by a consent decree which restricted their future business activities, and by a general regulatory statute, the Packers and Stockyards Act, 1921.

Cotton Trade - Southern Warehouse Delivery.

Pursuant to a Senate Resolution, 67th Congress, the Commission conducted an extensive inquiry into the cotton trade. In its report on this industry, in 1924, the Commission recommended certain reforms in trading practices and particularly in permitting Southern delivery of cotton on New York futures

contracts. A bill was thereupon introduced in the Senate for "Southern warehouse delivery", but, before any law was enacted, the New York Cotton Exchange adopted Southern delivery on New York futures contracts in accordance with the recommendations of the Commission.

Grain Futures Act, 1921.

The Commission made a very extensive investigation of all aspects of the grain trade pursuant to a direction of President Wilson. Several of the Commission's staff were called into conference and to testify upon a bill for the regulation of trading in grain futures. The Grain Futures Act of 1921, as finally passed, was designed to take care of some of the recommendations made by the Commission in its report on the grain trade.

Perishable Agricultural Commodities Act of 1930.

In connection with the general food inquiry, the Commission published a report on the Wholesale Marketing of Food, which, among other things, recommended that a wholesale dealer in perishable food products should be required to procure a Federal license and that Federal inspection and standards should be provided. Provisions in accordance with these recommendations were incorporated in the Perishable Agricultural Commodities Act of 1930.

Radio Act, 1927.

Federal Communications Act, 1934.

Pursuant to House Resolution, the Commission conducted an exhaustive investigation of the radio industry and made a comprehensive report to Congress thereon in 1924. As a result of the disclosures, the Commission filed a formal complaint against eight of the major companies and took a large volume of testimony. However, it appearing that the Department of Justice could more effectively deal with the situation under the Sherman Act, the Commission transmitted the entire record to the Department of Justice which filed a complaint against the same companies, and this culminated in a consent decree.

The investigation and report by the Commission contributed materially towards the enactment of the Radio Act of 1927, and were directly responsible for many of the most important provisions therein. Similarly, the provisions of the Communications Act of 1934 were predicated in large measure upon matters developed in said investigation and case.

Securities Act of 1933.

The Securities Act of 1933 was passed after the Federal Trade Commission had for four years been filing with Congress monthly reports of its Electric and Gas Utility Investigation, giving information about the evil conditions existing in the business of issuing and selling securities. In response to invitations, representatives of the Commission appeared at the hearings of the Committees of both Houses of Congress to testify on the proposed legislation, and illustrated the need of it from the facts in the record of the said inquiry. Several members of the staff of the Commission spent much time in

compiling the information presented to these committees. This investigation undoubtedly played a major part in convincing Congress of the necessity of this important legislation.

Public Utility Holding Company Act of 1935.

The said inquiry into electric and gas utilities and holding companies, made pursuant to Senate Resolution No. 83, 70th Congress, (1928), directed a searching examination of the corporate relations, financial development, practices, and public advantages and disadvantages of holding companies, together with certain political and propaganda activities. The investigation and the public hearings extended through seven years and gave wide publicity to the facts discovered. The reports to Congress are embraced in nearly 100 printed volumes. As a direct consequence, the Congress passed the Public Utility Holding Company Act of 1935, which gave to the Securities and Exchange Commission an extensive regulatory authority extending in certain situations to the elimination of certain kinds of holding companies.

Federal Power Act.

As a further result of this comprehensive inquiry into electric utility operating companies and the reports thereon, the jurisdiction and functions of the Federal Power Commission were greatly enlarged by the Federal Power Act of 1935.

Robinson-Patman Anti-Price Discrimination Act, 1936.

The passage, in 1936, of the so called Robinson-Patman Act, amending Section 2 of the Clayton Act, prohibiting certain forms of price discrimination was in large measure the result of three particular influences:

(1) Publication, in 34 volumes, by the Federal Trade Commission of the results of its investigation of the chain store problem, pursuant to Senate Joint Resolution No. 224, 70th Congress, which developed in a comprehensive way the character and extent of price discrimination;

(2) The acceptance by Congress of the interpretation placed by the Commission on certain of the provisos of Section 2 of the Clayton Act in its decision in the case against the Goodyear Tire and Rubber Company; and

(3) The subsequent hearings of the House Committee in which were emphasized various problems of price discrimination. Members of the Commission's staff, upon request, were detailed to assist this committee.

Amendment of the Perishable Agricultural
Commodities Act in 1937.

As explained, legislation to protect agricultural producers and consumers was enacted in the Perishable Agricultural Commodities Act of 1930. In 1936, the Congress passed a Joint Resolution, calling upon the Federal Trade Commission to make an inquiry into various aspects of the business in fresh fruits and vegetables. A preliminary report was submitted to Congress by the Commission on February 1, 1937, in which various recommendations were made for

the improvement of the Perishable Agricultural Commodities Act. The Senate Committee on Agriculture and Forestry prepared amendments along the lines recommended by the Commission, expressly referring to them, and they were enacted in the same session in Public No. 328, 75th Congress.

Pending Recommendations for Legislation.

The Commission has made numerous recommendations for constructive legislation which have found expression in various bills which have been introduced from time to time. Some such bills are pending consideration in Congress now, such as the regulation of natural gas pipe line companies, amendments to the Clayton Act, etc.

State Legislation.

The reports of the Commission have had an influence not only on Federal legislation, but also on State legislation. Full evidence is naturally not readily available, but some facts may be clearly pointed out.

As a result of the disclosures in the electric and gas utility investigation conducted by the Commission, stricter State regulatory laws were enacted in various State Legislatures, beginning about 1930 and reaching a peak about 1933-34. By reason of consequent public sentiment and pressure of State and Municipal officials, such investigation also materially influenced reductions in utility rates. In fact, some authorities have estimated that this investigation and reports thereon caused reductions in utility rates approximating \$100,000,000 per annum.

Pursuant to a Joint Congressional Resolution, the Commission conducted an investigation of the Milk Industry and made reports thereon in 1936 and 1937. Several bills are pending in Congress undertaking to carry out recommendations made by the Commission for Federal legislation. The Commission reported that many of the problems could only be dealt with by the States and recommended certain State legislation and procedure. Legislation has already been enacted in at least thirteen States, carrying into effect all or a portion of the Commission's recommendations.