STEPS TAKEN TOWARD MAKING ALL BUSINESS HONEST

Huston Thompson, Chairman of the Federal Trade Commission, Talks About Laws That Prevent Unfair Competition and Practices to Purge Merchandising of Deception

Bribery

False Weight

"Loaded" Sponges

Fake Stocks

BY WILLIAM ATHERTON DU PUY.

"IT WASN'T a pound of butter she got," said Huston Thompson, chairman of the federal trade commission, somewhat warmly. "This housewife had come down to the market, had asked for a pound of butter and had been handed this package. It was all refrigerated and wrapped up in transparent paper with lots of reading matter on it. Up in one corner was a blurred line which stated that there was fifteen ounces in this package. The housewife never read it. She had asked for a pound, thought she had paid for a pound and had received a package an ounce less than a pound. All the housewives between Maine and Mexico were being deceived. Nearly all the butter people were practicing this deception.

"Now all these butter people did not want to put up a short-weight package. Some few of them did it, however, and the others were driven to it that the competition might be met. Finally the practice came to be nearly universal. Complaints rained in on us. Keeping track of the fluctuating package of the competitor was the trial of their lives.

"So we called the people together who were producing the butter of the nation. We asked them if they didn't think this an unfair method of competition. They said it was and asked us to help them. We emphasized that it would be better in the long run for the industry to purge itself.

"They took the suggestion. They got together and signed an agreement as to what the industry itself believes unfair and agreed furthermore to discontinue such practices.

It was a great relief to them to do this. It obviated the necessity of elaborate plans of deception which gave them no advantage, because all practiced them. Of course, it gave the treacherous producer a chance to cut under the rest and reap a harvest. But the trade would be vigilant and the danger was great. It was a step toward making business honest."

This big, blue-eyed chairman, this mountain climber, this son of a preacher who was the son of a preacher, this football player who had worked his way through college by stoking the furnaces in the homes of the professors, this lawyer from Colorado who had come down to Washington half a dozen years ago to take up this new task for the government, was full of his subject. He believed that the federal Trade commission was to give business its chance to be honest, was to force it to become honest where it had no desire. Here was a law prohibiting unfair competition, the first such law in the world. Gradually the commission was building up the structure for its enforcement.

"Deceiving the buyer," continued Chairman Thompson, "as to the weight of the package which he acquires is obviously a method of unfair competition. The same is true if a bottle or a can is supposed to hold a pint or a quart and contains less. The same is true of any carton which has a capacity which is less than it is believed to have, or which is not well filled. The purchaser is not likely to miss a small shortage in his small package, but saving this small shortage would enable the manufacturer to cut below the wholesale price of his competitor and have a material advantage over him. Steady progress is being made toward eliminating this method of unfair competition.

"A much more brazen method of unfair competition is that of commercial bribery. It appears in many lines of business, but may be well illustrated in the operations of the ship-chandlers. A boat, for instance, comes into the harbor of Baltimore after a long cruise. In a few days it is to put out again on another equally extended voyage. It must stock up at Norfolk, Baltimore, New Orleans or elsewhere with a supply of provisions of all classes that are to meet its requirements on this voyage. The ship-chandler is the merchant who deals in the supplies that are needed on their journeys by those who put to sea. There are a number of ship-chandlers in these cities, and from one of these the captain of this ship will buy his stock.

"Now it has become the practice in virtually all ports of the nation that the ship-chandler shall allow a personal rebate to the captain of the vessel who buys his supplies from that ship-chandler. This rebate is usually in cash and may amount to 5 per cent or 10 per cent of the purchases. It is an actual bribe to him. If one of the ship-chandlers is allowing the captains of vessels this rebate of 5 per cent or 10 per cent on purchases and the other ship-chandlers are not, the man who allows the rebate, human nature being what it is, will get the mass of business. The ship-chandlers who do not resort to this commercial bribery cannot survive. They are driven to rebating.

"Now the ship chandlers all over the country have complained to us of this situation, have signified their desire to get away from this method, have asked us to take steps to prevent this commercial bribery. We have called on the ship-chandlers and have talked the situation over with them. We have brought them into an agreement that the pracice shall be discontinued. We have set them to police each other, to see that there is no violatoin of this agreement. We have laid the basis for clearing up this sort of commercial bribery.

"Commercial bribery appears in many lines of business. One of the first cases which the federal trade commission handled, for example, had to do with the methods used in selling ink. The ink business is a very extensive one and a very old one and a given manufacturer's contract with a given printing establishment is an item which bulks quite large. The ink salesman actually transacts his business with the manager of the printing establishment, but one of his subordinates is pretty likely to be able to control the ink order. So the ink salesman finds it necessary to cultivate that subordinate and if he can arrange a collusion with him he is likely to get and hold this ink contract.

"This salesman may make a cold-blooded deal allowing a commission on the ink. He may hold the employe's favor by entertainment of gifts which he may shower upon him. We have developed the fact that these ink salesmen sometimes use odd and ingenious methods of bribery which technically may not appear to be bribery. The salesman, for instance, may masquerade as a betting man. He may, for example, congratulate the foreman upon the fact of his possessing twelve children. The foreman may deny that he has a family of that size, may assert that there are but three children in his family. Whereupon the ink salesman will lay a wager of $500 that the foreman has twelve children in his family. The foreman will establish the proof that he has but three children and will collect the wager. Thus is he subsidized for a given period, at the end of which the ink salesman will appear and bet him he has six toes on his foot or a nose twelve inches long.

"Where one ink maker resorted to such practices as these, others were forced to do likewise to meet his competition. It came to pass that practically all of them resorted to some such device of commercial bribery. In the end none of them derived any advantage from it, but were forced to maintain this most unpleasant practice. Many ink manufacturers complained to the federal trade commission and it finally issued an order against this sort of commercial bribery, and, while individuals break over here and there, much progress has been made toward eliminating it.

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"The commission has attacked first one phase after another of commercial misrepresentation. It found, for example, that many materials were being currently sold which were branded 'all wool' and which might contain as low as 10 per cent wool. When it first attacked this misbranding and sought to have it officially ruled as unfair competition, that proposal in certain quarters was vigorously fought. It was maintained that this was not unfair competition because it was a general trade practice and nobody had an advantage over anybody else. The commission held, however, that misbranding was, under the law, unfair competition, and has ordered its discontinuance in one case after another. The industry generally is now strongly with the commission.

"One of the early cases of this sort which was threshed out by the commission was that of the use of celluloid in the manufacture of trankets and its advertisement as other and more expensive materials. This celluloid appeared in hairbrushes, for instance, and was called 'Parisian Ivory.' It was, of course, not ivory, and investigation showed that it was not of Parisian origin. It was, therefore, obviously misbranded. It was found, also, that ornaments were made of this celluloid and used in jewelry and for dress trimmings and advertised as jet. It was, of course, not jet. Celluloid appeared in other forms and masqueraded as amber. All of the masquerades were classed as false branding and were prohibited.

"Another early deception which was brought to the attention of the federal trade commission was that of loading sponges. Sponges, in the market, sell by weight. This custom being established, certain producers of sponges, chiefly of foreign extraction, devised a method of adding weight to them. This was done by introducing glucose and sand which stuck to the sponges and was retailed by weight at regular sponge prices. The firms resorting to this method could, of course, undersell on the weight basis those who marketed clean sponges. The men of higher ideals in the trade, who I am glad to say were in the majority, brought the situation to our attention. The practice constituted unfair competition and we have very seriously attempted to do away with it.

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"Virtually all cases which we investigate come to us at the instigation of some business house or organization and are not inaugurated by the commission. It happened, for instance, that numbers of merchants all over the country wrote to us protesting that a certain great mail-order house was making claims to the public which gained for them an advantage in selling certain products. This mail-order house, for, instance, made the claim that its position and the vast quantities of certain materials that it handled gave it a material advantage over other dealers and enabled it to procure materials all over the world, and of superior quality. It claimed, for instance, that it sent its agents abroad to purchase tea directly from the gardens where it was produced, that its tea was specially treated, was hurried over seas and reached the consumer while its quality was superior to that which he could secure through other channels. Similar claims were made with relation to coffee and to sugar; most alluring and romantic stories were broadcasted as to the methods used by this large establishment in procuring these supplies. Obviously the corner grocery could not resort to such methods. So was the impression created that the mail-order house delivered superior materials to the consumer.

"The federal trade commission instituted a thorough investigation of these claims. It found that, as a matter of fact, the mail-order house bought its supplies of coffee, tea and sugar from the wholesalers in the United States and that they were exactly the same coffees, teas and sugars as those used by other dealers. The fantastic claims made by this concern were merely romances. The commission decided that the broadcasting of these untrue claims constituted unfair competition and was unlawful. It issued orders forbidding their continuation. The highest courts have upheld the commission in this instance."

"Is this attempt by a government to introduce honesty into its commercial life a new thing?" I wanted to know.

"The United States," Chairman Thompson explained, "is the first government in the world to put such a law into effect. So novel was the idea that the commission has found it necessary to overcome a great inertia with regard to such matters and to awaken the public to the possibilities that lie within them. The commission holds, for instance, that an individual crime committed against the law, as, for example, a burglary, should, of course, be punished, but that its punishment is unimportant to the public as compared with a violation of the provision against unfair competition. The removal of such a practice, for example, as selling short-weight butter directly affects millions of households in the United States every day in the year. The removal of the deceptions with relation to 20 of the standard articles which are used by a family directly affects every family in 20 different ways in everyday life. For these reasons we are apt to become very earnest over the enforcement of these laws and are likely to tend a good deal toward evangelistic advocacy of them.

"The example that has been set by the United States in the establishment of the federal trade commission is today being followed by a number of other nations. Canada, for example, has made a similar provision tending toward enforced honesty in business, modeling her law upon ours. Other nations—England, South Africa, Denmark, Sweden and Norway—and individual states in the United States have followed suit. It looks as though a general awakening as to the desirability of more ethical methods in some lines of business might sweep the world.

"The old adage, 'Let the buyer beware,' which has controlled in business for centuries, seems on the way toward being substituted by a new one which may read, 'Let the seller beware.' It may come to pass within the next decade that the buyer may accept materials offered for sale at their face value, and that if they prove not to be as represented the seller will be the individual who will suffer.

"In all the commercial world there probably has been no more glaring abuse of common honesty than in the selling of stocks in enterprises which range from oil wells to finance corporations. Enterprising salesmen have gone about the world and have sold 'blue sky' to the unsuspecting, for whom they have built the picture of easy wealth just around the corner as a result of their investments.

"After the war we assumed the position that 'wild cat' stocks competed in the financial market with such securities as liberty bonds, and if, therefore, the securities back of them were misrepresented, we had authority to declare them in unfair competition. We prepared a searching questionnaire and sent it out to more than a thousand individuals of whom complaint had been made. The issuance of this questionnaire to those who had made alleged inventions which promised to produce fortunes had developed methods of catching fish, schemes for raising lost property from the sea, for hog farming, for colonization of soldiers, and countless others, caused them to stop and think, often to desist and sometimes to return money which they had collected.

"Many of the states have excellent 'blue-sky' laws, and what we are anxious to bring about is control of such operations by the national government. We believe that it should be possible for an investor to ask his government what is back of a stock that is offered for sale and get an answer. We believe that whoever is allowed to sell stock should be required to file such information with the proper federal authority.

"But, in the meantime, we say to the prospective purchaser: 'Beware of the glib salesman! Never hurry in making an investment. Consult your lawyer or your banker before you close the transaction and, finally, force your stock salesman to do this definite thing—make him give you a statement in writing which tells the rate of commission he is receiving; which tells how much of your money goes into the company treasury; how much of it is used in developing the property or business, and make him state that he acknowledge that you, in buying, are relying on what he says. If he hesitates to sign a statement of this kind conclude that his proposition is crooked and put no money into it.'

"In these ways has the federal trade commission found it possible to exert an ever-increasing influence upon the business of the nation, tending always to drive it more nearly to a basis of honest and open competition. To its authority to thus influence business and to tend constantly toward getting it upon a basis of honest competition, congress saw fit, at the close of the recent war, to make a great addition. It passed what is called the export trade act, intended to be of assistance to the United States in developing foreign trade during this era of reconstruction. This export trade act authorizes any group of individuals to combine for the establishment and maintenance of agencies abroad. All the people who manufacture soap, for instance, might establish an agency in China which would take orders for soap in that part of the world and allocate the orders taken among the firms maintaining the agency. It might happen that a group of 20 manufacturers could afford to combine and maintain such an agency, while no one of them could afford to do so individually. Without this common agency it might happen that no American soap would be sold in China. With it great quantities of soap might be sold and all the manufacturers might benefit.

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"Congress gave the federal trade commission the authority for administering this law. Such trade associations must file their papers with the federal trade commission and that commission has authority to revoke those papers in case the operations of the association are not in accordance with the intent of the law. So do the principles of honest business, which the commission is attempting to establish, follow the industrials of the nation as they reach out here, there and yonder into all the markets of the world, and so is the principle of preventing unfair competition going beyond the borders of the United States. So, likewise, is it finding itself in a position where it may do much to remove from the good name of the nation those blots which have been placed upon it in the past by those exporters who have thought more of an immediate profit than of the establishment of a good commercial name for the nation which would serve it well in building up better foreign trade.

"About a thousand manufacturing plants in all parts of the United States are operating under this law. During the last year the total value of exports of the Webb-Pomerene Law export associations approximated $200,000,000. Some of the features of this law are joint advertising, a saving of overhead expense, joint export trade marts, central foreign agencies.

"The law which created the federal trade commission seven years ago gave it two principal functions. The first of these was to gather, compile and publish information regarding the organization, business conduct, practice and management of corporations and associations (except banks and common carriers) engaged in interstate or foreign commerce. The second was to prevent unfair methods of competition. The act states that 'unfair methods of competition are hereby declared unlawful.' This is the declaration upon which our chief activities are based.

"When complaints are made to the commission of methods constituting unfair competition, they are first placed in the hands of an examiner, who makes a thorough investigation and reports with recommendations. His recommendations go to a board of review, and if the methods appear to be unfair and if the public interest is affected the board of review recommends that a complaint be issued. The respondent is summoned to appear and defend his practice. He is given a complete hearing before the commission. If it concludes that his practices are unfair, then it issues an order upon him to cease and desist. This order is published and it is its publication which is most dreaded by any business agency, since being declared unfair by the federal government is certain to be very injurious to any business."

Huston Thompson, chairman of the federal trade commission.

NATIONAL MEMORIAL CHURCH AT WASHINGTON IS WANTED

Effort Will Be Made to Erect Edifice That Will Be Fitting Tribute to Those Who Died in America's Wars.

WHEN Major Pierre Charles l'Enfant, a skillful engineer who came from France with Lafayette in 1777 and entered the employ of George Washington as an architectural engineer, drafted plans for the city of Washington, D. C., he provided, among other things, for a national church somewhere in the neighborhood of where now stands the old Pension building. A copy of the original map of the District of Columbia, drawn by Major l'Enfant, and now carefully preserved in a glass case in the library of congress, clearly indicates the spot where the proposed edifice was to be erected.

Examination of these old drawings by the French architect shows an annotation on the original draft in explanation of the suggested national church. This is legibly written where all who scan it close may read:

"The church is intended for national purposes, such as public prayer, thanksgiving, funeral orations, etc., and assigned to the special use of no particular sect or denomination, but equally open to all. It will be likewise a proper shelter for such monuments as were voted by the late continental congress for those heroes who fell in the cause of liberty and for such others as hereafter may be decreed by the voice of a grateful nation."

Washington Father of Plan.

President Washington is accredited the sponsor of the plan. He employed Major l'Enfant to draft a plan for the creation of a magnificent capital—the only city in the world built exclusively to serve as a capital

And at last the idea of a national church for Washington has been revived and brought forward by enthusiastic supporters. A movement launched shortly after the termination of the war—it was the world war with the consequent trend toward war memorials that inspired the plan—has taken hold with the backing of many prominent figures, including President Harding, who said: "I am very much interested in the great work you are doing. It appeals to me very strongly."

The movement to establish the church has come about largely through the efforts of the Rev. Edward Lawrence Hunt, who now is in Washington as pastor of America's Memorial church. He was formerly a Presbyterian preacher at Fort Hills, Long Island. He resigned as a member of the Presbytery of the Brooklyn-Nassau district to give his entire time to the work.

Spirit to Be Commemorated.

Back of the story of this movement is a bit of touching sentiment. The Rev. Mr. Hunt took as his second wife a widow, Mrs. Fanny Rice, the mother of a young Princeton student, who, despite his tender years, volunteered for service and entered the navy at the commencement of hostilities. The boy gave his life for his country. He was killed October, 1918, near the Azores while serving on a submarine chaser. There was an explosion aboardship and a number of officers and crew were fatally injured.

An officer of the Prairie, mother ship of the submarine chasers, to which the wounded were transferred after the accident, related the circumstances of the lad's death. For five hours the youth lived. Returning to consciousness for a few minues, and while in tortures of pain, he asked, "Is Captain Curtis all right?" The captain was a Harvard man. When told that he was only slightly hurt, young Rice said calmly: "He has a wife and two babies to care for, and if he is safe I am willing to die."

"That is the kind of spirit which this national temple will commemorate," said Mr. Hunt as he finished telling the story. "Our purpose is to build a great national temple in the nation's capital as a memorial to all who served America in the world war, as well as to those who made the supreme sacrifice.

"As a national institution its membership and its support must come from the nation at large. We will not compete with but will supplement the work of local churches. We will co-operate with churches in all parts of the nation."

Scare in Jury of Women.

Houston (Texas) Post.

"Judge," cried the prisoner in the dock, "have I got to be tried by a woman jury?" "Be quiet!" whispered his counsel. "I won't be quiet! Judge, I can't even fool my own wife, let alone 12 strange women. I'm guilty."