

REMARKS

of

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CHAIRMAN, THE FEDERAL TRADE COMMISSION  
OPENING THE TRADE PRACTICE CONFERENCE

on

SPINNING AND DIMENSIONAL CONTROL OF  
WOOL PRODUCTS (INCLUDING WASHABILITY)

Hotel Pennsylvania, New York City

September 16, 1948

10:00 A.M.

Eastern Daylight Time

It is both a privilege and a pleasure to be here on behalf of the Federal Trade Commission for the purpose of opening your trade practice conference regarding Shrinkage and Dimensional Control of Wool Products.

Throughout the ages, wool has been highly prized because of its desirable combination of properties including warmth, elasticity and wearing ability.

Great progress recently has been made in overcoming a drawback to its use, namely, the need for special care in washing. During the war the wool and chemical industries in cooperation with our military forces have worked to provide satisfactory methods for the much needed control of shrinkage in wearing apparel, blankets, and other woollen products.

The commercial feasibility of controlling shrinkage and dimensional change of wool products through the medium of shrink-control processes and compounds now affects, and will continue to affect, the lives of many millions of the world's population. Our conference must, therefore, be regarded as of the highest importance.

The future growth of this method of treatment will depend upon the ability of the wool and chemical industries to so perfect the process of preventing shrinkage and dimensional change that there will be no accompanying change of color, hand, finish, or appearance and no fiber deterioration in wool products so treated.

The case history of many innovations indicates that it is not uncommon that haste to reach the trade breeds practices which later are found to be harmful to the industry as well as to the consuming public.

Therefore, it is a sign of progressiveness and high purpose when various industry groups, such as are here represented, recognize these possible dangers and come together in a voluntary and united effort to promote fair competitive methods and practices and high standards of business ethics.

On behalf of the Federal Trade Commission I welcome you to this conference, which is the initial step in the procedure for the establishment of trade practice conference rules. Anyone interested or affected may participate and will be afforded opportunity to suggest for consideration by the Commission proposed rules against illegal practices or unfair methods of competition, as well as to foster the preservation of ethical practices and at the same time safeguard the interests of the purchasing public upon whose good will all industry must depend for prosperity and progress. No one is legally obligated by anything that is said or done today.

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 nature, scope, and procedure of this activity of the Commission, which has been found to be so helpful to industry generally.

A trade practice conference for an industry looks toward the promulgation by the Commission of rules of fair competition and practices 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.

This procedure of the Commission seeks to accomplish the prevention of unfair competition and unfair practices that the freedom of fair competition and its wholesome effects may be more fully enjoyed by all concerned. It seeks these ends through utilization of cooperative effort to the fullest extent possible, leaving the mandatory remedies for use in those instances where voluntary restraint has failed or proves 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 various industry groups affected are afforded opportunity to consider any unfair trade practices applicable to their several industries and to propose for consideration by the Federal Trade Commission rules designed to eliminate or prevent such practices.

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 deemed to be violative of the laws administered by the Federal Trade Commission, as interpreted in decisions of the Commission and the courts, and proceedings may be instituted by the Commission against those who use such unlawful practices in interstate commerce contrary to the interest of the public.

Practices which are the subject of Group II rules are not usually in and of themselves violative of law. In general, they condemn practices which are harmful or unethical although not per se illegal; Group II rules may also encourage practices which are beneficial to itself and the public although not required by law. Business standards and practices on a higher ethical plane than those 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 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 approved and promulgated. A copy of all rules finally promulgated is furnished each 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 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 implementing the more general language of the statute.

Hence, either informal or formal proceedings may be brought against a member or members of the industry whether or not they had taken part in the conference or had accepted such rules for the industry as may have been approved and formulated by the Commission. Upon complaint of a violation, careful investigation is made, and if it is found that unfair practices exist, appropriate corrective action may then be instituted to eliminate such practices.

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 relatively inexpensive method of enforcing the law for the benefit of industry and the consumer. With minor exceptions, businessmen are inherently honest, and experience has shown that a frank and earnest trade practice conference 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 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.