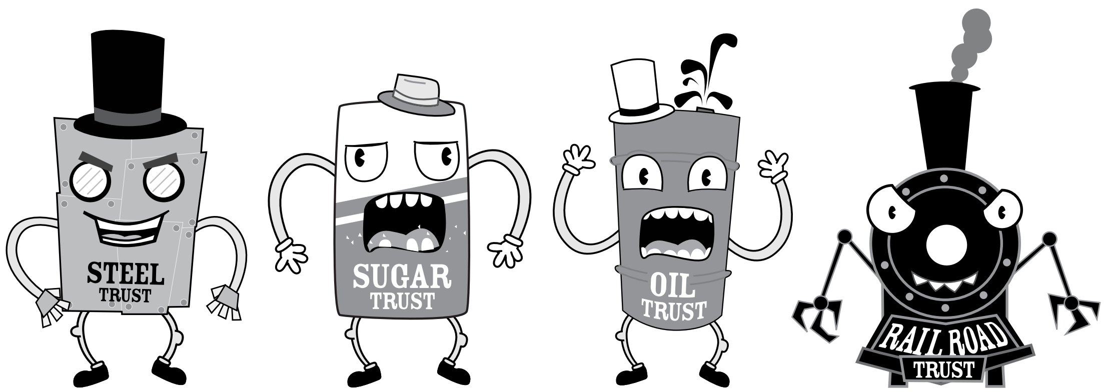
FTC Fact Sheet: Antitrust Laws: A Brief History



Once upon a time, way back in the 1800s, there were several giant businesses known as "trusts." They controlled whole sections of the economy, like railroads, oil, steel, and sugar. Two of the most famous trusts were U.S. Steel and Standard Oil; they were monopolies that controlled the supply of their product—as well as the price. With one company controlling an entire industry, there was no competition, and smaller businesses and people had no choices about from whom to buy. Prices went through the roof, and quality didn't have to be a priority. This caused hardship and threatened the new American prosperity.

While the rich, trust-owning businessmen got richer and richer, the public got angry and demanded the government take action. President Theodore Roosevelt "busted" (or broke up) many trusts by enforcing what came to be known as "antitrust" laws. The goal of these laws was to protect consumers by promoting competition in the marketplace.

The U.S. Congress passed several laws to help promote competition by outlawing unfair methods of competition:

- **The Sherman Act** is the nation's oldest antitrust law. Passed in 1890, it makes it illegal for competitors to make agreements with each other that would limit competition. So, for example, they can't agree to set a price for a product—that'd be price fixing. The Act also makes it illegal for a business to be a monopoly if that company is cheating or not competing fairly. Corporate executives who conduct their business that way could wind up paying huge fines—and even go to jail!
- **The Clayton Act** was passed in 1914. With the Sherman Act in place, and trusts being broken up, business practices in America were changing. But some companies discovered merging as a way to control prices and production (instead of forming trusts, competitors united into a single company. The Clayton Act helps protect American consumers by stopping mergers or acquisitions that are likely to stifle competition.
- With the **Federal Trade Commission (FTC) Act** (1914), Congress created a new federal agency to watch out for unfair business practices—and gave the Federal Trade Commission the authority to investigate and stop unfair methods of competition and deceptive practices.

Today, the Federal Trade Commission's (FTC's) Bureau of Competition and the Department of Justice's Antitrust Division enforce these three core federal antitrust laws. The agencies talk to each other before opening any investigation to decide who will investigate the facts and work on any case that might be brought. But each agency has developed expertise in certain industries. Every state has antitrust laws, too; they are enforced by each state's attorney general. There's an office in your state capitol that helps consumers or businesses who might be hurt when businesses don't compete fairly.

Antitrust laws were not put in place to protect competing businesses from aggressive competition. Competition is tough, and sometimes businesses fail. That's the way it is in competitive markets, and consumers benefit from the rough and tumble competition among sellers.

Things to Talk About and Do

- What if these laws had never been passed and trusts were allowed to exist? How would things be different today?
- How would a monopoly affect you personally? Imagine that all the companies that make jeans were bought up by one company. Now there's only one place that supplies jeans. What might happen to the selection and quality of what you can buy? What about the price?

Want to Find Out More?

Federal Trade Commission—Guide to the Antitrust Laws
www.ftc.gov/bc/antitrust

U.S. Department of Justice—Antitrust Division
www.usdoj.gov/atr

Kids.gov—Links to sites on money, selling, and marketing
www.kids.gov/6_8/6_8_money_selling.shtml

American Antitrust Institute—Fair Fight in the Marketplace (Video and resources)
www.fairfightfilm.org/index.html

National Council on Economic Education—Online lessons
www.ncee.net/resources/lessons.php