FTC Fact Sheet: Playing by the Rules

Most businesses compete fair and square. They're tough competitors, but they don't try to cheat the system—or the consumer. Once in a while, though, business might decide to try to beat the system in ways that break the law: for example, they might try unfairly to keep other competitors out of the market, or work together with a competitor to make more money or corner the market. Illegal practices harm consumers: prices go up and there are fewer choices. The FTC keeps its ear to the ground and investigates when it suspects one of these practices, taking action in court to stop illegal business practices when necessary.

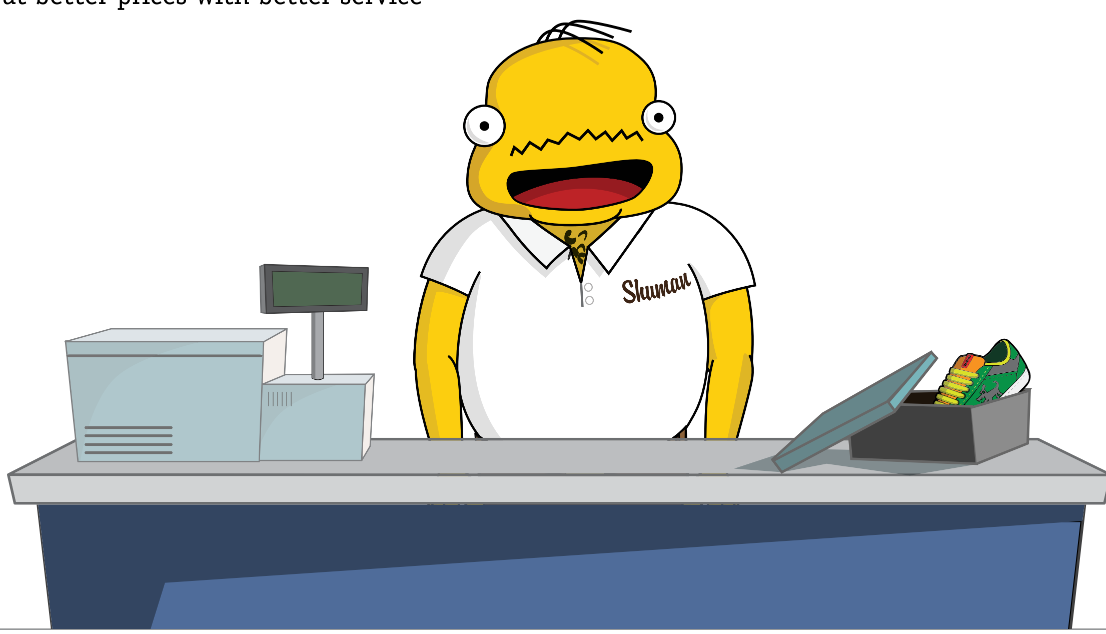
Every contest needs rules, and the antitrust laws are the rules of the competitive marketplace. The FTC enforces the antitrust laws to promote competitive markets and protect consumers from harmful business practices. Here are some examples of business practices that may break the law:

A **monopoly** is when one company has control over an entire market—like the trusts did over steel and oil. It's not illegal to *have* a monopoly; it *is* illegal to use unreasonable methods to get a monopoly. For example, if your competitor goes out of business because you sell better stuff at better prices with better service—that's fair enough. But you can't sabotage your competitor's store to put them out of business. That would count as an unreasonable method, and you'd be breaking the law.

Price fixing occurs when competing sellers agree on what to charge. Take the example of three companies that made shoes: they got together to agree on a price for the shoes they'd supply to shoe stores—and prices went up! But these shoe-makers got caught and ended up paying some hefty fines. Companies can get in serious trouble for price fixing… fines, probation, even jail. It's no joke.

Supply restrictions happen when competitors agree with each other to sell fewer products. That creates a shortage and drives up prices.

Customer-allocation agreements are when competitors agree to divide up customers, maybe by geographic area. For example, they might say, "You take all the customers east of the Mississippi River, I'll take all of those west of the Mississippi." This reduces—and may even eliminate—competition…and that's illegal. Business owners who make these kinds of agreements can face heavy fines or possible jail time.



Things to Talk About and Do

- Imagine you own the only shoe store in town—and that you got there by taking over all the other shoe stores, one by one. Now you have no local competition. Is this good for your business?
- Think about the reasons why no competition might *not* be good for your business: do you have pressure to keep prices down? To keep high-quality shoes, and a variety of styles? To give good customer service? After all, you're the only game in town, right?
- If your store now has higher prices, less selection, poor quality, and not-great service, what other options do consumers have?
- Among all of these illegal practices, which do you think would be most likely to make your company the most money in the short-term? What about in the long-term? Why?

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