

A photograph of a grocery store aisle, viewed from a low angle looking down the aisle. The shelves are filled with various products, including canned goods and packaged items. Several promotional signs are visible: a green sign with a red '5' and 'stop' text, a red sign with 'savings club' and '6', and another green sign with a red '7' and 'stop' text. The floor is a light-colored tile with a dark square tile in the foreground. The entire image has a white dot grid overlay.

# COMPETITION COUNTS

HOW CONSUMERS WIN WHEN BUSINESSES COMPETE

FEDERAL TRADE COMMISSION

## THE FTC'S BUREAU OF COMPETITION: PROTECTING FREE ENTERPRISE AND AMERICAN CONSUMERS

What if there were only one grocery store in your community? What if you could buy a camera from only one supplier? What if only one dealer in your area sold cars?

Without competition, the grocer may have no incentive to lower

prices. The camera shop may have no reason to offer a range of choices. The car dealer may have no motivation to offer a variety of car models and services.

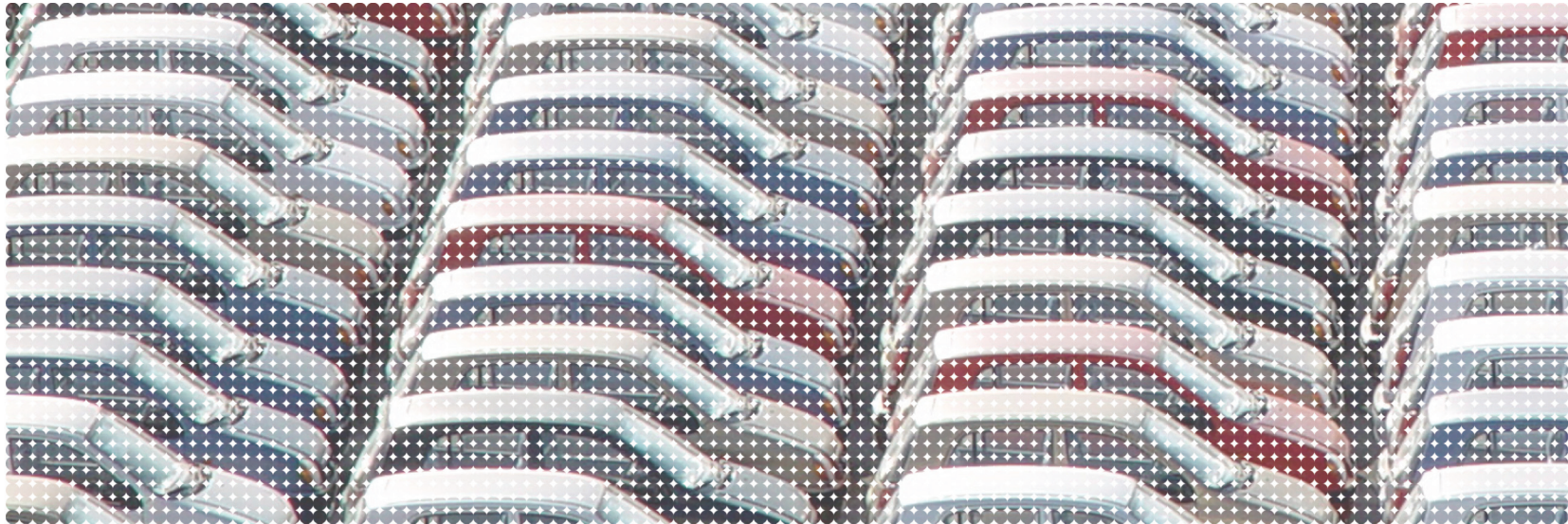
Competition in America is about price, selection, and service. It benefits consumers by keeping prices low and the quality and choice of goods and services high.

Competition makes our economy

work. By enforcing antitrust laws, the Federal Trade Commission helps to ensure that our markets are open and free. The FTC promotes healthy competition and challenges anticompetitive business practices to make sure that consumers have access to quality goods and services, and that businesses can compete on the merits of their work. The FTC does not choose winners

and losers – you, as the consumer, do that. Rather, our job is to make sure that businesses are competing fairly within a set of rules.

Through its Bureaus of Competition and Economics, the FTC puts its antitrust resources to work, especially where consumer interest and consumer spending are high: in matters affecting energy, real estate, health care,



food, pharmaceuticals, professional services, cable TV, computer technology, video programming, and broadband Internet access.

### **WHAT IS ANTITRUST?**

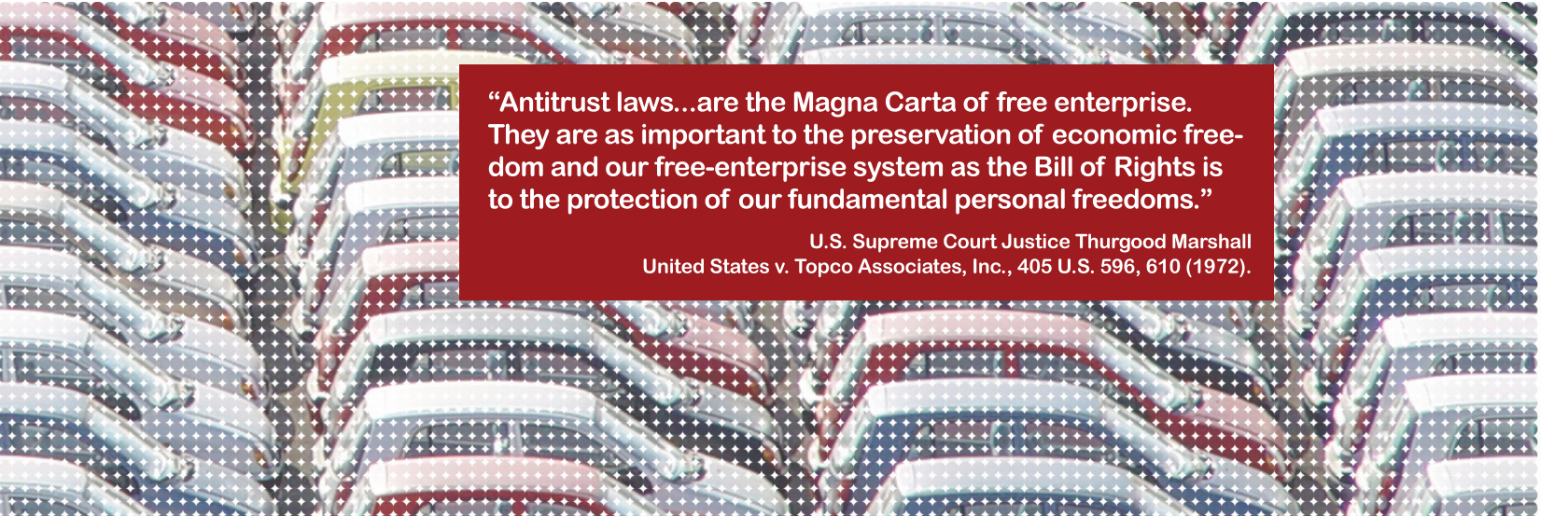
The word “antitrust” dates from the late 1800s, when powerful companies dominated industries, working together as “trusts” to stifle competition. Thus, laws aimed

at protecting competition have long been labeled “antitrust.” Fast forward to the 21st century: you hear “antitrust” in news stories about competitors merging or companies conspiring to reduce competition. The FTC enforces antitrust laws by challenging business practices that could hurt consumers by resulting in higher prices, lower quality, or fewer goods or services. We monitor

business practices, review potential mergers, and challenge them when appropriate to ensure that the market works according to consumer preferences, not illegal practices.

What kinds of business practices interest the Bureau of Competition? In short, the very practices that affect consumers the most: company mergers, agreements among competitors,

restrictive agreements between manufacturers and product dealers, and monopolies. The FTC reviews these and other practices, looking at the likely effects on consumers and competition: Would they lead to higher prices, inferior service, or fewer choices for consumers? Would they make it more difficult for other companies to enter the market?



**“Antitrust laws...are the Magna Carta of free enterprise. They are as important to the preservation of economic freedom and our free-enterprise system as the Bill of Rights is to the protection of our fundamental personal freedoms.”**

U.S. Supreme Court Justice Thurgood Marshall  
*United States v. Topco Associates, Inc.*, 405 U.S. 596, 610 (1972).

Here are some business practices the FTC monitors:

**Mergers** Many mergers benefit consumers by allowing firms to operate more efficiently. Other mergers, however, may result in higher prices, fewer choices, or lesser quality. The challenge for the FTC is to analyze the likely effects of a merger on consumers and competition – a process that can take thousands of hours of investigation and economic analysis. In one FTC case, a major national office supply retailer wanted to buy its closest competitor. Based on evidence that the merger would lead to higher prices for consumers, the FTC went to court and successfully blocked the deal.

**Agreements Among Competitors** It's illegal for businesses to act together in ways that can limit competition, lead to higher prices, or hinder other businesses from entering

the market. In one FTC case, a group of auto dealers threatened to stop advertising in a newspaper if it printed money-saving tips for car shoppers. The FTC's Bureau of Competition challenged the dealers because it is illegal for businesses to act together in ways that can deprive consumers of important information.

Agreements among businesses about price or price-related matters like credit terms are among the most serious business practices the FTC considers. That's because price is usually the principal basis for competition and consumer choice. Price fixing – companies getting together to set prices – is illegal. But that does not mean that all price similarities, or price changes that occur about the same time, are always the result of price fixing. On the contrary, they often result from normal market conditions. For example, prices of commodities such as wheat are often identical because

the products are virtually identical, and the prices that farmers charge all rise and fall together without any agreement among them. If a drought causes the supply of wheat to decline, the price to all affected farmers will increase. Uniformly high prices for a product in limited supply also can result from an increase in consumer demand: Just ask any shopper hunting for a “must have” children's toy.

### **Agreements Between Manufacturers and Product Dealers**

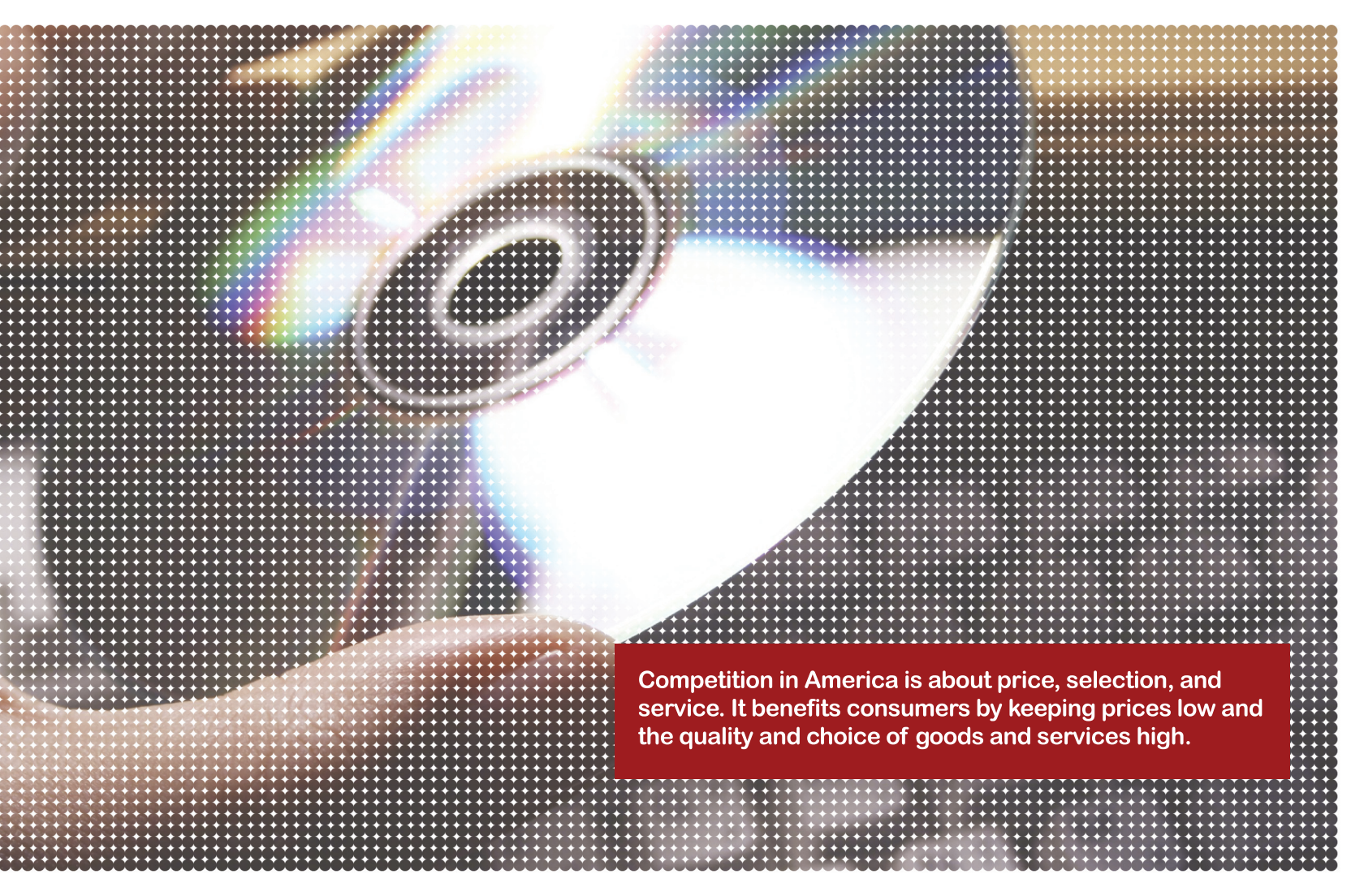
Many “package deals” create efficiencies that are beneficial to consumers: for example, automobile dealers who sell tires with their cars. You might prefer a different kind of tire, but shipping and selling cars without tires would be silly. On the other hand, some “tie-in” agreements are illegal because they restrict competition without providing benefits to consumers. For example, the antitrust laws likely would not

permit a drug manufacturer to require its drug store customers to buy a patient monitoring system they don't want along with the prescription drugs they do want.

**Monopoly** A monopoly exists when one company controls a product or service in a market. If it's because they offer consumers a better product at a better price, that's not against the law. But a company that creates or maintains a monopoly by unreasonably excluding other companies, or by impairing other companies' ability to compete against them, raises antitrust concerns. For example, a newspaper with a monopoly in a small town could not refuse to run advertisements from businesses that also advertised on a local television station.

### **Other Anticompetitive Conduct**

Business strategies that reduce competition may be illegal if they lack a reasonable business justification.



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For example, a pharmaceutical company's exclusive contracts with suppliers of a key ingredient kept generic drug makers from getting that ingredient. Without competition from generics, the pharmaceutical company was able to raise prices 3,000 percent: a \$5 prescription would have cost consumers \$150. The FTC, 32 states, and the District of Columbia challenged the contracts,

which resulted in a \$100 million court settlement for injured consumers.

### **KEEPING MARKETS COMPETITIVE**

By challenging anticompetitive business practices, the FTC helps to ensure that consumers have choices in price, selection, and service. To learn about competition problems, the FTC often receives information from consumers like

you. As an informed shopper, you are in the best position to detect an absence of competition for no apparent reason. If you suspect illegal behavior, please notify federal and state antitrust agencies.

### **CONFIDENTIALITY**

The FTC cannot act on behalf of an individual consumer or business, but the information you provide can help expose illegal behavior.

With few exceptions, FTC investigations are not public, and any information you provide or complaint you make will be kept confidential. If you ask us about an investigation, you may be told that we cannot discuss it, or even confirm or deny its existence. But we can receive your information and make sure it gets to appropriate FTC staff. In some cases, a staff person



The FTC enforces antitrust laws by challenging business practices that could hurt consumers by resulting in higher prices, lower quality, or fewer goods or services.

may wish to use the information in court. In that event, you may be asked to provide an affidavit or other statement under oath, or appear as a witness at the trial. These situations are relatively rare, but if those circumstances arise, your identity will have to be disclosed to the lawyers representing the companies or persons under investigation. FTC

staff will seek your cooperation before making such disclosures.

### **HOW YOU CAN HELP**

If you have an antitrust problem or complaint, or if you wish to provide information that may be helpful in an investigation, contact the FTC.

### **E-mail**

[Antitrust@ftc.gov](mailto:Antitrust@ftc.gov)

If you wish to submit confidential information, send it by mail and mark it “Confidential.”

### **Mail**

Federal Trade Commission  
Bureau of Competition-H374,  
Washington, D.C. 20580

### **Telephone**

1-877-FTC-HELP  
{1-877-382-4357}

**FEDERAL TRADE COMMISSION**

Bureau of Competition

Washington, D.C. 20580

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