Antitrust Laws And A Free Economy

The American economy is driven by competition and the philosophies of Darwin - only the strong survive. As stockholders we want our business people to be cutthroat and keep the stock prices high. As consumers, we want businesses to produce the best product at the best price.

To accomplish this, most businesses try to throw obstacles in front of the competition. Antitrust laws dictate the size of these obstacles. A competitive business that is innovative, creative, and produces a product that beats out the competition is applauded.

But, this same company is called a 'monopoly' when the tactics eliminate the competition. Did they do something wrong or were they just really good at what they did? Not a simple answer.

The US Antitrust laws emerged in the 1890's as a result of the power being wielded by Rockefeller and the Standard Oil trusts. As rich as Bill Gates has become, he still lags the control and power held by Rockefeller, who had many politicians and business leaders on his payroll.

The Antitrust laws have two main components - the Sherman Act and the Clayton Act. The Sherman Act is aimed at unreasonable restraints of trade. It also tries to prevent monopolistic behavior. The Clayton Act primarily addresses price discrimination, and improper conditions on buyers.

The term "Antitrust" is getting a lot of media attention in relation to the Microsoft trial. After a few thousand pages of testimony, it's still not clear how this fits into our present economy.

The US Government does not like it when a company becomes so big as to become a threat to the government itself. The Antitrust powers have waned and waxed over the years, sometimes lying dormant for many years, and then suddenly jumping into the economic fray.

The economy seems to work best under a fairly free competitive model. If a company has a better product at a better price, they will eventually rise to the top. If they start over-pricing, a competitor will jump in and undercut them. This system of check and balances seems to work pretty well, and Microsoft would prefer if the government kept their mitts off.

The economic goal of antitrust is to provide consumer welfare through increased efficiency in the use and allocation of resources, development of new and improved products, and development of new productive, distribution, and organizational techniques that put economic resources to more beneficial use.

Simply put, antitrust laws encourage conduct or behavior seen as beneficial from an economic viewpoint and discourage that which is seen as harmful. Sounds easy enough, but how do you define "beneficial" and "harmful" in an ever-changing economy.

In the new economy, what role should the Antitrust laws play? Should they lay dormant and let the competition model run its course or should they awaken to bust up the large conglomerates and stop over-reaching monopolies such as Microsoft?

The concerns of monopolies and anti-competitive behavior dates back to ancient Egypt, and is even described by Aristotle - this is not a new concern. But, after thousands of years, we're still not sure how it works.