

Competition in the marketplace is good for consumers and good for business. Competition from many different companies and individuals through free enterprise and open markets is the basis of the U.S. economy. When firms compete with each other, consumers get the best possible prices, quantity, and quality of goods and services. Antitrust laws encourage companies to compete so that both consumers and businesses benefit.

One important benefit of competition is a boost to innovation. Competition among companies can spur the invention of new or better products, or more efficient processes. Firms may race to be the first to market a new or different technology. Innovation also benefits consumers with new and better products, helps drive economic growth and increases standards of living. Products that are commonplace today once were technological breakthroughs: cars, planes, phones, televisions, the personal computer, and modern medicines all show how innovation can change your life, and increase prosperity.

Competition can lead companies to invent lower-cost manufacturing processes, which can increase their profits and help them compete—and then, pass those savings on to the consumer. Competition also can help businesses identify consumers' needs—and then develop new products or services to meet them.

For example, your aunt or grandmother probably grew up listening to music played on a bulky cassette or CD player. They might even remember vinyl records or eight-track tapes! Innovation made those players obsolete. Now people—maybe even your parents—are downloading music from the Internet onto small digital audio players. You might have a digital media player that lets you listen to music AND watch music videos and movies. Adults today probably never dreamed of anything like that when they were kids. And who knows what innovations in technology will be available 20 years from now!

It's the Federal Trade Commission's (FTC's) job to make sure that businesses are competing fairly—and within the law. The FTC is a law enforcement agency that promotes competition and challenges business practices that could harm competition. It's their job to make sure consumers have access to quality products and services, and that businesses compete on the merits. The FTC challenges business



practices that could result in higher prices, lower quality, fewer products or services for consumers, or those that create unfair advantages in the marketplace. The FTC has lawyers and economists who monitor business practices, review potential mergers, and challenge conduct that might prevent consumers from getting choice and quality at a fair price. They make sure the marketplace works according to consumer preferences, not illegal or anti-competitive practices.

When the competitive system is operating well, there's no need for government intervention. The law knows that some arrangements between firms—like competitors cooperating to perform joint research and development projects—may be good for consumers. In these cases, the agreement may even lead to greater competition.

The law doesn't try to stop all agreements between companies. It disapproves of agreements that hurt competition—for example, that could raise prices for consumers or keep them from getting new and better products. When the FTC sees practices or merger proposals that could harm the consumer or competition itself, the staff acts quickly to protect the interests of American consumers.

### Things to Talk About and Do

- What are some products that have changed in your lifetime? What role did competition play in those innovations?
- Think of a product that you use that your parents didn't have when they were kids. How has it made your life different or better?

- Find a story in the news about a competition issue in the marketplace. What does the industry say about it? What does the government say about it? What do you think?

### Want to Find Out More?

Federal Trade Commission—Guide to the Antitrust Laws  
[www.ftc.gov/bc/antitrust](http://www.ftc.gov/bc/antitrust)

U.S. Department of Justice—Antitrust Division  
[www.usdoj.gov/atr](http://www.usdoj.gov/atr)

Kids.gov—Links to sites on money, selling, and marketing  
[www.kids.gov/6\\_8/6\\_8\\_money\\_selling.shtml](http://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](http://www.fairfightfilm.org/index.html)

National Council on Economic Education—Online lessons  
[www.ncee.net/resources/lessons.php](http://www.ncee.net/resources/lessons.php)

