# Rules for Rivalry

How federal laws protect competition in U.S. markets.

**SS.7.E.2.3** "Identify and describe United States laws and regulations adopted to promote economic competition."

NAME ______________________ DATE ____________

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline each law or agency named in the passage. Circle the words that tell how it protects competition, then number the three main examples of harmful conduct.

### Competition Has Rules

1 In the late 1800s, some giant companies gained enough power to control whole industries. A trust was a group of businesses managed together, often to limit competition. For example, if one trust controlled most oil sellers, it could push rivals out and charge customers higher prices. In 1890, Congress passed the Sherman Antitrust Act. The law made it illegal to make agreements that unreasonably restrain trade or to monopolize a market. Its purpose was to protect competition, not to guarantee that every business succeeds.

2 Congress added more tools in 1914. The Clayton Act banned certain practices when they may substantially lessen competition, including some mergers and deals that treat buyers differently. A merger occurs when companies join. The Federal Trade Commission Act created the Federal Trade Commission, or FTC. The FTC can investigate unfair methods of competition and challenge harmful conduct. These laws aim to keep firms competing through prices, quality, and new ideas instead of gaining power through unfair agreements or market control.

3 Antitrust laws do not require every store to charge the same price or prevent all business growth. A company may win customers by improving a product, lowering costs, or offering better service. Government action focuses on conduct that damages the competitive process, such as competitors secretly agreeing on prices or a powerful firm using illegal tactics to keep rivals out. By enforcing these laws, agencies and courts can stop illegal behavior or require changes. The goal is a market where customers have choices and businesses have a fair chance to compete.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. Name the 1890 law and describe the kind of business behavior it made illegal.

2. How could a trust controlling most oil sellers harm competition and customers?

3. What did the Federal Trade Commission Act create, and what can that agency do?

4. Give one example of fair competition and one example of conduct that can damage competition.

## 3 YOUR TURN

Your own words

Three grocery stores in one city secretly agree to raise the price of milk on the same day. Write three sentences that name a law that could apply, describe why the agreement harms competition, and explain one action the government could take.

## PART 1 · READ AND MARK

Underline each law or agency named in the passage. Circle the words that tell how it protects competition, then number the three main examples of harmful conduct. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | Name the 1890 law and describe the kind of business behavior it made illegal. | **The Sherman Antitrust Act made illegal agreements that unreasonably restrain trade and monopolizing a market.** |
| 2 | How could a trust controlling most oil sellers harm competition and customers? | **It could push rival sellers out and charge customers higher prices.** |
| 3 | What did the Federal Trade Commission Act create, and what can that agency do? | **It created the Federal Trade Commission, which can investigate unfair methods of competition and challenge harmful conduct.** |
| 4 | Give one example of fair competition and one example of conduct that can damage competition. | **Fair competition includes improving a product, lowering costs, or offering better service. Harmful conduct includes competitors secretly agreeing on prices or using illegal tactics to keep rivals out.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

The Sherman Antitrust Act could apply because the grocery stores agreed on prices. Their secret agreement keeps the stores from competing to offer customers lower prices. A government agency or court could stop the illegal behavior and require changes.

Accept the Sherman Antitrust Act and an explanation that secret price agreements restrain trade by reducing price competition. For the open response, accept a reasonable enforcement action, such as investigation, stopping the agreement, or requiring changes.