

U.S. Antitrust Law and the Global Economy

We've all read about Teddy Roosevelt, the trustbuster, fighting evil monopolists who wanted to drive competitors out of the market and then hike up prices at the expense of consumers. Thanks to our anti-trust laws, monopolies and monopolistic behavior is now against the law.

But there is a double standard in today's economy. While American companies do not have the right to drive their American competitors out of business, they do have the right to petition the government to drive out foreign competitors, or at the very least, limit their presence in the American market. Since foreign competition serves to keep American companies on their toes and put downward pressure on product prices, attempts to restrict competition harms consumers, limits product selection, and removes incentives for domestic industries to remain on the cutting edge.

The recent actions of the U.S. shrimp industry provide a startling example of this double standard. U.S. shrimpers produce their products the old-fashioned way: they trawl with nets in the open ocean. Their Asian competitors, however, produce shrimp on farms. This new method of production is more efficient, less expensive, and causes fewer environmental problems.

Not surprisingly, shrimpers using old methods are finding it hard to compete. So they have cried foul, claiming that imports are "unfairly priced" and have run off to the government to seek a border tax, known as a dumping duty, on shrimp imports. The purpose of this tax is to make imported shrimp raised on farms so expensive that it is no

longer available at grocery stores or on the menu at local seafood restaurants. We will then be forced to buy the more expensive American shrimp.

Most people believe that trade cases like this are consistent with our anti-trust laws. Namely, that these cases would not be brought unless the foreign producer was engaging in "predatory pricing" -- pricing a product below cost. But the fact is, trade cases have nothing to do with pricing a product below cost. In this case, imported shrimp is cheaper because it is produced in a different, more efficient manner.

American shrimpers look like monopolists of old. They want to fix prices at artificially high levels and drive the competition from their markets. The irony is that the U.S. government--which has a long history of looking after consumer interests in anti-trust cases --appears to be the shrimpers' chief ally.

What will this cost you? Recent economic studies indicate that the price of shrimp could increase by up to 44 percent if the government imposes duties -- a 28 percent increase in the price of U.S.-caught shrimp, an 84 percent increase in the price of shrimp imported from targeted countries, and a 19 percent increase in the price of shrimp from other foreign sources. The higher cost of shrimp could reduce Americans' consumption by as much as 32 percent.

I don't know about you, but I'd be prouder of an America that could take on and beat foreign competition through innovation, rather than having to resort to this kind of market manipulation that limits competition and drives up prices. Unlike anti-trust laws, our trade laws are not about stopping unfair competition; they are, in fact, about limiting foreign competition, driving up prices for consumers, and lining the pockets of U.S. industries that are unwilling to change or improve production methods.