

Notes for Donald J. Boudreaux's address in Moscow on 14 September 2010

Overview of Public-Choice Scholarship on Antitrust:

- Fred S. McChesney & William F. Shughart, *The Causes and Consequences of Antitrust* (University of Chicago Press, 1995).
- Thomas J. DiLorenzo, "The Origins of Antitrust: An Interest-Group Perspective," *International Review of Law and Economics*, December 1985, pp. 73-90.
- William F. Baxter, *The Political Economy of Antitrust* (Lexington Books, 1980).
- George J. Stigler, "The Origins of the Sherman Act," *Journal of Legal Studies*, January 1985, pp. 1-12.

Overview of Boudreaux's Remarks:

- The "standard" story of why the U.S. government first enacted antitrust legislation in 1890.
 - o U.S. economy was becoming monopolized, especially as evidenced by the growth of large firms
 - o great personal wealth was earned as never before
 - o consumers were being harmed; smaller firms were being "predatorially" bankrupted by larger firms seeking monopoly power
 - o Congress in 1890 – responding to public outcry against the monopolization of the economy – responded by enacting the Sherman Antitrust Act
- George Stigler's failed attempt (1985) to analyze the passage of the Sherman Act through the lens of public-choice.
 - o sensibly noted that no real empirical research was done on possible interest-group pressures to enact antitrust legislation

- hypothesized that farmers or other concentrated producer groups pressured, first, several state governments, and, later, the U.S. government for legislation aimed at promoting and maintaining competitive markets
 - found no evidence of the operation of interest groups who sought pro-competition legislation
- Creative Destruction in the U.S. economy: 1865-1890.
- new technologies (especially the railroad and telegraph) expanded the size of markets and, hence, expanded the optimal size of firms in many industries
 - no evidence of monopolization in the economic data from the period; quite the opposite
- A public-choice hypothesis, different from that offered and tested by Stigler, about enactment of the Sherman Act: antitrust legislation was meant to *suppress* (rather than to promote) competition – so look for interest groups that had incentives and power to press for anticompetitive antitrust legislation
- Butchers "meat" competition – Or, the states and Congress's beef with Creative Destruction
- research reveals that the greatest impetus for antitrust legislation came from butchers and cattle ranchers who rapidly lost large market shares to the new "packinghouses" (centralized slaughterhouses) in the U.S. Midwest (especially in Chicago)
 - first several states (in 1889 and 1890) and then the U.S. government (in July 1890) enact antitrust statutes; the states do so along with statutes that established inspection requirements that were clearly aimed at protecting local markets from non-local competitors