Government & the Economy Name:

Your Cell Phone: A Line Into the Economy

If you've got a cell phone, you probably get your service through one of these wireless providers:

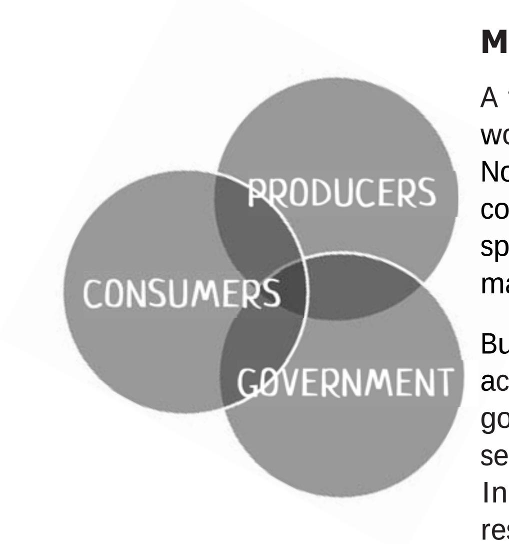
The U.S. has a **market economy**, which means that most goods and services, such as cellular service, are offered by private companies. These companies compete against each other for your business. The result? You have lots of choices when you shop for cell phone service.

You've probably seen more than one ad for cell phone service on TV. (Okay, you've probably seen hundreds.) In all of these ads, the cell phone companies are trying to convince you that their cell service is better than everyone else's. Have you ever seen them try to tempt you with any of these promises? Because of competition among all the companies, prices are lower and services are better than they would be if there was only one cell phone provider.

The Official Cell Phone Provider?

So let's talk about that for a minute. What if there were only one cell phone provider: the government? What if the government controlled production of everything else, too--cars, shoes, cereal, and even television sets? In that case, we would have what is called a **command economy**, in which the government owns and offers all the goods and services and decides what those goods and services will cost. When you went looking for cell phone service, there would only be one choice and one set of prices.

For years, China's only 3 wireless companies have been owned by the Chinese government.



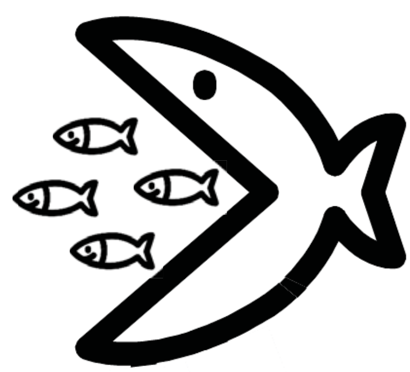
Mixing Government and Business

A true "free market" economy would be just the opposite. Companies would compete against each other with no government interference at all. Not just cell phone providers and grocery stores would be private companies—*everything* would be privately owned. The police force, the space program, nuclear waste storage... All of it. The government would make no rules that might interfere with how companies do business.

But that's not how it works either. What the U.S. and most other countries actually have is a **mixed economy** — a market economy in which the government owns some property, offers some kinds of goods and services, and makes some rules that affect how businesses can compete. In a mixed economy, the government also owns some property and is responsible for providing certain goods and services to the public.

The Only Cell Phone Provider?

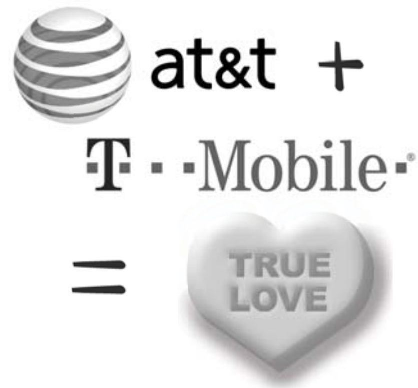
In a market or mixed economy, there is still a danger of having just one provider for a good or service. It just wouldn't be the government. Ideally, your phone company would like to be the *only* phone company. It could do that by buying up the other companies until there was only one monster company left. This monster company would not have to worry about competition anymore. That means it could set whatever prices it wanted for whatever services it wanted, and consumers would have to take it or leave it. Talk about a mega-bad-deal for consumers. That's why it's illegal.



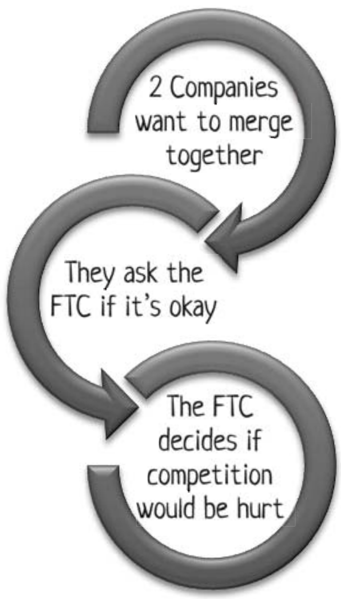
Government & the Economy

Name:

Monopoly: Not Just a Board Game



In the business world, a **monopoly** is when one company controls an entire industry without any competition. Over a century ago, the United States started passing **anti-trust laws** that prohibit monopolies and other activity that reduces competition. If your cell service comes from T-Mobile, you're receiving the benefit of U.S. anti-trust laws. In 2011, AT&T made a bid to buy T-Mobile. Buying T-Mobile would have made AT&T the nation's largest cell phone provider. But AT&T ran into a few problems.



Um... There's A Law Against That

First, the **Sherman Anti-Trust Act of 1890** prohibits companies from any activity "in restraint of trade," meaning activity that reduces competition. But that's not all. The **Clayton Antitrust Act of 1914** gives the U.S. government the power to prevent companies from merging together if the merger will reduce competition. That means AT&T couldn't just offer to buy T-Mobile and complete the deal the next day. The buyout had to be approved by the **Federal Trade Commission** (FTC), the government agency created in 1914 to carry out the powers in the Clayton Act. One of the FTC's jobs is to stop companies from competing unfairly.

The FTC decided that, if AT&T merged with T-Mobile, competition would be severely reduced in many areas of the country. Consumer choice would be too limited, which could lead to higher prices and other negative consequences for consumers. So the FTC filed a law suit to block the proposal, and at the end of 2011 AT&T dropped its bid to buy T-Mobile.

Competition With Other Countries

The government also works to help U.S. companies compete with foreign products. **Tariffs** are taxes on goods from other countries. Tariffs make a foreign item more expensive, encouraging citizens to buy products made in their own country. To help U.S. companies, the government works with other countries to reduce their tariffs on U.S. goods. It also puts tariffs on foreign goods being sold in the U.S. at unfairly low prices. But tariffs slow down trade between countries. That's why the U.S. and many other countries have agreed to have zero tariffs on cell phones. This has helped information and communication technology develop more easily around the world.

Container ships carry goods all around the world.

Consumer Protection

The FCC has been cracking down on companies that make illegal, automatic "robocalls."

In a mixed economy, the government also takes action to protect consumers. Is your cell phone company being fair? The FTC takes action against companies that deceive people. In 2012, both it and the Federal Communications Commission (FCC) began to address the problem of cell phone companies that add unauthorized charges to people's bills. What about safety? The government researches things that could put people's health at risk and makes rules to keep people safe. There are limits on how powerfully cell phone towers can transmit signals—and how powerfully your own cell phone can transmit radiofrequency energy. In our economy, companies can't put people's health at risk in their effort to compete.