

May the Best Team Win



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If our cover story in this issue of *Region Focus* is any indication, the business of spectator sports is enjoying a healthy expansion, particularly in the minor leagues. Sports have a unique ability to draw our attention and loyalty. And while we enjoy watching displays of athletic prowess, what really draws the crowds is the competition. This is true at all levels of play.

A sense of fairness is critical to the average fan's enjoyment of sports. We like to believe that all teams have a good chance of winning a game or a championship. Often, though, the natural course of competitive sports produces a team that dominates its league. When this happens, are the fans displeased? Well, maybe if the team is from New York. Just as often, a dominant squad is embraced as "America's Team." As long as everybody appears to play by the rules, a competitor that rises to the top earns a place of honor.

The importance of fairness in competition is not limited to the world of sports. As I've argued here before, competition is an essential part of a vital economy. But people seem ambivalent when it comes to competition in commerce, particularly in the way they perceive winners. A seller's success against competitors may allow it to capture a large share of its market. Such firms are often viewed with distrust and even disdain. A recent example is Microsoft, but there have been others in every era of U.S. industrialization, from firms like U.S. Steel and Alcoa in prewar heavy industry to IBM in the early days of the computer era. These firms dominated their fields, and in doing so were suspected of unfair competitive behavior.

The important point here is that a firm's dominance of a market does not by itself indicate the

absence of competition or the presence of unfair business practices. Certainly, some firms may exploit barriers to competition or employ tactics that limit rivals' opportunities. But U.S. antitrust policy is intended to level the playing field and ensure that everyone plays by the rules. Still, there will be times when one competitor is simply better than the others.

Antitrust scholars have long recognized the difference between well-earned and undeserved market dominance. In practice, however, it is often difficult to make the distinction. Legal decisions can hinge on detailed characteristics of the products and markets involved in particular cases. While I'm certainly no expert in this area of law and economics, my casual reading of antitrust history suggests that enforcement has often focused on a firm's behavior once it became a dominant player.

In markets as in sports, the natural competitive process can easily bring a single competitor to the top of the heap. Market or league dominance alone, however, does not prove misconduct. As long as no player enjoys an unfair advantage, competition raises the level of play for all participants. So let's not condemn the winners simply for winning. Let's focus instead on making sure that all teams are subjected to the same rules throughout the game. That's the way we like to see the game played.



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