They inspire consumer confidence, which leads to greater consumer expenditure. They increase costs for producers, which slows the flow of investment. They slow the flow of investment and wages in the circular flow of the free-market system. They prevent foreign companies from underselling products and misrepresenting products.

How do antitrust laws affect the circular flow of the free-market system?

- A. They prevent foreign companies from underselling products.
- B. They increase costs for producers.
- C. They prevent competition regulators from enforcing consumer protection.
- D. They induce government budget surpluses.

Which of these enables the government to make up for a budget deficit?

- A. Tariffs.
- B. Budget surpluses.
- C. Consumer-protection regulations.
- D. Antitrust laws.

What is one benefit of consumer-protection regulations?

- A. Consumers make better choices.
- B. Competition regulators increase the number of workers.
- C. Consumers are protected from predatory pricing.
- D. Consumers buy more goods and services.

Match each company or organization with the correct label.

- Boeing Corporation: government defense contractors
- Consumer Reports: competition regulator
- Lockheed Martin Corporation: government defense contractors
- Federal Trade Commission (FTC): competition regulator

Match each unfair business practice with an example of its use.

- Predatory pricing: An association of labor unions working toward making wages too low for non-members.
- Bid rigging: A group of producers working together to raise prices and make greater profits.
- Misrepresentation: A defense contractor gets its competitors to agree not to bid on contracts.

Correct!

Feedback

- When consumers are protected, they feel secure and typically buy more goods and services.
- Budget deficits must eventually be passed on to consumers in the circular flow of the free-market system.
- Misrepresentation: Boeing Corporation charges a price below production cost in order to eliminate small competitors. When competitors fail, Boeing Corporation passes on the production cost to consumers.
- Antitrust laws increase the number of producers, which reduces the flow to almost nothing.