Procompetitive Effects of State Antitrust Laws: Evidence from the Progressive Era

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Background

- Structural changes in transportation, communications, and other technologies during the 19th century encouraged consolidation and eroded the position of small firms, setting the stage for the rise of the antitrust movement.

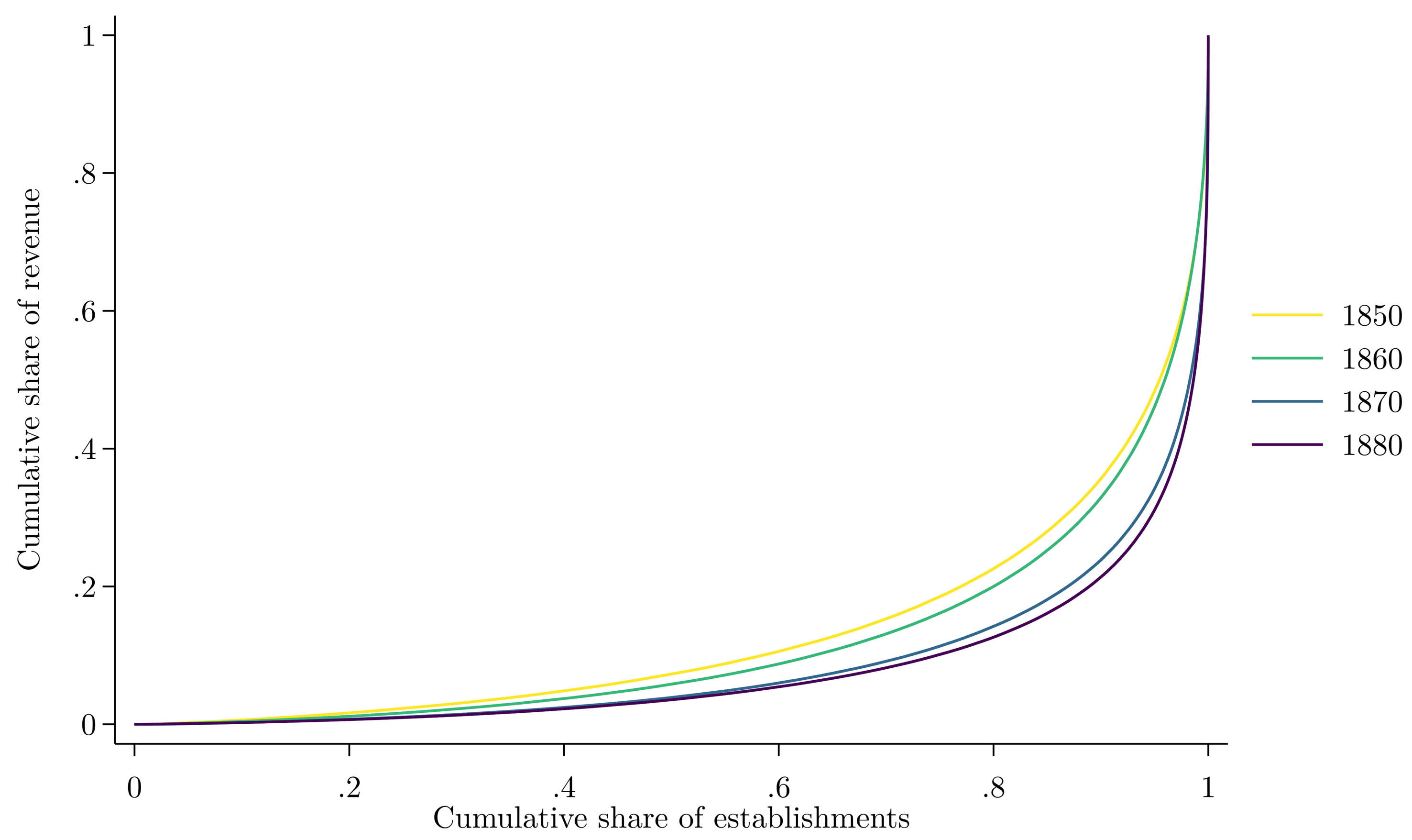


Figure 1. Concentration of Revenue among Manufacturing Establishments, 1850-1880

Notes: These Lorenz curves illustrate the increasing concentration of revenue within the manufacturing sector from 1850 through 1880. Hornbeck et al. (2024) digitized the establishment-level manufacturing schedules underlying this figure. Establishment-level schedules from the census of manufactures are presumed lost for all years after 1880 and prior to 1929.

- Between 1888 and 1940, 39 states enacted antitrust statutes, but little is known about how these measures affected the economies of the states that enacted them. I seek to close this gap by estimating the long-term impacts of historical state antitrust laws on competition, productivity, and innovation.

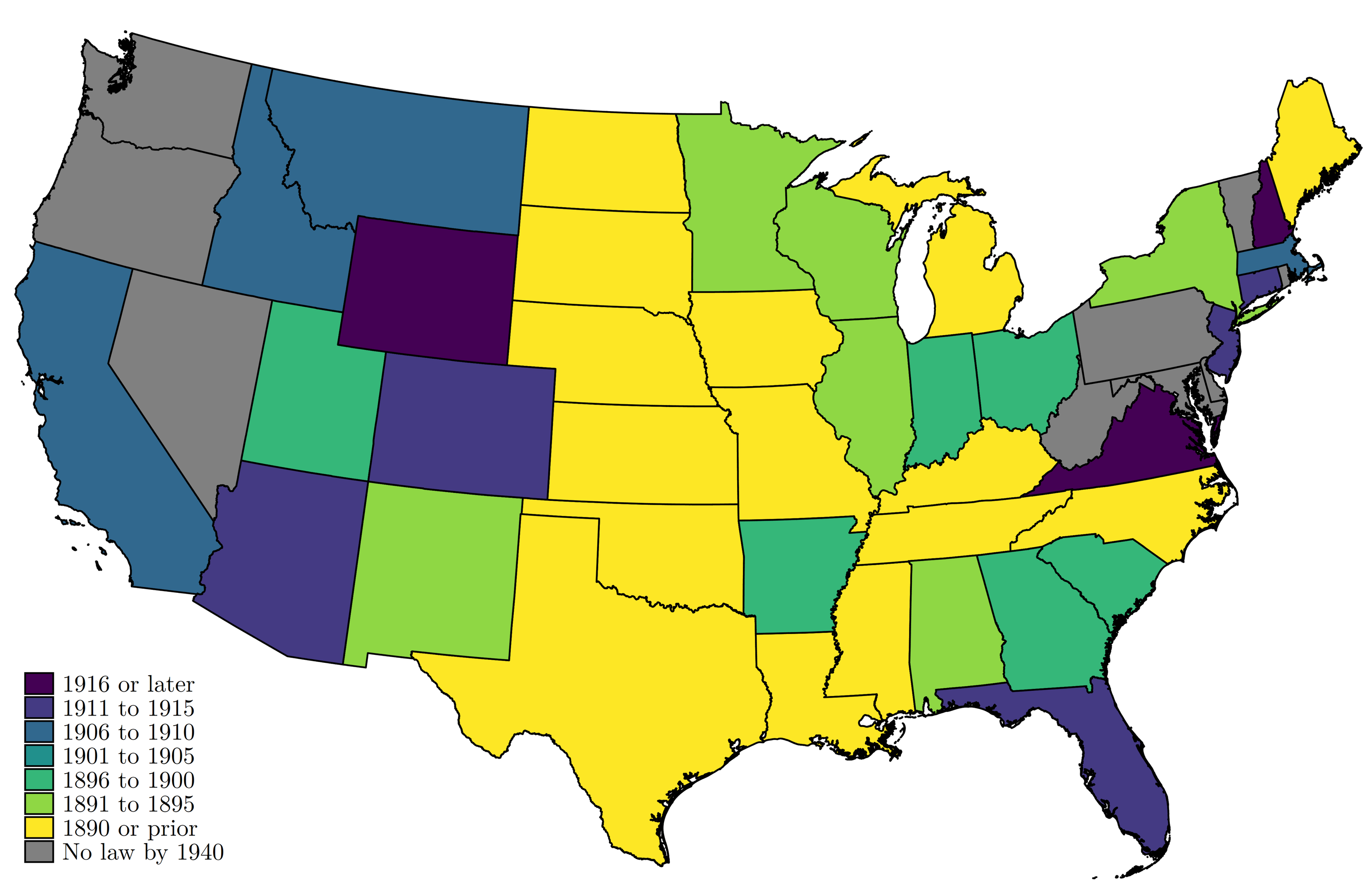


Figure 2. Map of State Antitrust Law Adoption

Notes: This map is shaded to show the year in which a state first adopted an antitrust law. In some cases, laws were later repealed by legislative act or overturned by court ruling, but this map does not reflect those changes. Thirteen states had already adopted an antitrust statute of their own by the time the Sherman Act–the first federal antitrust law–was enacted in 1890. These are the states shaded in yellow, excepting Oklahoma and Louisiana, which enacted antitrust statutes in 1890 after the passage of the Sherman Act on July 2, 1890. State boundaries in 1940 are shown.

To learn more about my research, please scan this QR code or email me at anne.schaller@vanderbilt.edu.

Previous Literature

- A historical literature highlights the significance of early state competition policy (May 1987; Troesken 2000; Clay and Troesken 2002; Nolette 2012; Lamoreaux and Phillips Sawyer 2021; Lamoreaux 2024).
- The effects of antitrust policy on competition have been extensively studied, yet the literature remains divided. For example, early papers by Stigler (1966) and Burns (1977) find limited effects of antitrust interventions, while recent work, such as Babina et al. (2023), has challenged these conclusions.
- The literature is also divided about the effects of antitrust policy on innovation. For example, Watzinger et al. (2020) and Watzinger and Schnitzer (2022) find that antitrust actions against Bell Labs and the Bell System increased innovation, while Kang (2023) observes that collusion increased patent filings.
- **Contribution:** This research provides the first quasi-experimental, quantitative evidence on the broad economic effects of state antitrust laws.

Content of State Antitrust Laws

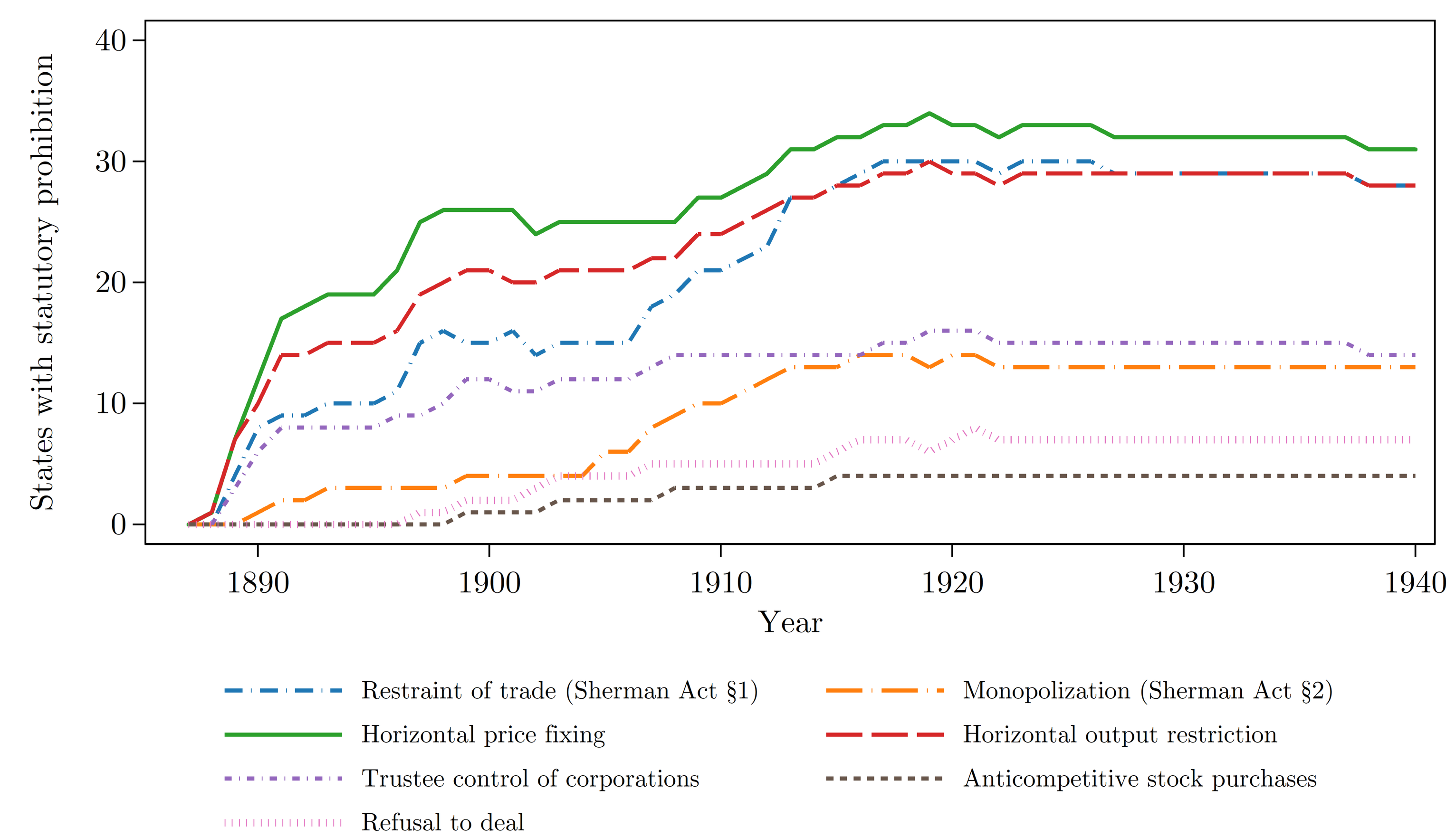


Figure 3. Anticompetitive Acts Declared Illegal by State Antitrust Laws

Notes: This figure illustrates the number of states outlawing various anticompetitve acts between 1888 and 1940.

Data

- State antitrust statutes: I cataloged state antitrust statutes by searching session laws and codes, comparing found statutes to existing compilations, identifying court cases overturning statutes in part or in full, and coding statutes' content.
- Manufacturing: I use data from the 1850-1940 censuses of manufactures. I use decennial county-industry tabulations digitized by Lafortune et al. (2019) and establishment-level data from Hornbeck et al. (2024), though data are available at the establishment level for 1850-1880 only.
- Patents: I use data from the Comprehensive Universe of U.S. Patents to assess the impact of state antitrust laws on innovation (Berkes 2018).
- Newspaper articles: I identify newspaper articles mentioning one or more state antitrust laws using two popular digital archives. These articles allow me to understand how state antitrust laws were perceived by the general public and enforced by state governments during the study period.

Identification Strategy

- Difference-in-differences and event study models compare outcomes in states with antitrust laws to outcomes in states without antitrust laws, pre- and post-adoption. I account for the staggered nature of treatment timing to study the effects of state antitrust laws (Callaway and Sant'Anna 2021).

Civil Damages Under State Antitrust Laws

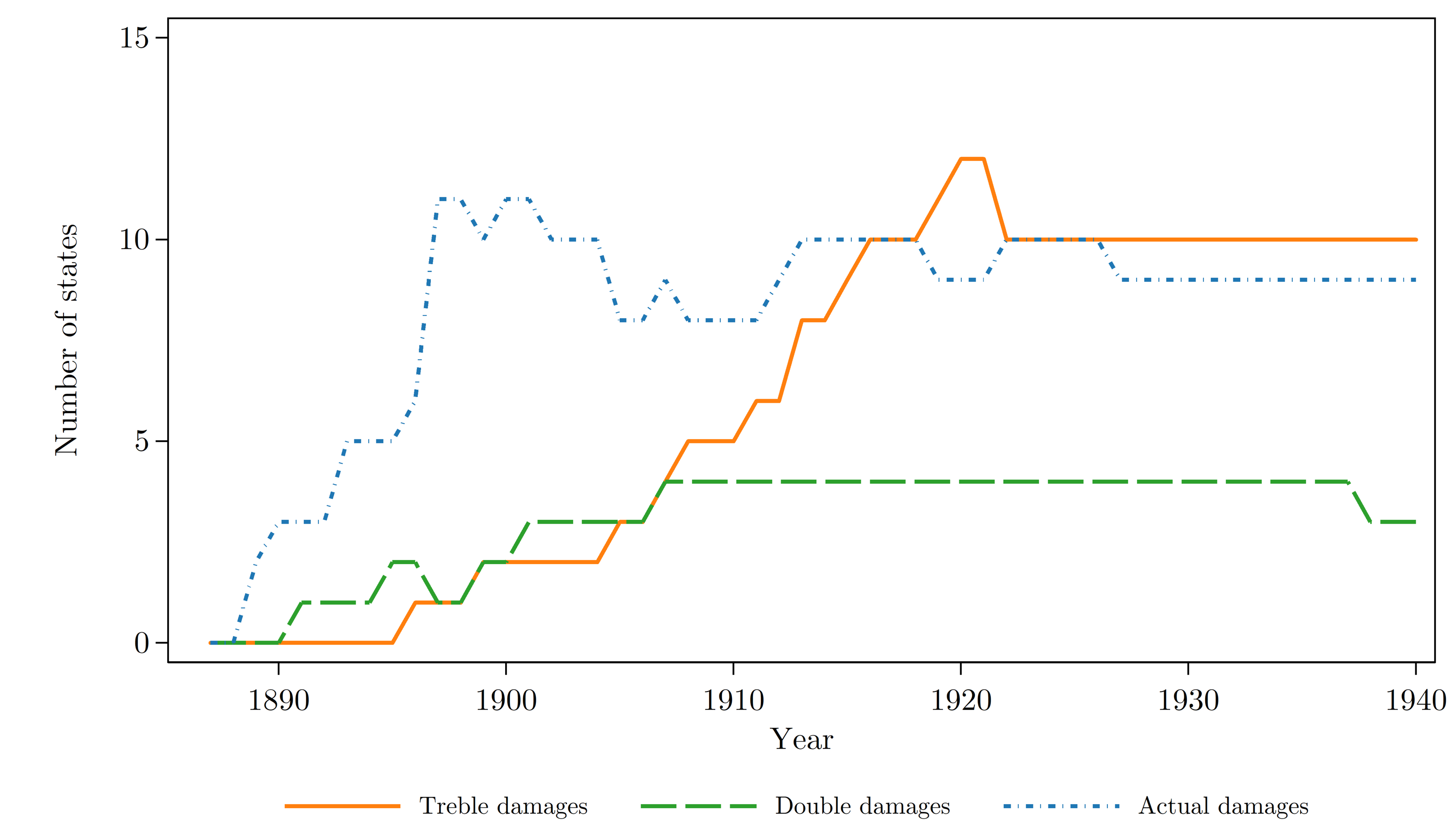
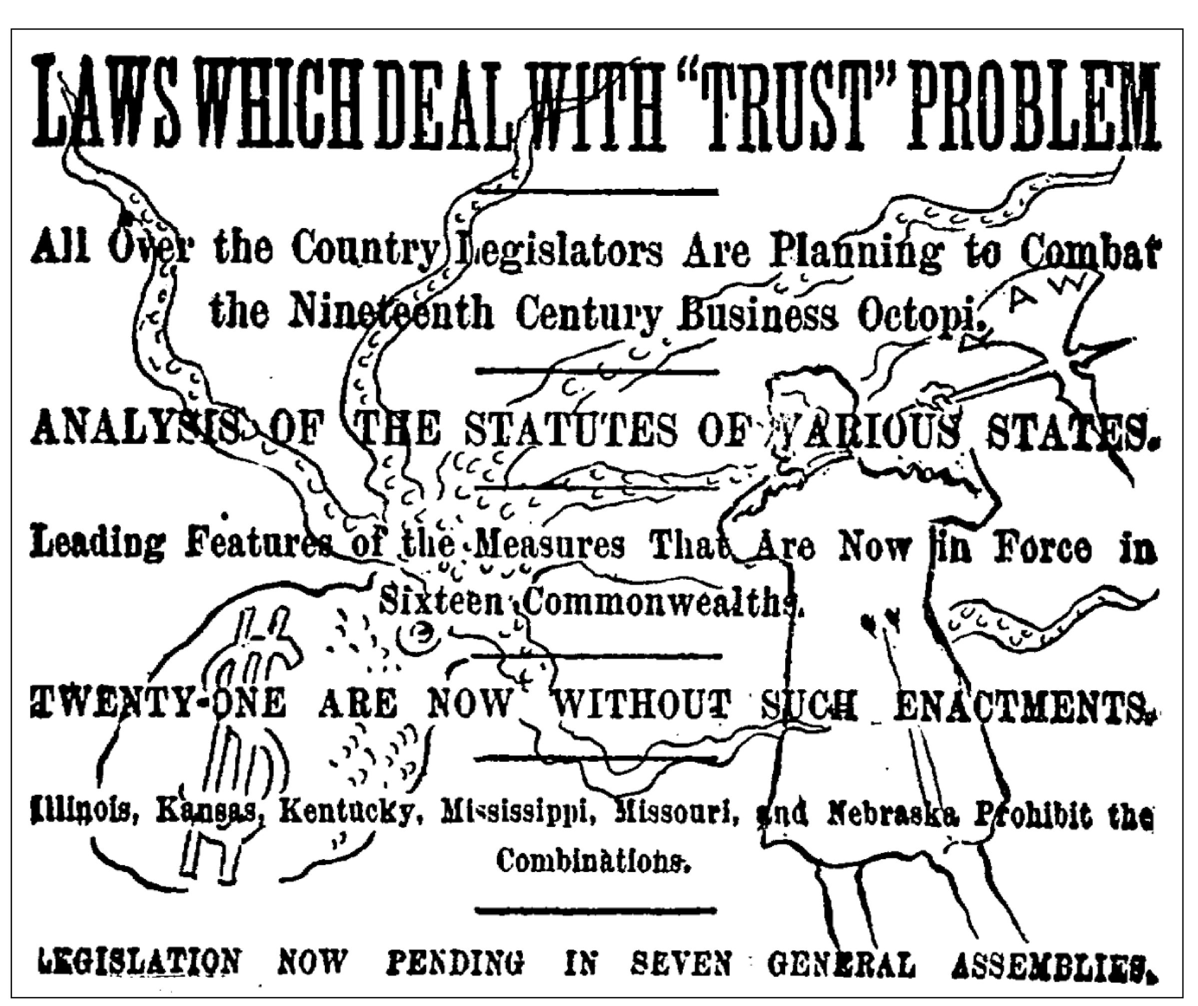


Figure 4. Civil Damages Under State Antitrust Laws

Notes: This figure illustrates the number of states authorizing plaintiffs to seek actual damages, double damages, or treble damages in civil actions for injury due to unlawful conduct under state antitrust statutes.

Results and Discussion

- In the manufacturing sector, I find that the enactment of state antitrust laws decreased average profits by about 16% and increased the number of establishments by about 26%, consistent with increased competition.
  - By using historical newspaper data to proxy for enforcement of state antitrust laws, I show that these effects were likely driven by high-enforcement states.
  - I also show that in cases where a state antitrust law was repealed by a legislative act or overturned by a court ruling, effects went in the opposite direction—profits increased and the number of establishments decreased.
- I also find that the enactment of state antitrust laws increased patents granted to individuals by about 76% and patents granted to firms by about 3%.
- These results provide historical evidence that antitrust policy can effectively promote competition in the U.S. economy and imply that enforcement played an important role in steering markets toward competitive equilibria.
- In future work, I plan to conduct further analysis with more detailed data to better understand the implementation and effects of state antitrust laws.



LAWS WHICH DEAL WITH "TRUST" PROBLEM

All Over the Country Legislators Are Planning to Combat the Nineteenth Century Business Octopi.

ANALYSIS OF THE STATUTES OF VARIOUS STATES.

Leading Features of the Measures That Are Now in Force in Sixteen Commonwealths.

TWENTY-ONE ARE NOW WITHOUT SUCH ENACTMENTS.

Illinois, Kansas, Kentucky, Mississippi, Missouri, and Nebraska Prohibit the Combinations.

LEGISLATION NOW PENDING IN SEVEN GENERAL ASSEMBLIES.

Figure 5. Newspaper Article on State Antitrust Laws, *Chicago Daily Tribune*, February 20, 1897