Title
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“Is There a Text in this Class?”
The Conflict Between Textualism and Antitrust

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Every issue of law resolved by a federal judge involves interpretation of text – the text of a regulation, or of a statute, or of the Constitution.\textsuperscript{3}

I. Introduction

Literary theorist Stanley Fish recounts the story of the student who, after taking a class from him, asked another teacher whether there was a text in that class.\textsuperscript{4} The other teacher thought at first that the student was making a routine inquiry about textbook assignment, but it soon became clear that she had a more fundamental worry on her mind. What she was asking was whether, given Fish’s emphasis on the creative role of the reader in interpretation, the literary text actually retained any meaning or relevance of its own. Or, as she put it, “I mean in this class do we believe in poems and things, or is it just us?”

Many students of antitrust law could be forgiven for asking a similar question. Antitrust cases generally discuss precedent and economic policy. They rarely include more than a passing citation to the statutory text. Discussions of antitrust often focus on economics, leaving many students with the feeling that they have mistakenly wandered into a econ. class rather than a law class. Indeed, even two decades ago, Frank Easterbrook was able to announce with some satisfaction that the latest Supreme Court opinions “read like short treatises on microeconomic

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In antitrust, then, it seems that there are no statutes, just “us” – more specifically, contemporary judges and economists.

The reason, it would appear from the writings of scholars and judges, is that the statutory texts are essentially devoid of content. Or rather, they are merely a direction for judges to use their best economic judgment. By using the common law term, “restraint of trade,” the Sherman Act supposedly “invoked the common law itself, and not merely the static content that the common law had assigned to the term in 1890.” By using this term, it is also said, the statute “refers not to a particular list of agreements, but to particular economic consequences, which may be produced by quite different sorts of agreements in varying times and circumstances.” No wonder that today antitrust is more about economics than about law.

What is remarkable, however, is that these statements in praise of judicial activism in antitrust come from Justice Scalia, the foremost judicial advocate of textualism. As we will see, although textualists have sometimes been described as striving “with missionary zeal to narrow the focus of consideration to the statutory text and its ‘plain meaning’”, other leading textualists share Justice Scalia’s celebration of the text-free nature of antitrust law. For example, Judge Easterbrook has said that the Sherman Act “does not contain a program; it is a blank check.”

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4 Stanley Fish, Is There a Text in this Class? The Authority of Interpretative Communities 305 (1980).
7 Id. at 731.
8 David L. Shapiro, Continuity and Change in Statutory Interpretation, 67 NYU L. Rev. 921,922 (1992). Admittedly, this may be an oversimplification of textualism. A more nuanced version is that textualists believe “that at the very least, a substantial part of the meaning of a statute is ordinarily ascertainable from a close reading of the statutory language, and from ‘commonsensical’ inferences deriving from the canons of construction.” Lawrence M Solan, Learning Our Limits: The Decline of Textualism in Statutory Cases, 1997 Wis. L. Rev. 235, 243.
9 See text accompanying notes - to -, infra.
Yet, according to the leading contemporary scholars of statutory interpretation, this happy relinquishment of textual guidance is not at all the way textualists normally approach statutes:

[T]he new textualism holds that the only object of statutory interpretation is to determine the meaning of the text and that the only legitimate sources for this inquiry are text-based or -linked sources. Thus, the meaning an ordinary speaker of the English language would draw from the statutory text is the alpha and the omega of statutory interpretation.\(^{11}\)

To be sure, Scalia and other textualists have offered reasons for considering antitrust laws as exceptions to the normal regime of statutory interpretation. Yet, their arguments are remarkably cursory, given how radically their antitrust jurisprudence departs from their usual approach to statutory interpretation. We believe that this antitrust exceptionalism is unwarranted. The antitrust laws differ at most only in degree from other statutes, and perhaps not very much even in degree. Thus, our claim is that textualists like Scalia and Easterbrook cannot both have their cake and eat it: they should either rethink their textualism or seriously consider jettisoning their approach to antitrust law.

Antitrust lawyers typically respond to this claim by arguing that antitrust law is good sensible policy – good not only in terms of its even-handed pursuit of economic welfare but in its predictability and judicial administrability. Not everyone would agree with this assessment of current law, but more fundamentally, this argument misses the basic premise of textualism. The whole point of textualism is that statutory interpretation should largely eschew such policy analysis. Court are not to make whatever social policy they think best; they are to derive doctrine from careful attention to the words of the laws that Congress has actually enacted. Antitrust doctrine simply cannot be squared with this philosophy.

\(^{11}\)William Eskridge, Philip Frickey, and Elizabeth Garrett, Legislation and Statutory Interpretation 228 (2000). This does not mean that textualists limit themselves to the interpretation which might be favored by the “person on the street.” Rather, textualists look at some sources of context that might not be familiar to the “ordinary speaker of English”: dictionaries (especially those dating from the period of enactment), interpretations of similar provisions in
Our analysis proceeds as follows. In Part II, we provide brief sketches of modern antitrust analysis and textualist theory, in order to highlight the contrast. We try to steer clear from caricaturing textualism as a simple-minded “plain meaning” doctrine. While we cannot do justice to all of the nuances of textualism or all of the varying formulations of the theory, we will use statements by some of its leading, most sophisticated advocates to create a sketch of their methodology.

In Part III, we apply the standard tools of textualist interpretation to the antitrust statutes. For the conscientious textualist, the statutory texts have considerably more specific meaning than the conventional wisdom would suggest. We would expect the students in our Legislation classes to come up with these textualist arguments if they were given the statutory language; it is remarkable that even textualist judges have failed to take a hard look at the language of the statutes. (Neither have non-textualist judges, but that seems more understandable.) We also suggest that textualists would defer more to FTC interpretations than current courts do.

In Part IV, we argue for an end to antitrust exceptionalism. The primary argument for exceptionalism is that the antitrust laws were a delegation of law-making power to the courts, quite unlike the usual statute where Congress itself establishes the operative legal rules. This delegation argument, however, turns out to be nothing more than a restatement of the claim that the antitrust laws lack any ascertainable content of their own. That claim is untenable.
We conclude with some speculations about the implications of ending antitrust exceptionalism. Most obviously, textualists should reconsider their approach to antitrust. In addition, even non-textualists may come away from the analysis feeling that the statutory texts have received short shrift from the modern court. Those who approve of modern antitrust doctrine, on the other hand, may find textualism less appealing because of this incompatibility, and may be drawn to more pragmatic theories of statutory interpretation.

II. The Contrast Between Antitrust and Textualism

Some of our readers are probably familiar with antitrust but not with theories of statutory interpretation; others will have the reverse background; and for some, both will be novel territory. We begin, therefore, with overviews of the two.

A. Antitrust

Antitrust law today is widely understood to be a variant of the common law, but a variant peculiarly focused on explicit economic analysis. When a business practice is called into question, courts examine that practice to determine whether it advances or impedes economic efficiency. If it advances efficiency the court will find no antitrust liability. Normally the analysis is done on a case-by-case basis under the rule of reason. The Court has decided that a few practices are likely enough to reduce efficiency that the Court has held them per se violations of the antitrust law. The analysis proceeds via a review of the relevant case law and an inquiry into the economic effects of the practice, often guided by analysis done by economists. The statutory language gets only a momentary mention, adding little or nothing to the discussion, particularly in cases that invoke only the Sherman Act.

\footnote{on statutory reference to “commerce”). Notably, each of these examples involves threshold coverage rather than the substance of competition policy.}
To get a feel for how this analysis proceeds, consider *State Oil Co. v. Khan*. Khan dealt with maximum vertical resale price fixing. In the case, State Oil entered into an agreement with Khan where Khan would obtain gas from State Oil to sell at Khan’s gas station. If Khan charged a price above State Oil’s suggested retail price, Khan had to rebate the excess to State Oil. Thus, the contract made it senseless for Khan to charge more than the suggested retail price. The Court had previously held that such maximum vertical price fixing was a per se violation of the Sherman Act in *Albrecht v. Herald Co.* Khan overruled Albrecht and held that the rule of reason applies in such a situation.

Justice O’Connor begins the analysis in her opinion for a unanimous Court as follows: “Although the Sherman Act, by its terms, prohibits every agreement ‘in restraint of trade,’ this Court has long recognized that Congress intended to outlaw only unreasonable restraints.” That’s it for the statutory text. The rest of the analysis is all study of previous cases and economics.

O’Connor begins by explaining the difference between the rule of reason and per se rules, noting “we have expressed reluctance to adopt *per se* rules with regard to ‘restraints imposed in the context of business relationships where the economic impact of certain practices is not immediately obvious.’” She then starts to trace the evolution of relevant precedents. The Court early on held that minimum resale prices were *per se* invalid in *Dr. Miles Medical Co. v. John D. Park & Sons Co.* The Court more broadly held *per se* illegal combinations and

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14 See id. at 7-8.
16 Id. at 10. This is in the context of vertical agreements. Horizontal price agreements remain per se illegal.
17 Id.
18 220 U.S. 373 (1911).
agreements limiting resale prices in *United States v. Socony-Vacuum Oil Co.*\(^{19}\) and *Kiefer-Stewart Co. v. Joseph E. Seagram & Sons, Inc.*\(^{20}\) The Court considered non-price restrictions by suppliers on dealers in *White Motor Co. v. United States*\(^{21}\) and decided it did not understand these enough to declare them *per se* illegal. Four years later it decided it had acquired adequate understanding and declared such vertical non-price restrictions *per se* illegal in *United States v. Arnold, Schwinn & Co.*\(^{22}\) The next year the Court made clear that maximum resale prices were *per se* illegal in *Albrecht*.

Not long after that, intellectual fashion changed. Chicago economics was in, and legal analysts were more inclined to understand various business practices as promoting efficiency rather than collusion. The Court reflected the shift. In 1977 it overruled *Schwinn* in *Continental T.V., Inc. v. GTE Sylvania Inc.*\(^{23}\) The *Continental* Court noted how much scholarly opinion had criticized *Schwinn*. Several later cases hinted that *Albrecht* was on shaky ground.\(^{24}\) Thus, the Court observes, the judicial trend was away from *Albrecht*.

Having reviewed this judicial history, the *Khan* Court turns to its economic analysis. It states that “the primary purpose of the antitrust laws is to protect interbrand competition” and that “condemnation of practices resulting in lower prices to consumers is ‘especially costly.’”\(^{25}\) Citing Judge Posner’s opinion in the lower court, it notes that unless the supplier is a monopsonist it cannot squeeze its dealer’s profits too much, or they will switch to other

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\(^{19}\) 310 U.S. 150 (1940).
\(^{22}\) 388 U.S. 365 (1967). The rule of reason still applied where goods were consigned rather than sold.
\(^{25}\) *Id.* at 15.
suppliers, but suppliers might set a maximum resale price to prevent their dealers from exploiting a monopoly position. 26

The Court then shoots down some arguments from Albrecht. Although resale price fixing might indeed limit dealer freedom, banning such price fixing would lead some suppliers to distribute their own goods, thus eliminating the dealers altogether. 27 The Albrecht Court also worried that maximum prices could be so low that dealers would not offer desired services. Justice O’Connor replies that this would go against the supplier’s own interests. 28 As to the concern that vertical price fixing might limit distribution to large dealers, the Court responds that this is not clearly so and that anyway limiting inefficient dealers is no bad thing. 29 The Court also acknowledges that maximum price limits can be used to disguise minimum vertical price limits (which remain per se illegal), but Justice O’Connor argues that instances of this can be caught through the rule of reason. 30 The Court concludes that the dangers of maximum vertical price fixing are speculative enough that they do not justify a per se rule. 31

The final obstacle to overruling Albrecht that the Court must dodge is stare decisis. Justice O’Connor acknowledges that stare decisis is an important policy, and particularly strong in statutory interpretation and cases involving property and contract rights. 32 But stare decisis “has less force with respect to the Sherman Act in light of the accepted view that Congress ‘expected the courts to give shape to the statute’s broad mandate by drawing on common law tradition.’ ” 33 So not only does the Court feel free to ignore the statute’s language, it feels

26 See id. at 15-16.
27 See id. at 16. Economists revel in pointing out unintended consequences of state interventions.
28 See id. at 17.
29 See id.
30 See id.
31 See id. at 18.
32 See id. at 20.
33 Id.
relatively free to ignore its prior decisions as well. *Voila, stare decisis* no longer blocks the desired outcome.

*Khan* is in no way an aberrational case. We have used it to illustrate how the Court approaches the antitrust statutes precisely because it is quite run of the mill. That is how the Court goes about statutory interpretation in antitrust.

**B. Textualism**

Having taken a quick look at the approach used by the modern court in antitrust cases, we now present an overview of textualist theory. Merely to juxtapose textualist theory with antitrust law is to make clear the tension between the two.

The central premise of textualism is that statutory interpretation is about texts, not about policymaking or legislative purpose. As Justice Scalia explains,

> To be a textualist in good standing, one need not be too dull to perceive the broader social purposes that a statute is designed, or could be designed, to serve; or too hidebound to realize that new times require new laws. One need only hold the belief that judges have no authority to pursue those broader purposes or write those new laws."

It is primarily for this reason that Scalia criticizes the concept of legislative intent. He does discuss what he calls the “theoretical” threat that judges will resort to legislative history in order to implement unenacted legislative desires. But his emphasis is elsewhere: he views the important “practical threat” to be that judges will implement their own desires; “under the guise or even the self-delusion of pursuing unexpressed legislative intents, common-law judges will in fact pursue their own objectives and desires, extending their lawmaking proclivities from the common law to the statutory field.” (Some might argue that economic theory is so clear and so

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34Scalia, supra note 4, at 24.
36Id. at 17-18.
well settled that it leaves little room for judicial discretion, but even were this to be true – and we
doubt it – economics is only one of several approaches that the Court could have chosen, and
the decision to chose economic efficiency as the standard was itself an exercise in lawmaking, at
least in textualist terms. Moreover, if economics can adequately constrain non-textualist judges
in the area of antitrust, why not substitute for attention to statutory text in other areas as well?
Indeed, according to some textualists, searching for legislative intent or purpose is a snipe hunt:
“You legislators comprise many members, they do not have ‘intents’ or ‘designs,’ hidden
yet discoverable.”

For this reason, courts should be reluctant to expand statutes to new
domains “unless the statute plainly hands courts the power to create and revise a form of
common law.”

How, then, should textualists read statutes? Not simply by use of a dictionary. Despite the
tendency of critics to equate textualism with the plain meaning rule, this is an
oversimplification. As Judge Easterbrook says, “[l]anguage takes meaning from its linguistic
context, but historical and governmental contexts matter too.”

Justice Scalia’s effort to articulate textualist methodology is instructive. According to Justice Scalia, the proper method has two stages: “first, find the ordinary meaning of the language in its textual context; and
second, using established canons of statutory construction, ask whether there is any clear
indication that some permissible meaning other than the ordinary one applies.” It is wrong for
the Court to avoid the ordinary meaning, merely because the ordinary meaning “does not fit the

(“The apparatus of economics is very flexible: without breaking the rules of the profession . . . a sufficiently clever person can reach any conclusion he wishes on any real problem . . . In general there is no position . . . which cannot be reached by a competent use of respectable economic theory.”).
39 Id. at 544.
Court’s conception of what Congress must have had in mind,” as opposed to being “irrational, or inconsistent with other parts of the statute.”\(^\text{42}\) Thus, ordinary meaning figures heavily in textualism.\(^\text{43}\) But contemporary textualism, at least in theory, is much more attentive to legal context than a more simplistic “plain meaning” approach.\(^\text{44}\)

For present purposes, a particularly important aspect of textualism is its respect for the established meaning of legal terms of art, when used in statutes. Textualists “give effect to terms of art that have acquired specialized connotations through use over time by specialized communities” – and for “statutes, the lawyer’s lexicon . . . has particular relevance.”\(^\text{45}\) Thus, textualists “often rely on extrinsic sources, such as judicial decisions and legal treatises, to determine the specific meaning of codified terms of art.”\(^\text{46}\)

Textualists also rely on canons of interpretation. Or, to put it more discursively, “textualists unflichingly rely on legal conventions that instruct courts, in recurrent circumstances, to supplement the bare text with established qualifications designed to advance certain substantive policies.”\(^\text{47}\) Of these conventions, perhaps the best established is the rule of lenity, which is said to be “almost as old as the common law itself.”\(^\text{48}\) This canon has a number of roots: the desire to limit prosecutorial discretion, the need for fair notice to defendants, a

\(^{42}\)Id. at –.
\(^{43}\) As Phil Frickey points out, this reference to “ordinary meaning” is “deeply ambiguous,” because it fails to specify how much of the surrounding context is accessible to that reader. Philip P. Frickey, *Faithful Interpretation*, 73 Wash. U. L.Q. 1085, 1090 (1995). Textualism’s uniqueness begins to blur to the extent the reader is supposed to be “faithful to the many broader concerns wrapped up in the established practices of the legal interpretative community.” Id. at 1091.
\(^{46}\)Manning, *Nondelegation Doctrine*, supra note , at 695.
\(^{47}\)Id. at 2466.
libertarian presumption against extending government restrictions, and the presumption that “it is
the legislative, not the judicial function to define crimes.”  

Some other aspects of textualist analysis are also worth mentioning. A textual analysis
(whether conducted by a “textualist” or not) often looks at the structure of the statute.  
Similarly, statutes should be interpreted where possible to be coherent, so that the statute as a
whole makes sense and the same words mean the same things wherever they are used.  
Likewise, statutes should be construed to give each provision a distinctive meaning, rather than
making some of them redundant (the “surplusage” rule).  

Finally, where multiple statutes are potentially applicable, the more specific statute
controls the more general.  Similarly, later statutes may limit the inferences that would
otherwise be drawn from an earlier statute. As Justice Scalia explains:

Repeal by implication of an express statutory text is one thing . . . . But repeal by
implication of a legal disposition implied by a statutory text is something else. The
courts frequently find Congress to have done this – whenever, in fact, they interpret a
statutory text in the light of surrounding texts have happen to have been subsequently
enacted. This classical judicial task of reconciling many laws enacted over time, and
getting them to “make sense” in combination, necessarily assumes that the implications
of a statute may be altered by the implications of a later statute.  

The textualist approach is exemplified by Justice Scalia’s dissenting opinion in Moskal v.
United States.  The case involved a federal statute prohibiting knowing transportation of
“falsely made” documents in interstate commerce. The defendant was charged with knowingly
receiving such documents in the form of automobile titles, which incorporated false mileage

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48Scalia, supra note , at 29. Scalia expresses a notable lack of enthusiasm for the canons, but finds this one the most
acceptable.
49Eskridge, Frickey & Garett, supra note , at 363.
50Id. at 269.
51Id. at 263-265.
52Id. at 267.
53Id. at 275.
information that the defendant’s accomplices had supplied. The defendant argued that “falsely made” had an accepted common law meaning, referring to forgery of a document as opposed to its fraudulent content. The majority rejected this argument because this view was “not universal” at the time the statute was passed, and because “Congress’s general purpose in enacting a law may prevail” over the common law meaning. Justice Scalia filed a sharp dissent. He emphasized that a few scattered cases are not enough to change a clearly established common law meaning, and the Court’s reliance on Congress’s general purpose “is simply questionbegging,” because the “whole issue before us is how ‘broad’ Congress’ purpose . . . was.” He accused the Court of adopting a new principle of statutory interpretation: “Where a term of art has a plain meaning, the Court will divine the statute’s purpose and substitute a meaning more appropriate to that purpose.”

Another particularly apt example of textualist methodology is provided by Justice Scalia’s dissent in Babbitt v. Sweet Home Chapter of Communities for a Great Oregon. The Endangered Species Act makes it unlawful to “take” an endangered species, and another section defines take to include “harm.” The question before the Court was whether destroying a species’s habitat violated the statute. Agreeing with the agency in charge of implementing the statute, the majority held that the statute covers habitat destruction. Justice Scalia disagreed. He found that the statute unambiguously excluded habitat destruction. After surveying dictionaries, cases, and Blackstone, Scalia concluded that the word “take” was an ancient legal term, meaning to reduce to human control. Finding nothing else in the statute to contradict this established

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56 Id. at 115.
57 Id. at 117.
58 Id. at 129 (Scalia, J., dissenting).
59 Id. at 129-130.
60 Id. at 131.
usage, he concluded that the statute was unambiguous. In addition, he pointed out, the majority’s interpretation made one subsection duplicative, violating the surplusage rule.\textsuperscript{62}

In \textit{Sweet Home}, Justice Scalia chided the majority for “the vice of ‘simplistically . . . assum[ing] that \textit{whatever} furthers the statute’s primary purpose must be the law.”\textsuperscript{63} For “[d]eduction from the broad purpose of a statute begs the question if it is used to decide by what \textit{means} (and hence to what \textit{length}) Congress pursued that purpose; to get the right answer to that question there is no substitute for the hard job (or in this case, the quite simple one) of reading the whole text.”\textsuperscript{64}

Bearing that admonition in mind, we turn to the antitrust statutes themselves. The question we ask ourselves is the essentially the following: putting aside all of the later rulings that may or may not have been true to the statutory text, how would a textualist have determined the meaning of the antitrust statutes?

III. Reading Antitrust Texts

This section may be considered something of a thought experiment. We ask the reader to picture a judge such as Scalia faced for the first time with recently enacted antitrust statutes, before those statutes had become encrusted with precedent. How would such a textualist judge have interpreted the statutes? We start with the Sherman Act, then move to later acts. Courts have tended to confound these different acts, treating the Sherman Act as setting general antitrust policy and bending the later acts to that policy, despite the greater specificity of the Clayton and Robinson-Patman Acts and the greater limits that they impose within the areas that they apply.

\textit{A. The Sherman Act}

\textsuperscript{61}515 U.S. 687 (1995).
\textsuperscript{62}Id. at 267.
\textsuperscript{63}Id. at – [emphasis in original].
Judge Easterbrook tells us that the “fundamental premise of antitrust is the ability of competitive markets to drive firms toward efficiency.”

Easterbrook continues that the “entire corpus of antitrust doctrine is based on the belief that markets do better than judges or regulators in rewarding practices that create economic benefit and penalizing others.” But since nothing like this language appears in the Sherman Act, a textualist might wonder how these fundamental premises are derived. Where does the focus on economic efficiency come from, textually speaking?

The answer, according to Justice Scalia, is that “[t]he term ‘restraint of trade’ in the statute, like the term at common law, refers not to a particular list of agreements, but to particular economic consequences, which may be produced by quite different sorts of agreements in varying times and circumstances.” He also observes that even at the time courts recognized that the common law was evolving. Thus, the touchstone was economic welfare; the specific holdings of the cases were merely efforts to approximate that outcome.

Essentially, Scalia’s theory is that the common law involved a standard rather than a rule, and that this standard was based on something akin to the efficiency goal that now animates antitrust law. Both parts of this assertion are at best only partially correct. In reality, the common law had important rule-like features, and common law courts then (and now) were not necessarily focused on the dangers of market dominance. Although a fuller investigation of

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64 Id [emphasis in original].
66 Id.
67 Business Electronics, 485 U.S. at 731. The legislative history, though not relevant for textualists, casts some doubt on this interpretation. Senator Sherman’s version of the bill prohibited all business arrangements “made with a view, or which tend to prevent full and free competition . . . or which tend to advance the cost to the consumer . . . are hereby declared to be against public policy.” Rudolph J.R. Peritz, Competition Policy in America, 1888-1992: History, Rhetoric, Law 13 (1996)(quoting the bill that Sherman reported out of committee). After debate, the bill was recommitted to committee, which substituted the current language. Nor was this considered merely a changing in phrasing – Sherman himself opposed the change. Id. at 14. Thus, when Congress wanted to key liability to economic effects, it knew how to do so, and it deliberately eschewed such language in the final, enacted bill.
Nineteenth Century legal history would be needed to definitively settle the questions, the
indications are that it would be more accurate to say that the common law’s goals were fairness
and economic independence. In particular, the common law was not necessarily focused on
whether the restraint of trade involved any significant portion of the market. Indeed, even today,
the common law doctrine of restraints on trade has some concerns that are far removed from
market power.

Our analysis of section 1 of the Sherman Act proceeds in two stages. First, we provide a
description of the common law as it existed in 1890. Second, we ask how dynamically
textualists should read the statutory term “restraint of trade”. The best textualist reading of the
Sherman Act is probably static. But even if a dynamic understanding is adopted, a textualist
should probably look to the evolving common law of restraints of trade for guidance, rather
developing an entirely independent body of federal law.

Lest we be accused of maliciously pushing textualists into an absurd position, we will
show that our reading of the statute would have been a plausible policy choice in 1890. Under
our proposed textualist reading, the statute would still have been a significant step toward
addressing abusive business conduct.

1. The Common Law of Restraints of Trade

Writing a decade after the Sherman Act, a leading expert on contract law explained the
limited scope of the relevant common law doctrines. According to Christopher Langdell (the
inventor of the case method of instruction and author of the first casebook, on contract law), a
restraint on trade was an interference with “freedom of trade, i.e., with the right which every
person has to engage in any lawful trade, and to carry on that trade in any lawful manner that he

\[68^{Id.} \text{ at 731-732.} \]
sees fit.”

Similarly, a monopoly existed only when a businessman excludes all others “from the right of competing with him in his trade by procuring them to bind themselves by contract not to carry on that trade.” The focus was clearly on economic liberty rather than anything recognizable as economic efficiency.

Before we look more closely at nineteenth century law, it is useful to begin by peeking a few decades later to a definitive summary of contracts doctrine. Even after several more decades of legal analysis (and progress in the discipline of economics), economic efficiency was not a critical part of the doctrine on restraint on trades. Here is what the First Restatement of Contracts has to say about unreasonable restraints on trade:

A restraint of trade is unreasonable, in the absence of statutory authorization or dominant social or economic justification, if it
(a) is greater than is required for the protection of the person for whose benefit the restraint is imposed, or
(b) imposes undue hardship upon the person restricted, or
(c) tends to create, or has for its purpose to create, a monopoly, or to control prices or to limit production artificially, or
(d) unreasonably restricts the alienation or use of anything that is a subject of property, or
(e) is based on a promise to refrain from competition and is not ancillary either to a contract for the transfer of good-will or other subject of property or to an existing employment or contract of employment.

The touchstone here is proportionality, not efficiency.

What immediately stands out is that only one of the five standards speaks in terms of price, output, or market power. A look at the comments reveals that even that standard was applied with an eye to non-efficiency concerns. Consider illustration 16:

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70 Id. at 309.
71Restatement (First) of Contracts, § 515 (1932). The First Restatement has been described as an “authoritative and comprehensive” description of the law on this point. Milton Handler, and Daniel Lazaroff, Restraint of Trade and the Restatement (Second) of Contracts, 57 NYU L. Rev. 669, 670 (1982).
A, B, C and D, who are farmers, bargain together with other farmers that they will sell all
their farm products to a co-operative association for purposes of resale. The purpose of
the bargain is to secure better facilities for marketing their products and thereby to avoid
sale of them at a sacrifice. The agreement is legal, though its anticipated effect is to
maintain or raise prices, since the economic position of individual farmers is such as to
require co-operative bargaining.

Standard (e) might be at least consistent with economic efficiency, if we assume that efficiency
justifies restricting non-compete agreements to the four narrow categories listed by the
Restatement. (Note, however, that both of these rules are subject to the opening proviso of the
section, which allows otherwise unreasonable restraints in the presence of “statutory
authorization or dominant social or economic justification.”) The other three categories have
much more to do with fairness than with efficiency, at least in their modern applications. For
example, subsection (d) adopts the common law rule against restraints on alienation—that is,
vertical restraints of the kind approved by the Court in Khan. Not surprisingly, whatever utility
it once may have had in helping to break up the feudal system in England, the modern common
law rule against unreasonable restraints on trade has been sharply criticized on efficiency
grounds.\footnote{See Maureen Callahan, Post-Employment Restraint Agreements: A Reassessment, 52 U. Chi. L. Rev. 703 (1985).}

Much has been written about the common law as it existed in 1890.\footnote{For a thorough survey, see Philip Areeda and Herbert Hovenkamp, 1 Antitrust Law} We will not
attempt to survey the cases, or even to offer the equivalent of a Restatement.\footnote{There are,
however, several important features of the common law that were clearly established and are
worthy of notice.}

First, the rule against restraints on trade was not an all-purpose tool to promote
competition. It did little or nothing to address mergers, which were considered to be a matter for
corporate law to address.\textsuperscript{75} Unquestionably, particularly in the later part of the Nineteenth Century, there was increasing concern about the effects of massive mergers. But the primary legal tools used to control these mergers stemmed from corporation law, not from the common law rule against restraints on trade.\textsuperscript{76} The language of the Sherman Act, of course, invokes the contracts doctrine by making “unreasonable restraint of trade” the operative standard.

Second, the lines drawn in common law doctrine were rather different from modern antitrust doctrine. As the leading modern antitrust treatise explains, the contract doctrine was mostly concerned with “contract and freedom from coercion” rather than “price-cost relationships,” and “it made little distinction between ‘horizontal’ and ‘vertical’ arrangements in restraint of trade.”\textsuperscript{77} On the other hand, unlike modern antitrust law, the common law did sharply distinguish between restraints involving “necessities” and other restraints. Contracts restraining trades in necessities were “treated more harshly than those involving goods about which buyers were thought to have more discretion”; and this “rule of heightened scrutiny applied both to classical contracts in restraint of trade and to price-fixing agreements.”\textsuperscript{78}

Third, the rule of reason did not apply to all categories of restraints. It did apply to non-compete covenants that were ancillary to the sale of property or a business, or to the employment relationship. But there was little precedent applying the ancillary restraint concept outside of

\textsuperscript{74} Since it would cover the law prior to the Restatement (First), presumably it would have to be called the Restatement (Zero).
\textsuperscript{75}Id. para. 104, at 67, 70-73. In another work, one of the treatise authors places these decisions in the broader context of Nineteenth Century legal thought and its relationship to developments in economics. See Herbert Hovenkamp, Enterprise and American Law, 1836-1937, at 241-295 (1991).
\textsuperscript{76}Arenda and Hovenkamp, supra note, at para 102.
\textsuperscript{77}Id. para 104 at 66. See also id. at 77 (“By and large, common law decisions treated contracts in restrain of trade involving horizontal competitors exactly as they treated those that did not.”)
\textsuperscript{78}Id. at para 104c at 85.
these categories.  On the other hand, group boycotts were subject to virtually per se condemnation, on the ground that they were coercive.

To be sure, we do not claim that there was complete consensus about the common law doctrine in 1890, nor do we deny that the doctrine was to some degree in flux. Even if we were to adopt the common law as the template for the Sherman Act, there would be some degree of ambiguity and hence flexibility in that common law. But for a textualist, finding some degree of flexibility should not be enough to create a blank check. Statutes and constitutional provisions are typically adopted in times of change, and the fluxes and conflicts of those times may be mirrored in the legal discourse of that period. But to say that any legal ambiguity equates to indeterminacy and thereby confers unrestrained policymaking authority on the courts, would be to conflate textualism with Critical Legal Studies.

Clearly, the common law of 1890 only modestly resembled our modern law of antitrust. Indeed, a comparison with the First Restatement shows that even forty years later, the common law still significantly diverged from modern antitrust doctrine. Under these circumstances, what should a textualist make of the use of the common law terminology in the Sherman Act?

2. Textualist Interpretation of Common-law Terms

As discussed in our earlier description of textualism, textualists give legal terms of art their technical meaning, not their everyday meaning, when they are found in statutes. The hard

79 Id. at para 104d, pp. 90-92.
80 Id. at para 104a, p. 66. Historic interpretation of the common law is made more complicated by the fact that, in the decade before the Sherman Act, some state courts were becoming more lenient in their treatment of restraints on trade, primarily in their review of ancillary restraints but also to some extent with nonancillary restraints, and courts did not always sharply distinguish the two. See James May, Antitrust in the Formative Era: Political and Economic Theory in Constitutional and Antitrust Analysis, 1880-1918, 50 Ohio St. L.J. 257, 311-331 (1989); see also Hylton, supra note --. In the event that textualists decide to take seriously the Nineteenth Century common law as the basis for interpreting the Sherman Act, a more detailed historical inquiry will no doubt be in order.
81 In our view, it is an oversimplification to collapse the common law doctrine into a cost-benefit test, as suggested in Keith Hylton, Antitrust Law: Economic Theory and Common Law Evolution 34 (2003).
question for the textualist is not whether to interpret section 1 on the basis of the common law of contractual restraints. Instead, the hard textualist question is whether to view the term as embodying the common law at the time of enactment, or the common law as it evolved afterwards.

There is a substantial argument for the static view, molding the statute to the contours of the common law of 1890. Indeed, four Justices endorsed precisely that view not long after the passage of the statute, with the notable support of Justice Holmes. Holmes correctly observed that mergers were not covered by the existing common law, from which he concluded that the statute did not cover mergers either. Indeed, Holmes’s dissent a century ago in *Northern Securities Co. v. United States* sounds remarkably like an exercise in modern-day textualism. It could well have been penned by Justice Scalia or Judge Easterbrook, if they had been on the scene.

Holmes began by criticizing the lower court for its excessively policy-oriented approach:

> The court below argued as if maintaining competition were the expressed object of the act. The act says nothing about competition. I stick to the exact words used. The words hit two classes of cases, and only two, – contracts in restraint of trade and combinations or conspiracies in restraint of trade, – and we have to consider what these respectively are.

Holmes then observed that “[c]ontracts in restraint of trade are dealt with and defined by the common law.” A merger did not meet the definition, because restraints on trade were defined as “contracts with a stranger to the contractor’s business . . . , which wholly or partially restrict

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82 Holmes may have been influenced by Langdell’s criticisms of a contrary lower-court decision, which would be somewhat ironic because Holmes is generally considered a pragmatist and Langdell was the leading formalist of the time.
83 See Areeda and Hovenkamp, *supra* note , at para 104 p. 70.
84 193 U.S. 197 (1904).
85 193 U.S. at 403-404.
86 *Id.* at 404.
the freedom of the contractor in carrying on that business as otherwise he would.”87 Similarly, a combination in restraint of trade was an effort “to keep strangers to the agreement out of the business.”88 Neither term plausibly covered the case at hand, for the merger merely combined the two existing businesses, containing no restrictions on freedom of action and involving no effort to coerce third parties.

Holmes also argued that his interpretation of the statute was reinforced by two canons of interpretation. The first was the rule of lenity, for “all agree that before a statute is to be taken to punish that which always has been lawful, it must express its intent in clear words.”89 Second was the canon of avoiding constitutional doubts, for under the constitutional doctrine of the time, there was a substantial argument that control of mergers exceeded Congress’s power to regulate interstate commerce. In language somewhat reminiscent of the Court’s more recent federalism forays, Holmes argued that the indirect effect of mergers on commerce was not enough to justify regulation. Allowing federal regulation based on such indirect effects, he maintained, would leave no stopping point for the commerce power. “Commerce depends upon population,” wrote Holmes, “but Congress could not, on that ground, regulate marriage and divorce.”90

A textualist would not necessarily have to be as rigid in interpreting the common law terms as Holmes.91 Textualists also sometimes use a more dynamic approach, taking into account the evolution of the common law in the state courts after the federal statute is enacted. But even when a statute does not adopt a static view of the common law, textualists normally do

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87 Id.
88 Id.
89 Id. at 402.
90 Id. at 402. He added: “If the act before us is to be carried out according to what seems to me the logic of the argument for the government . . . , I can see no part of the conduct of life with which, on similar principles, Congress might not interfere.” Id. at 402–403. Shades of Lopez!
91 Although some might be. See Smith v. Wade, 461 U.S. 30, -- (Rehnquist, J., dissenting) (arguing that common law as of 1871 should apply in interpreting a section 1983 claim).
not regard this as an invitation to impose their own policy preferences. Although they be no means consider themselves bound by the majority view among state courts, textualist federal judges do find the state court decisions to be a powerful source of guidance.

Justice Thomas’s opinion in Consolidated Rail Corp. v. Gottshall is illustrative of the cautiously dynamic approach taken by textualists in this situation. The issue was whether a railroad employee, under a statute (the FELA) incorporating aspects of the common law of torts, was entitled to receive compensation for the infliction of emotional distress. The lower court had adopted a broad rule of recovery, on the theory that this would best further the remedial purposes of the statute. Justice Thomas was critical:

By treating the common-law tests as mere arbitrary restrictions to be disregarded if they stand in the way of recovery on "meritorious" FELA claims, the Third Circuit put the cart before the horse: The common law must inform the availability of a right to recover under FELA for negligently inflicted emotional distress, so the "merit" of a FELA claim of this type cannot be ascertained without reference to the common law. Instead, Justice Thomas adopted one of the common law limitations, the zone of danger test, because that test was the most liberal existing many years earlier when the statute was passed (thus fitting the statute’s remedial purpose), is still in use today by a significant (if dwindling) number of states, and reasonably reconciled the competing interests at stake. Thus, an evolutionary interpretation of a common law statute requires attention not only to statutory purpose but also to common law decisions today and when the statute was passed. By analogy, the term “restraint on trade” would be limited to the spectrum of practices identified by the state courts, with the choice among the state court views to be determined by broader considerations.

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93 Id. at 551.
94 Id. at 554-555. For a critique of Gottshall, characterizing it as a “strikingly limited” exercise of common law decisionmaking, see Peter Strauss, Resegregating the Worlds of Statute and Common Law, 1994 Sup. Ct. Rev. 429, 433.
If we assume that the Sherman Act was intended to evolve along with the common law of restraints on trade, what does that common law look like today? We can see the outlines of the answer in the Restatement (Second) of Property. Section 187 provides: “A promise to refrain from competition that imposes a restraint that is not ancillary to an otherwise valid transaction or relationship is unreasonably in restraint of trade.” This is not a rule that would shock the modern antitrust lawyer. The antitrust lawyer might find section 188(1) a little more jarring:

A promise to refrain from competition that imposes a restraint that is ancillary to an otherwise valid transaction or relationship is unreasonably in restraint of trade if
(a) the restraint is greater than is needed to protect the promisee's legitimate interest, or
(b) the promisee's need is outweighed by the hardship to the promisor and the likely injury to the public.

These clauses do embody something like the antitrust rule of reason, but they are broader, in allowing plenary consideration of the “public interest,” not just economic welfare, and in making “hardship” a separate factor. Comment (c) explains:

Even if the restraint is no greater than is needed to protect the promisee's interest, the promisee's need may be outweighed by the harm to the promisor and the likely injury to the public. In the case of a sale of a business, the harm caused to the seller may be excessive if the restraint necessitates his complete withdrawal from business; the likely injury to the public may be too great if it has the effect of removing a former competitor from competition. . . . In the case of a post-employment restraint, the harm caused to the employee may be excessive if the restraint inhibits his personal freedom by preventing him from earning his livelihood if he quits; the likely injury to the public may be too great if it is seriously harmed by the impairment of his economic mobility or by the unavailability of the skills developed in his employment. . . . Not every restraint causes injury to the public, however, and even a post-employment restraint may increase efficiency by encouraging the employer to entrust confidential information to the employee.

Legal doctrine does not seem to have evolved much since the Second Restatement was issued, as shown by the similar statement of the rules in E. Allan Farnsworth, Contracts 332-336 (3d ed. – ). Handler and Lazaroff, supra note , at 730-750, argue that the Restatement errs in giving independent weight to the hardship factor. They admit that numerous cases refer to this factor, but they contend that it is always either dictum or subsumed within the application of more focused tests of reasonableness. Id. at 740-750. For present purposes, it is unnecessary to determine whether the First Restatement or the Second Restatement is most accurate; neither one has much resemblance to modern antitrust doctrine.
In considering the public interest, non-economic factors may also be relevant: for example, the Reporter’s Comment (c) says “it would seem self-evident that the public interest is greater when access to serving professionals, especially physicians, is restricted, than it is when a purely business transaction is involved.” In short, economic efficiency is not foreign to the Second Restatement analysis, but it is not the sine qua non. Note, for example, that market power does not figure anywhere in the analysis.

This is not to say that a textualist antitrust law would have to follow the Restatement slavishly, particularly where the Restatement differed from the law of 1890 or where a significant number of state courts apply different rules. But neither would the Court feel free to do what the lower court did in *Gottshall*, which is to define a statutory purpose and pursue it without regard to the development of the relevant doctrines at common law. The freewheeling policy-making of modern antitrust law is quite foreign to the approach elaborated in *Gottshall*.

For present purposes, we need not choose between the cautiously dynamic and the static versions of textualist interpretation of common law terms. Neither interpretation would have allowed anything like the Supreme Court’s modern approach to the Sherman Act as an exercise in applied economics. Nor is it necessary for us to defend either interpretation as correct in some ultimate sense, or as representing ideal social policy. For textualists, these are supposed to be at best secondary considerations.

We are somewhat sensitive, however, to the possible accusation that we are setting up a straw man, in order to saddle textualists with an untenable interpretation. Admittedly, at least some textualists might be unfazed by such “policy” arguments anyway, but we do not wish to foist this position on them. But we do not believe that even the static interpretation of the
Sherman Act, let alone the *Gottshall*-type interpretation, is absurd, however far it might be from current antitrust doctrine. Rather, we see several plausible arguments for the static interpretation.

First, it would be far from rendering the Sherman Act a hollow exercise. Although the same acts would be lacking in legal validity under the common law and the statute, the statute creates far more stringent sanctions, including criminal penalties, government enforcement actions, and private causes of action. Also, enforcement would be moved to the federal courts, so that it would not be necessary to rely on state judges who might be corrupt or politically indebted to big business. Thus, the traditional restraints would be far more effective. As Judge Taft explained, in what is often considered to be the most important of the early decisions interpreting the statute:

[I]t is certain that, if the contract of association which bound the defendants was void and unenforceable at the common law because in restraint of trade, it is within the inhibition of the statute if the trade it restrained was interstate. Contracts that were unreasonable restraint of trade at common law were not unlawful in the sense of being criminal, or giving rise to a civil action for damages in favor of one prejudicially affected thereby, but were simply void, and were not enforced by the court. The effect of the act of 1890 is to render such contracts unlawful in an affirmative or positive sense, and punishable as a misdemeanor, and to create a right of civil action for damages in favor of those injured thereby, and a civil remedy by injunction in favor of both private persons and the public against the execution of such contracts and the maintenance of such trade restraints.

Thus, viewing the Sherman Act as remedial—providing a new set of remedies for conduct that was already unlawful—is not at all farfetched.

Second, although violation of the original statute was only a misdemeanor, there can be no doubt that it was a penal statute. Indeed, section 6 allowed forfeiture of any property owned

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97 It is, however, possible that the Sherman Act was not intended to have very much impact. It is said that “[m]any contemporary lawyers believed that the approach Congress chose in the Sherman Act, based on the common law of restraints on trade, . . . reflected a certain lack of enthusiasm for doing any more than convincing the public that they had done something.” Areeda & Hovenkamp, supra note , at para. 102, p. 17 (emphasis in original).
98 United States v. Addyston Pipe & Steel Co., 85 F. 271, 278-279 (6th Cir. 1898), modified and aff’d, 175 U.S. 211 (1899). It should be noted that Taft did not exclude the possibility that the statute might reach some agreements that would have been lawful at common law.
under any illegal contract, combination, or conspiracy, if that property was “in the course of transportation from one state to another.” This was a serious penalty: railroads were to be among the main targets of the statute, and all of their rolling stock was potentially subject to forfeiture. Application of the rule of lenity seems quite warranted here.\textsuperscript{99} These considerations argue strongly in favor of taking seriously the statute’s use of common law terms with well-established meanings, rather than adopting a more freewheeling form of interpretation.\textsuperscript{100}

Third, without delving into the confusing legislative history of the statute or its surrounding political context, it seems fair to say that it seemingly was as much designed to stop unfair business methods as to promote competitive markets.\textsuperscript{101} Whether or not the static common law interpretation is what members of Congress intended, it does not seem any more remote from their intentions than the Court’s current interpretation. Of course, for the textualist, congressional intent is theoretically irrelevant, but even a textualist would might be reluctant to construe what is supposed to be a major piece of legislation in way that made it nugatory.\textsuperscript{102} That is not true here.

\textsuperscript{99}The rule of lenity has been applied even when a civil remedy is sought when the statute also provides criminal penalties. \textit{See} Crandon v. United States, 494 U.S. 152, 158, 168 (1990). Having made the statute into an open-ended grant of judicial lawmaking, the modern Court has sought to confine the resulting vagueness through a mens rea requirement. \textit{See} United States v. U.S. Gypsum Co., 438 U.S. 422 (1978). But this does not obviate the application of the rule of lenity – indeed, the prototypical application of the rule of lenity is to garden-variety criminal statutes which customarily include mens rea requirements.

\textsuperscript{100}One predictable objection is that the textualist interpretation of the Sherman Act would be unpredictable or indeterminate because applying the rule of reason involved multiple factors such as coercion, fairness, and public interest. The obvious response is that the task cannot be all that intractable, for common law courts have engaged in it for centuries in applying the common law doctrine of restraint of trade. An extensive body of case law would provide guidance on the statute’s application.

\textsuperscript{101}The meaning of the legislative history is hotly contested. The most important literature on the subject is collected in E. Thomas Sullivan, \textit{The Political Economy of the Sherman Act: The First One Hundred Years} 20-160 (1991). For more recent discussion, \textit{see} David McGowan, \textit{Innovation, Uncertainty, and Stability in Antitrust Law}, 16 Berkeley L.J. 729, 742-752 (2001). So far as we are aware, the legislative history has not yet been subjected to the kind of theoretically informed analysis found in Daniel Rodriguez and Barry Weingast, \textit{The Positive Political Theory of Legislative History: New Perspectives on the 1964 Civil Rights Act and Its Interpretation}, 151 U. Pa. L. Rev. 1417 (2003).

\textsuperscript{102}But see Justice Thomas’s willingness to shrink into insignificance a major 1982 amendment to the Voting Rights Act, text accompanying notes to , infra.
Fourth, the current interpretation of the statute is actively at odds with the text. Interpreting both sections 1 and 2 to be about the same thing—competitive markets—creates a textual anomaly. Section 1 prohibits all contracts or combinations in restraint of trade, while section 2 makes it unlawful for any person to “combine or conspire with any other person or person to monopolize.” This clearly implies that a conspiracy or combination to monopolize is \textit{not} a form of a conspiracy or combination to restrain trade. Otherwise, it would have been unnecessary to add this reference to combinations and conspiracies in section 2, because they would already have been covered by section 1. (Consider by analogy a statute that taxes “vehicles” in one section and “bikes” in another—the implication is clearly that the bikes are not “vehicles”.) But if agreeing to form a monopoly is not a restraint of trade, why would acquiring some \textit{lesser} market share be considered one? (Or, to continue the analogy, if a bicycle is not a “vehicle,” it seems unlikely that a unicycle or a pair of roller skates would be one.) The language about combinations and conspiracies in section 2 would be completely redundant, unless we assume that a conspiracy to monopolize is not a subspecies of a conspiracy to restrain trade.

Thus, it is textually implausible—and violative of the “whole act” and “surplusage” canons—to interpret section 1 as relating to market power. In contrast, reading section 1 to be concerned with unfair contract terms and coercion of third parties, while section 2 addresses market power, gives meaning to all of the words of the statute.

\textsuperscript{103} The original terms of the Sherman Act are quoted by the \textit{Northern Securities} majority, 193 U.S. at 318-319. \textsuperscript{104} One might argue that Congress intended conspiracy charges under section 2 to be a lesser included offense of section 1 conspiracy. But since no different punishment is imposed, this seems unlikely. Nor does it seem likely that Congress meant the two offense to be separately punishable. If Congress meant to allow cumulative punishment under the two sections, the odd result would be that a group of people who unsuccessfully conspired to monopolize trade would be subject to twice the punishment of a person who succeeded in doing so, and also twice the punishment of those who successfully gouged consumers through price fixing or group boycotts. Perhaps some argument might be concocted to support this difference in treatment, but it is a bit difficult to imagine.
As a matter of historical reality, interpretation of the Sherman Act did not in the end follow the textualist lines advocated by Holmes. Instead, the statute was seen as a formless vessel to be filled with the Supreme Court’s own theories of economic policy. In the next section, we consider whether any more specific content could have been extracted from later antitrust statutes, and whether those statutes could have usefully helped shape interpretation of the Sherman Act. For purposes of that analysis, we take as given the Court’s current view of the Sherman Act, notwithstanding the strong textualist arguments against that interpretation.

B. The Clayton Act and other Statutes

The Sherman Act was not Congress’s final word on antitrust. Congress subsequently enacted several major antitrust statutes: the Clayton Act (1914), the Federal Trade Commission Act (1914), and the Robinson-Patman Price Discrimination Act (1936). The Clayton Act and the Robinson-Patman Act both dealt with more limited, specifically defined phenomena than the Sherman Act, with somewhat more focused and specific statutory language. Under standard textualist analysis, courts should focus mainly on the language of the more recent and more specific statutes in the areas in which they apply. Yet, as we shall see, the Supreme Court has instead tried to assimilate these two statutes into the general economic policy-driven analysis it has derived from the Sherman Act. The Federal Trade Commission Act, in contrast, does indeed amount to a broad Congressional delegation of power to create antitrust rules. The delegation, however, is to the Federal Trade Commission, not the courts, creating another set of concerns for a textualist confronted with existing Supreme Court antitrust doctrine.

In what follows we discuss several specific topics where the text of the later antitrust acts provides a significant amount of guidance on disputed matters. This is not, of course, anything like a comprehensive survey of antitrust law, nor do we claim that textualist readings could
provide solutions to all of the many disputed matters in antitrust. Our claim is more limited: reading the statutory text gives us guidance on some significant set of antitrust questions. We will consider briefly the question of what to do where the text provides little guidance in Part IV.

1. The Clayton Act, mergers, and the efficiency defense

Section 7 of the Clayton Act, as amended by the Celler-Kefauver Act of 1950, prohibits acquisitions of the assets or stocks of another person “where in any line of commerce or in any activity affecting commerce in any section of the country, the effect of such acquisition, of such stocks or assets, or of the use of such stock by the voting or granting of proxies or otherwise, may be substantially to lessen competition, or to tend to create a monopoly.”\(^\text{105}\) As Courts have correctly held, the “substantially to lessen competition” language goes beyond the “monopolize” language of section 2 of the Sherman Act. Section 7 thus has become the main statutory language to analyze when considering the legality of a merger between companies.

One issue that periodically arises in analyzing mergers is whether increased efficiencies that a merger may create can ever justify a merger that would otherwise be illegally anti-competitive. Imagine a merger of two businesses that significantly increases their market share and their ability to set prices above marginal cost, but which also greatly increases the operating efficiency of the businesses, say by enabling the realization of economies of scale. Suppose the efficiency gains are enough to clearly outweigh the efficiency losses due to increased monopolization of the market. Should such a merger be allowed? That is, should the companies, if accused of violating section 7 of the Clayton Act, be able to plead increased efficiency as a defense that justifies the merger?

Several Warren-era Supreme Court cases suggest the answer is no.\textsuperscript{106} More recent lower court cases, though, have been willing to consider an efficiency defense, although they have been reluctant to find that the defense is satisfied on the facts in the case before them.\textsuperscript{107} The Department of Justice and FTC Horizontal Merger Guidelines also provide for a limited efficiencies defense.\textsuperscript{108} The leading antitrust treatise similarly advocates a limited efficiency defense,\textsuperscript{109} although Richard Posner, one of the main innovators in economics policy-based antitrust law, has been skeptical about the efficiency defense.\textsuperscript{110}

Is a merger efficiency defense consistent with the language of the Clayton Act? Let us distinguish two cases. In case 1, two smaller firms within an oligopolistic industry merge, and their enhanced efficiency makes the new firm a better competitor with the larger firms in the industry. As a result, collusion becomes harder to maintain. In case 2, two firms within an oligopolistic industry merge, and their enhanced efficiency, with resulting lower costs, makes the new firm better able to either effectively monopolize the industry (by having lower costs than its competitors) or else to act as a leader in coordinating collusive behavior. Either monopoly or more disciplined oligopoly results, but production is significantly more efficient than before the merger. That is, total surplus increases as a result of the merger, although consumer surplus may increase or decrease.

\textsuperscript{108} 1992 Merger Guidelines, § 4.
\textsuperscript{110} See Richard A. Posner, Antitrust Law 133-36 (2nd ed. 2001). His skepticism is based on efficiency and administrability grounds, not textualist grounds (not surprisingly, since he is not at all a textualist).
An efficiency defense makes sense within the statutory language in case, where two smaller firms merge to compete more effectively with large firms. Indeed, the word “defense” is misleading. In that case competition has been increased, not decreased, on most sensible understandings of the word “competition.” The industry may be more concentrated according to a simple measure like the HHI, but in behavior individual firms are less able to set prices, quantities, and other variables as they would like to without worry about the reaction of their competitors. That sounds like increased competition as understood by the man on the street, businessmen, members of Congress, or an economist. Thus, on any plausible account of the term “competition,” the effect of a case 1 merger is not “substantially to lessen competition.”

A merger defense is much harder to justify textually in case 2, however. In case 2, the post-merger firm is by hypothesis more able to set prices and quantities at a level it prefers without fearing a reaction from other firms than was the case pre-merger. Although the man in the street, businessmen, members of Congress, and economists, may all understand the term “competition” in a variety of ways, we find it hard to believe that anyone would understand case 2 as not involving a lessening of competition. If we look to the ordinary meaning of “compete” using that most textualist of devices, a dictionary, Merriam-Webster defines competing as contending,111 while the American-Heritage Dictionary defines it as striving with others.112 If we instead consider how economists define the term, we see that they have created a notion of perfect competition whereby a firm in a perfectly competitive market must take prices as given—if it tries to set prices higher than the market level, it will have no sales, and the firm is small enough that other firms will not react to changes in price or output by the individual firm.113

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113 See Hal R. Varian, Microeconomic Analysis 82 (2nd ed. 1984).
These two notions of competition diverge in important ways, which in some circumstances may have differing implications for antitrust law.\textsuperscript{114} However, on both understandings of the word, competition has decreased in case 2.

Is there any way to make an efficiency defense in case 2 consistent with the statutory language? One way would be to argue that where significant efficiencies are available, then if the government blocks a merger someone will achieve those efficiencies anyway through internal expansion, and in the end competition will lessen the same amount either way. Thus, some argue, we should see the available efficiencies, and not the merger, as the true cause of the ultimate lessening in competition.\textsuperscript{115} However, this argument is somewhat speculative, and therein lies its downfall. Maybe internal expansion will occur rapidly if no merger occurs, but maybe not. If the argument is right and internal expansion would occur rapidly, then there is little need for an efficiency defense in the first place if one’s aim is maximizing efficiency. The market will reach the efficient outcome either way, whether or not the government allows a merger to proceed. In this case, blocking the merger may be ineffectual, but it is not inefficient.

Alternatively, internal expansion might not occur, or it might occur only slowly.\textsuperscript{116} In this case failing to allow for an efficiency defense may indeed lead to inefficiency. However, in this case it is also clear that the merger itself is reducing competition, at least for the period of time before internal expansion would occur in the absence of a merger. Thus, in this case the efficiency defense does not fit within the statutory language.

\textsuperscript{115} See Areeda, Hovenkamp, & Solow, supra note 109, at 970c1.
\textsuperscript{116} Recognizing the weight of the preceding argument against the merger defense, the treatise authors defending the defense argue that in a variety of circumstances internal expansion may not occur, or may occur slowly. See id. at 973b.
We conclude that on a textualist reading the language of the Clayton Act does not permit an efficiency defense to a case 2-type merger, although increased efficiency may be relevant to determining the likely effects on competition in a case 1-type situation.

2. The Robinson-Patman Act, price discrimination, and predatory pricing

Section 2 of the Clayton Act prohibited price discrimination that has the effect of substantially lessening competition. It provided:

It shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly to discriminate in price between different purchasers of commodities, which commodities are sold for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, where the effect of such discrimination may be to substantially lessen competition or tend to create a monopoly in any line of commerce.

By the 1930s many believed that this did not provide adequate protection against price discrimination. In particular, there was concern about the spread of national chain stores, which were able to obtain goods at discounts, giving them a major cost advantage against smaller, local competitors. In response, Congress passed the Robinson-Patman Act in 1936. The Act amended section 2 of the Clayton Act to read, in part:

It shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of commodities of like grade and quality, where either or any of the purchases involved in such discrimination are in commerce, where such commodities are sold for use, consumption, or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, and where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce, or to injure, destroy or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them.
This provision aims at harms to two different kinds of persons. The first is harm to businesses competing with the firm which price discriminates; this is “primary-line injury.”\footnote{See Herbert Hovenkamp, 14 Antitrust Law para. 2301 (1999).} The second is harm to businesses competing with the firm that receives the benefit of the price discrimination; this is “secondary-line injury.”\footnote{See id.} We shall concentrate on primary-line injury.

Law and economics scholars tend to be quite contemptuous of the Robinson-Patman Act. This contempt has made its way into Supreme Court decisions. Economists tend to see price discrimination as frequently efficiency-enhancing. Price discrimination involves charging a different price to different persons for the same good with the same costs.\footnote{That is the legal definition. The economic definition is receiving different returns from different customers. The two may vary if costs differ for different customers. In that case, returns may be the same even if prices differ, or prices may be the same even if returns differ.} Economists point out that price discrimination often allows monopolists to raise output above the one-price monopoly level, removing some of the inefficiency which monopoly creates, although also transforming consumer surplus into producer surplus.\footnote{See Phillip E. Areeda & Herbert Hovenkamp, 3 Antitrust Law para. 721d (1996).} Critics of Robinson-Patman note that it emerged from a populist fear of big chain stores.

Analysis of primary-line injury heavily overlaps with analysis of predatory pricing. Predatory pricing generally occurs where a business engages in below-cost pricing in order to drive competitors away, so that it can subsequently charge monopoly prices. The Supreme Court analyzes predatory pricing under section 2 of the Sherman Act. Where the predatory pricer is charging different prices to different customers, then the Robinson-Patman Act also potentially applies, and the question arises as to how to treat the two statutes in tandem. Price discrimination may make it easier to engage in predatory pricing by allowing the predation to
occur only with some customers, so that the predator continues to earn normal or monopoly returns from its other customers.

In predatory pricing cases not involving price discrimination, the Court in recent decades has been reluctant to find antitrust liability. It has required plaintiffs to show both that the defendant set prices below cost and that there was a good chance that the defendant was able to recoup losses from the period of predatory pricing through later monopoly pricing. The Court has said that these requirements will be met only infrequently. Chicago-school economic analysis has strongly influenced the Court’s analysis. This economics-based analysis, however, is in serious tension with Robinson-Patman.

We get a revealing look at how the Court currently analyzes these issues in *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.* The case involved the generic cigarette industry. Liggett pioneered this branch of the cigarette industry, in which prices are much lower than the prices for most branded cigarettes. Liggett alleged that Brown & Williamson entered the generic market and engaged in aggressive pricing, including volume discounts and different prices for different wholesalers. Liggett’s theory was that Brown & Williamson was trying to pressure Liggett to engage in oligopolistic pricing in the generic market. Both companies were among the smaller of the six major companies in the highly concentrated cigarette market, in which oligopolistic pricing had occurred for many years. Liggett charged that Brown & Williamson’s generic market tactics succeeded, and that eventually every company in the market got in line and raised prices in lockstep twice every year, at the same time that they similarly raised prices of branded cigarettes.

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Brown & Williamson unquestionably engaged in price discrimination and offered no affirmative defense. The case thus hinged upon whether Liggett had succeeded in presenting enough evidence to sustain a jury finding of the requisite competitive injury. Writing for the majority, Justice Kennedy assimilates the later, more specific Clayton and Robinson-Patman Acts to its understanding of policy derived from the Sherman Act: “primary-line competitive injury under the Robinson-Patman Act is of the same general character as the injury inflicted by predatory pricing schemes actionable under § 2 of the Sherman Act.”123 The only difference is that Robinson-Patman requires that there be a “reasonable possibility of substantial injury to competition,” whereas the Sherman Act requires “a dangerous probability of actual monopolization.”124

The Court thus invokes its predatory pricing doctrine under the Sherman Act, mentioned above, requiring the plaintiff to show below cost pricing and a reasonable prospect of recouping its investment in below-cost prices.125 The Court expects plaintiffs will generally fail to show these prerequisites to recovery are met: “As we have said in the Sherman Act context, ‘predatory pricing schemes are rarely tried, and even more rarely successful.’”126 The Court thus states that it is unwilling to apply section 2 of the Clayton Act or the Robinson-Patman Act except in highly limited circumstances, because under its preferred economic theories those statutes usually make little sense. On its face this should make any good textualist deeply unhappy.

123 Id. at 221.
124 Id. at 222.
125 See id. at 222-24.
126 Id. at 226. Many but far from all economists share this skepticism about the dangers of predatory pricing. Such skepticism is characteristic of a Chicago School, laissez-faire approach, but other economists question it. See Patrick Bolton et. al., Predatory Pricing: Strategic Theory and Legal Policy, 88 Geo. L.J. 2239 (2000).
On the Court’s theory, if garden-variety predatory pricing usually fails, predatory pricing by multiple firms to enforce an oligopolistic pricing scheme is even more likely to fail because of the difficulties of collective action among firms trying to collude. The Court thus sets the evidentiary bar extremely high. An earlier case much maligned by law and economics types, *Utah Pie v. Continental Baking Co.*, suggested that proof of a defendant’s intent to harm competition through below-cost pricing was enough to establish the required injury. The Supreme Court rejects that notion. It admits that there was adequate evidence suggesting that Brown & Williamson did indeed intend to price below cost in order to induce Liggett to get in line with the oligopoly, and that it did indeed price below cost for about 18 months. But, says the Court, that is not enough for a jury to infer that Brown & Williamson had a reasonable prospect of profiting from this scheme. So, Brown & Williamson, an experienced and successful company with many decades of intimate knowledge of this industry, apparently believed that it could better its profits by forcing Liggett back into line through a price war, but Justice Kennedy and his colleagues, armed with the best economic theory Chicago has to offer, know better—Brown & Williamson was just wasting its shareholders’ money. How arrogant. How implausible. Note that in accepting a highly contestable and specific economic theory, the Court ignores a much more general and basic piece of wisdom from economics: we should generally presume that experienced actors within an industry are rationally pursuing their goals.

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127 See id. at 227-28.
129 See id. at 231.
130 See id.
131 In his dissent Justice Stevens—notably, the only antitrust litigator on the Court—points out the Court’s naïve self-satisfaction. In response to the majority’s statement that an “anticompetitive minuet is most difficult to compose and to perform”, Stevens noted that “the professional performers who had danced the minuet for 40 to 50 years would be better able to predict whether their favorite partners would follow them in the future than would an outsider, who might not know the difference between Haydn and Mozart.” Id. at 257-58 (Stevens, J. dissenting).
Of even more concern to us here, see what the Court’s reasoning has done to primary-line injury under the Robinson-Patman Act. We are dealing here, after all, with important language from two different acts, Robinson-Patman and Clayton, which attempted to extend the reach of antitrust law beyond judicial interpretations. Yet, the Court by its own reckoning has made the requisite evidence in primary-line cases so difficult to establish that defendants will rarely be liable. In *Brooke Group*, the Court successfully waged war, in the name of economics, on the statutory language Congress gave us, and gave that language nearly no effect. Although many have derided it, the *Utah Pie* decision to allow evidence of intent to establish the required injury fits the statutory language much better than the reasoning in *Brooke Group*. Although the statute does not refer to intent, *Utah Pie* does give significant scope for application of the Robinson-Patman Act language, which *Brooke Group* does not do. Moreover, the statute does speak of whether the “effect of such discrimination may be to substantially lessen competition,” and given only very weak rationality assumptions about economic actors, where there is intent to substantially limit competition, it is highly plausible to infer that such action may have its intended effect.

Given the Court’s extreme skepticism about the ability to use predatory pricing to enforce collusion between oligopolists, should the Court have simply created a per se rule that such a theory can never give rise to liability? One can read the Court of Appeals opinion as creating such a rule. The Court, however, refuses to go that far. Its justification is an island of textualism within a sea of dynamic statutory interpretation. The Court notes that while the Sherman Act refers only to express agreement and monopoly, “the Robinson-Patman Act is phrased in broader, disjunctive terms, prohibiting price discrimination ‘where the effect of such

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discrimination may be substantially to lessen competition or tend to create a monopoly.”  

It then cites the textualist canon that all of the words of the Act must carry adequate meaning, inferring that this language must go beyond the Sherman Act.  

Moreover, the Court notes that the language was part of the original Clayton Act, and that the same phrasing occurs in section 7. In that context the Court has held that oligopolistic price coordination can be the required injury to competition, and identical words in different parts of the same act should be given the same meaning, another classic textualist canon.  

The Court thus refuses to declare the conduct in this case per se legal. However, we have already seen that it goes so far that it might as well have done so. As construed here, the Clayton and Robinson-Patman Act go just a smidgen beyond the Court’s policy-driven interpretation of the Sherman Act.

It gets worse. What we have suggested so far is that, in the context of primary-line price discrimination, the Court gives extremely little effect to the Clayton Act language concerning “where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly.” We have not yet considered the injury language that Robinson-Patman added: “or to injure, destroy, or prevent competition with any person who either grants or knowingly receives the benefit of such discrimination, or with customers of either of them.”

By the same canon we just considered, a good textualist must interpret this language as adding in new circumstances of possible liability due to a new type of competitive injury beyond the Sherman or Clayton Acts. That is, injuring “competition with any person” must mean something

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133 Id. at 229. The quoted statutory language is actually from the Clayton Act. We shall consider the implications of that mistake below.

134 See id.

135 See id.

different than “lessen competition or tend to create a monopoly,” despite the use of similar terms. What does the Court do with this language?

Nothing at all. It ignores the language.

What might a Court that consistently cared about the text do with this language? In secondary-line cases, courts have interpreted the language as creating liability for simple injury-in-fact to individual competitors of the companies that receive the lower prices.\textsuperscript{137} The obvious suggestion would thus be that in primary-line cases courts should interpret the language as creating liability for injury-in-fact to individual competitors of the company engaged in price discrimination. However, that would go against the old saw that the Court repeats here: “It is axiomatic that the antitrust laws were passed for ‘the protection of competition, not competitors.’”\textsuperscript{138} Indeed, the statute speaks of injury to \textit{competition} with persons, not of injury to competitors, providing some textual support for this engrained position.\textsuperscript{139} But note that it is distinguishing between injury to competition in an entire line of commerce versus injury to competition with a single competitor. It is hard to avoid the conclusion that the difference was protection of the market as a whole versus protection of rivalry.

However, the different treatment of primary- and secondary-line injuries on this point is textually hard to defend. The statute speaks of injury to competition with two types of persons: those who grant price discrimination, and those who knowingly benefit from it. The first is primary-line injury, while the second is secondary-line injury. The injury to competition for

\textsuperscript{137} See, e.g., \textit{Chroma Lighting v. Gte Products Corp.}, 111 F.3d 653 (9th Cir. 1997); \textit{Rebel Oil Co. v. Atlantic Richfield Co.}, 51 F.3d 1421 (9th Cir. 1995); \textit{George Haug Co. v. Rolls Royce Motor Cars}, 148 F.3d 136 (2nd Cir. 1998); see also Hovenkamp, supra note --, at para 2342d.

\textsuperscript{138} \textit{Brooke Group}, 509 U.S. at 224 (citation omitted).

each should be similarly defined.\textsuperscript{140} Moreover, as we have already seen, the injury should go beyond simply a reasonable prospect of harm to competition in the market as a whole, as the old Clayton Act language covers that.

A possible textualist resolution is as follows. Under the Clayton Act language, plaintiffs must show a reasonable possibility that the price discrimination will cause enough injury to competition to qualify as “substantially lessening” competition. If, however, plaintiffs show injury to a particular person, then they only need show a reasonable possibility\textsuperscript{141} that such injury will harm competition in the relevant market—but that harm need not be “substantial.” Even a possibility of minimal harm to competition would be enough. Thus, although injury to the market would be required in both cases, concreteness of injury could substitute for substantiality. However, practices which harmed individual competitors but very likely helped competition overall would not be prohibited.\textsuperscript{142}

3. The Federal Trade Commission Act and Congressional delegation

The Federal Trade Commission Act presents a quite different kind of textualist challenge to the reigning approach to antitrust interpretation. We briefly consider that challenge here.

Congress initially passed the Federal Trade Commission Act in 1914, at about the same time as the Clayton Act.\textsuperscript{143} The core substantive prohibition of the Act simply declares: “Unfair methods of competition in or affecting commerce, and unfair or deceptive acts or practices in or

\textsuperscript{140} Hovenkamp makes the same point. See id.

\textsuperscript{141} The reasonable possibility language is textually supported by the phrase “where the effect of such competition may be . . .” which applies to the Robinson-Patman Act language as well as the older Clayton Act language.

\textsuperscript{142} This resolution would make it easier to prove primary-line injury than is currently the case under \textit{Brooke Group}. However, it would make it harder to prove secondary-line injury than is currently the case in many circuits, which require only evidence of injury to competitors without reason to believe that such injury will harm competition generally at all. An alternative that would be closer to the view of these circuits might be that injury to a competitor creates a rebuttable presumption of injury to the market place.

\textsuperscript{143} 38 Stat. 717-721 (1914).
affecting commerce, are hereby declared unlawful.” The FTC was to enforce this provision, mainly through case-by-case adjudication. The FTC was given some rulemaking power, which was long understood as limited to procedural and interpretative rules although the D.C. Circuit eventually decided that the FTC had authority to promulgate legislative rules, and Congress later explicitly gave the commission authority to promulgate interpretive rules and general statements of policy with respect to unfair or deceptive acts or practices. Under section 11 of the Clayton Act the FTC has authority to enforce compliance with sections 2, 3, 7, and 8 of the Clayton Act in most industries.

The FTC poses several challenges to existing interpretive understanding. First, consider the standard argument that the Sherman Act is written in such general terms that we must understand it as simply delegating discretionary power to the courts to develop a common law of antitrust. We have already suggested that the Sherman Act actually had much more shape than that through the use of pre-existing common law terms. The Federal Trade Commission Act shows that Congress knows how to delegate authority broadly in the antitrust area when it wants to. “Unfair methods of competition” is a new phrase without common law mooring, and the statute does nothing to define this broad phrase any further. Here is a truly broad delegation of authority.

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145 See 15 U.S.C. § 45(a)(2) (“The Commission is hereby empowered and directed to prevent persons, partnerships, or corporations . . . from using unfair methods of competition in or affecting commerce and unfair or deceptive acts or practices in or affecting commerce.”)
147 See Nat’l Petroleum Refiners Ass’n v. FTC, 482 F.2d 672, 678 (1973).
148 See 15 U.S.C. § 57a. Note that this grant of authority applies only to unfair or deceptive acts or practices, not to unfair methods of competition.
150 See supra notes – through – and accompanying text.
The second challenge arises from noticing the following: in the FTC Act Congress has indeed made a broad delegation of antitrust authority, but it is to the FTC, not the courts. This should come as no surprise. Antitrust raises tough, technical problems which require a sophisticated understanding of economics and business practices in order to be able to make sound policy. Detailed knowledge of the specific industry at issue is required. Agencies are much more likely to possess the required expertise than courts.\footnote{Congress typically invests agencies, not courts, with wide discretion in such areas, and the FTC is an early example. We should be skeptical of judges trying to assert great discretionary authority in an area where Congress has given such authority to a specialized agency.} Antitrust cases require a detailed knowledge of the specific industry at issue, and agencies are much more likely to possess the required expertise than courts.

This leads to the third, more doctrinal challenge. Given the grant of authority to the FTC, established canons strongly suggest that courts should give FTC interpretations of the Federal Trade Commission Act and the Clayton Act much deference. Whether the deference due should be \textit{Chevron}\footnote{See \textit{Chevron U.S.A. Inc. v. Natural Res. Def. Council, Inc.}, 467 U.S. 837 (1984).} deference or weaker \textit{Skidmore}\footnote{See \textit{Skidmore v. Swift & Co.}, 323 U.S. 134 (1944).} deference is not necessarily an easy question, and perhaps the answer differs for the two acts.\footnote{For discussion of the two types of deference, see Merrill & Hickman, \textit{supra} note --, at 853-63. For discussion of the application to FTC interpretation, see id. at 875 n. 222.} At any rate, where the FTC has interpreted these acts, either in formal adjudication or in rulemaking, courts should generally follow the agency interpretation absent strong reason to believe that the agency has misunderstood the statute—a proviso likely to apply quite rarely in the case of the broad and vague mandate of the FTC.
Federal Trade Commission Act, though one that may occur more frequently for the Clayton Act. Courts have only occasionally engaged in *Chevron* deference in the antitrust context,\(^{156}\) and the rare instances of *Chevron* deference have been at least as likely to defer to Justice Department interpretations as to the FTC.\(^{157}\) The failure to show greater deference to FTC interpretations of the antitrust statutes is another example of how courts have diverged from traditional statutory interpretation principles in this area.

Such deference to agencies is a part of the contemporary textualist’s toolkit. Textualists accept *Chevron*.\(^{158}\) In the antitrust context, deference to agency interpretations provides a major part of the answer to a leading criticism of textualism: in too many situations, the statutory text just does not provide enough guidance. Even if this is often true, agency interpretations may provide the needed help. For example, in interpreting section 7 of the Clayton Act, it is not obvious how much of an increase in market concentration counts as substantially lessening competition. The FTC and Department of Justice merger guidelines can fill this gap. Thus, textualism is less indeterminate in antitrust law than is often argued. It is thus another sign of Judge Easterbrook’s tension with his usual textualism when he notes approvingly courts’ failure to follow *Chevron* in antitrust cases.\(^{159}\)


\(^{158}\) Indeed, Justice Scalia was a leading backer of *Chevron*, see Antonin Scalia, *Judicial Deference to Administrative Interpretations of Law*, 1989 Duke L.J. 1; Merrill & Hickman, *supra* note --, at 859-60. However, in applying the first step of *Chevron*, confident textualists such as Justice Scalia will sometimes be more inclined than others to believe that the statutory text clearly provides an answer, and hence that the Court should not follow the agency’s interpretation. See, e.g., *MCI Telecommunications Corp. v. AT&T*, 512 U.S. 218 (1994); see Merrill & Hickman, *supra* note --, at 860.

\(^{159}\) See *Krzalic v. Republic Title Co.*, 314 F.3d 875, 883 (Easterbrook, J. concurring) (*“Interpretation differs fundamentally from regulation. Judges do not apply *Chevron* to the Attorney General’s interpretation of the Sherman Antitrust Act, whether in public or in private litigation, although the antitrust statutes are notoriously open-
IV. Ending Antitrust Exceptionalism

A. Beyond the Delegation Theory

In the previous section of this paper, we examined the antitrust statutes using the normal tools of textualism. While those tools do not suffice to eliminate all ambiguity from the statute, they would allow a textualist to attack a number of antitrust problems. The normal textualist reading would diverge in many ways from current doctrine. But a number of writers, including leading textualists, have argued that the normal tools of statutory interpretation do not apply to the antitrust laws. Instead, they view the antitrust laws, not as statutory mandates, but as delegations of lawmaking power to the courts.

Some examples will show how widespread this view is, both among textualists and others:

- William Baxter: “By adopting a common-law approach, Congress in effect delegated most of its lawmaking power to the judicial branch.”

- Frank Easterbrook: “The statute books are full of laws, of which the Sherman Act is a good example, that effectively authorize courts to create new lines of law.”

- John Manning: “Conventional delegations presuppose that agencies and courts will exercise their independent policymaking discretion within the boundaries set by the delegation.” (citing the Sherman Act as an example).

- Einer Elhauge: “To be sure, sometimes it will be clear that what the legislature means or preferred was to delegate the matter for ongoing judicial resolution. The

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antitrust statutes, for example, are commonly understood to involve such a
delegation to the courts.”

Areeda and Hovenkamp: “[T]he Sherman Act effectively vested the federal courts
with a power to take competition policy analogous to that of common law courts.

On reflection, however, we believe that this view is untenable. There is simply no reason to
view the antitrust laws as a grant of legislative power to the courts.

One of the main arguments for the delegation theory is that the Sherman Act uses
common law terms, and must therefore contemplate a common-law process of law development.
We saw in Part III that this is an overstatement: there is a tenable argument that the statute
incorporated the common law doctrine of 1890 and nothing more, with judicial discretion which
case to follow when the 1890 precedents disagreed. But even assuming a more dynamic
approach is taken, it is a caricature of the common law to equate it with judicial legislation. No
one doubts that policy is an important factor in common-law decisions. But it is quite another
thing to say, as Justice Scalia has said, that “attitude of the common-law judge” is one that “asks,
‘What is the most desirable resolution of this case, and how can any impediments to the
achievement of that result be evaded?”

It is this view of the common law that allows Scalia to summarize the reasoning of one of
his own antitrust opinions as follows: “In sum, economic analysis supports the view, and no
precedent opposes it, that a vertical restraint is not illegal *per se* unless it includes some

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164 Areeda and Hovenkamp, supra note , para 103, p. 63. The treatise authors do admit that “[s]tatutory language sets
some bounds”, and that some of the words of the statute “may be somewhat elastic in meaning” but are not “entirely
protean.” Id. However, they seem to regard constraint by the statutory language as somewhat exceptional, not to
mention regrettable.
agreement on price or price levels. According, the judgment of the Fifth Circuit is *Affirmed.*"\(^{166}\)

Unless perhaps the author was Judge Posner, it is hard to imagine a decision in a common law case basing its conclusion on the stark argument that economic analysis supported the result while no precedent opposed it. For instance, most common law judges would also wonder whether any precedent *supported* the result. When Congress contemplates common-law decisions by the courts, there is no reason to suppose that it had this kind of blatantly result-oriented decision making in mind. There is particularly little reason to ascribe this view to Congresses that acted in the era of *Swift v. Tyson*, when it was thought that judges “found” rather than “made” common law.

Second, it is not clear why the antitrust statutes are supposed to be exceptional. The statutes sometimes are vague or use legal terms of art, but that is true of many, perhaps most statutes. And if it is possible to find stray statements in the legislative history expressing the expectation that the courts will clarify ambiguities, that too must be typical of a great many statutes. How often, one wonders, do the supporters of a bill dodge hard questions about its application by expressing confidence in the wisdom of the courts? If the Sherman Act is a delegation of lawmaking power, so too are a great many laws. If this is what textualists mean, they should admit that textualism would greatly expand judicial discretion in a broad range of cases.\(^{167}\)

\(^{165}\)Scalia, supra note , at 13.


\(^{167}\)A somewhat similar delegation argument has been used to justify the *Chevron* doctrine of deference to administrative agencies. See Thomas Merrill and Kristin Hickman, *Chevron’s Domain*, 89 Geo.L.J. 833, 870-872 (2001)(viewing this as the best explanation of the doctrine even though the “delegation” is a legal fiction). But the *Chevron* analogy would sweep far beyond the antitrust laws. It suggests that whenever a statute is ambiguous, courts are free to make their own policy judgments rather than choosing the explanation that best fits text and precedent. Perhaps some textualists do mean to endorse such broad judicial activism, but if so, their arguments about limiting judicial discretion are, to say the least, puzzling. In any event, the very basis of *Chevron* is the
One might argue that the antitrust texts simply provide no specificity at all, communicating only that Congress wanted the courts to do *something* about monopolies and competition. But that conclusion finds such ready acceptance, we think, only because it is self-fulfilling: expecting to find no guidance in the text, no one bothers looking. As we saw in part III, for a textualist who takes statutory language seriously as the main source of interpretation, there is plenty of guidance to be found.

A related argument is that the statutory text seems to apply universally, leaving the courts no choice but to devise their own limitations.\(^{168}\) Early in the semester, antitrust teachers not uncommonly point out that every contract “restrains trade” in the sense of committing the parties to make a trade with each other even if they might later prefer to trade with someone else. Thus, students conclude, the statutory reference to contracts in restraint of trade cannot mean what it says and can be safely disregarded in analyzing cases. This is, in part, a variety of the absurdity doctrine, which at least some textualists reject.\(^{169}\) In any event, it is an argument that no textualist should take seriously. “Contract in restraint of trade” may seem unlimited if it is taken as ordinary English, but it was in fact a legal term of art and had a well-established (though not utterly crystallized) meaning.

To see how far this approach to antitrust is from that normally taken by textualists, we need only contrast it with that taken by textualists in *Sweet Home* and *Gottshall*. Imagine an antitrust-like opinion by Justice Scalia in *Sweet Home*, where the question was whether habitat destruction could qualify as a “take” under the Endangered Species Act. Rather than stressing the firmly established legal meaning of the term “term” in wildlife law, Justice Scalia’s

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\(^{168}\) See Baxter, supra note , at 664.
conclusion would have been something more like the following: “in short, ecological analysis supports the ban on habitat modification, and none of our precedents is to the contrary.” Or imagine a similar decision by Justice Thomas in *Gottshall*, ignoring the common law developments in the state courts in favor of an economic analysis of tort liability for mental distress. Such an analysis is not out of the question, and a few judges – most notably Posner – might approach *Gottshall* this way. But no one has ever confused Posner’s views of the judicial function with textualism!

Among the commonly accepted arguments for textualism is that it keeps federal judges in their proper role – interpreting law rather than making it – and that it keeps Congress honest by making it face hard questions rather than hoping the courts will save the day. Both of these rationales argue against reading statutes as delegations of open-ended lawmaking authority to courts.

True, there are examples where Congress has delegated such authority, as when it authorized the Court to issue the federal rules of civil procedure. But we can hardly imagine Congress passing a bill to authorize the Supreme Court to issue the “Federal Rules of Antitrust.” Nor do the statutes express such an intention in other terms, such as a naked jurisdictional grant unaccompanied by any statement of substantive legal rules.

The delegation theory is especially unpalatable because the antitrust laws from the beginning have involved criminal penalties. Early in our history, the Supreme Court held that there is no federal common law of crimes. It is unclear whether Congress could authorize the courts to create such common law crimes; at least some might think this an unconstitutional delegation of legislative authority. Surely we should not presume, without the clearest of

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109 See Manning, supra note , for an extended argument that the absurdity doctrine is inconsistent with textualism.
supporting evidence, that Congress intended to give criminal lawmaking authority to the federal courts, even within a specific sphere such as competition law.

These arguments do not disprove, even for textualists, the idea that the antitrust statutes left room for judicial development. But the delegation argument says a lot more than this. It says that the judicial development is essentially unrestrained by the normal tools of statutory interpretation or the normal processes of the common law system. Instead, it directs judges to impose their own views of public policy, free from constraint.\textsuperscript{170} Surely textualists, of all people, should be among the last to embrace such a view of the judicial function.

The grain of truth in the delegation argument is that, when other sources of statutory interpretation run out, courts must fall back on a common law process of legal elaboration. But the delegation argument goes wrong in two places. It wrongly assumes that the other sources of interpretation run out almost from the beginning where the antitrust laws are concerned. For textualists, at least, this is not necessarily so. And the argument also goes wrong by confusing the common law process with the raw pursuit of policy outcomes. Even if this characterization were more accurate, it should lead textualists to eschew the delegation doctrine except as a last resort, when no meaning at all can be extracted from the statutory text itself. For many textualists, the delegation idea should be troubling because it licenses unrestrained policymaking by courts; for others, it might raise constitutional concerns on the theory that pure policymaking is a part of the “legislative power” under Article I rather than the “judicial power” under Article III.

Perhaps the ultimate fallback position for textualists who like current antitrust doctrine would be that, even if the delegation is wrong as a matter of original textual meaning, it is too

\textsuperscript{170} On the possibility that economics could provide the needed constraint, \textit{see infra} note – and accompanying text.
entrenched in precedent to be displaced today. The question of how textualists should deal with “incorrect” precedents is a vexing one, and not one that we would attempt to resolve here on their behalf. Some antitrust precedents may be too entrenched to overrule now, even if they are erroneous as a matter of textual interpretation. Yet textualists have not shown themselves reluctant to reject well-entrenched understandings on occasion. A notable example is Justice Thomas’s concurrence in *Holder v.Hall,* a striking opinion rejecting foundational statutory precedents.

The question in *Holder* was whether section 2 of the Voting Rights Act prohibited the use of a single commissioner form of municipal government, where the effect of using a single commissioner was to ensure election of the candidate preferred by white voters. In his concurrence, Justice Thomas argued that the Voting Rights Act lacks any application to districting decisions, an argument at odds with the general understanding of judges and practitioners in the area. The statute governs any voting “standard, practice, or procedure,” and Justice Thomas argued that districting does not fall within the ordinary meaning of any of these terms. Justice Ginsburg’s dissenting opinion points out the challenges that Justice Thomas was willing to surmount to reach this conclusion: (1) similar language in another section of the statute had been construed to the contrary in a host of Supreme Court decisions, and Thomas did not squarely attack that interpretation; (2) when Congress amended section 2 in 1982 to adopt an effects test, it was responding to a Supreme Court decision applying an intent test to redistricting, and the legislative history makes it unmistakable that the amendment was adopted to deal with

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171 For reflections by a leading textualist on the subject, see Frank Easterbrook, *Stability and Reliability in Judicial Decisions,* 73 Cornell L. Rev. 422 (1988).
173 *Holder,* 512 U.S. at 891 (Thomas, J., concurring in the judgment).
racial vote dilution in districting; and (3) the Court had previously held squarely against Thomas’s interpretation in construing section 2 itself.\(^{174}\)

In addition to reliance on plain language, Justice Thomas’s opinion also stressed that the Court was forced to resort to political theory rather than purely legal sources in resolving vote dilution disputes, but Justice Ginsburg’s response is quite apropos to the topic at hand: “Statutes frequently require courts to make policy decisions. The Sherman Act, for example, requires courts to delve deeply into the theory of economic organization.”\(^{175}\) Reversing the comparison, one might suggest that if it is inappropriate for courts to make decisions based on non-legal analysis under the VRA, precedent notwithstanding, then it might be equally inappropriate to do so under the antitrust laws.

The greater undesirability of judicial intrusion into the political arena, the arguably less settled status of voting theory as opposed to economic theory, plus the shorter history of the VRA, may combine to make *Holder* distinguishable, though it is not clear that textualists ought to be eager to embrace these distinctions. But even if textualists feel unable to overrule existing antitrust precedents that adopt non-legal analysis, that reluctance does not justify extending their erroneous reasoning into other areas. Some earlier antitrust judges may have mistaken their role in statutory interpretation for economic policymaking. Yet the whole point of textualism is to correct an even more deeply entrenched judicial error.

Another argument in favor of current antitrust interpretation could be Congressional acquiescence. Courts have been treating the antitrust statutes as a mere starting point for common law decision making for a long time now. Congress must be aware of this, and if it is

\(^{174}\) *Holder*, 512 U.S. 956-965 (Ginsburg, J. dissenting). Ginsburg was not, however, dissenting on this particular point, since five Justices rejected Thomas’s interpretation of section 2 to exclude districting.

\(^{175}\) Id. at 966
unhappy with the approach the courts have taken, it could always revise the antitrust laws to provide more specificity, but for the most part it has not done so. Courts sometimes do accept such Congressional acquiescence arguments, but that move is not legitimate within a textualist approach. In the words of Justice Scalia, “vindication by Congressional inaction is a canard.”

Textualist judges have not been venerators of precedent. Far more opinions in recent decades have, from a textualist perspective, mistaken the courts’ role in statutory interpretation as a search for original intent as found in legislative history, than have used microeconomics to control antitrust analysis. Textualists are forthright in rejecting what they consider the fallacy of legislative history as a means for deciding new issues of interpretation, whatever the status of past erroneous holdings. If precedent is not enough to hallow the use of legislative history, it should not be enough to entrench a purely policy-oriented approach to antitrust. Consequently, textualists should disown the delegation fallacy in deciding new antitrust issues.

But even if textualists believe that it is too late to unscramble these particular eggs, they should not flinch from correctly describing the situation. From a textualist point of view, much of current antitrust analysis is wrong in principle, and that fact should be acknowledged even if a cure is no longer practical.

B. Broader Implications

Those who accept our argument to this point can choose among three basic alternative conclusions. First, reject textualism and accept the reigning approach to antitrust, heavily policy-driven with economics as the guide for judges. Second, accept textualism and advocate a new, textualist approach to the antitrust statutes (or at least to all questions that are not yet definitively resolved by precedent). Third, reject both textualism and the reigning approach to antitrust.

\(^{176}\) Johnson v. Transportation Agency, Santa Clara County, 480 U.S. 616, --- (Scalia, J., dissenting).
What one cannot do is accept both textualism and modern antitrust interpretation. We sketch out the three available alternatives in this section.

First, one could take our arguments in section III as illustrating the folly of applying textualism to the antitrust statutes. For one thing, it will lead to results that make society worse off. The Holmes approach to the Sherman Act fails to prohibit much behavior that we now see as central to the concerns of antitrust. Ignoring an efficiency defense and more wooden readings of the tying and price discrimination provisions will prohibit much economically beneficial behavior.

Moreover, textualism alone will fail to answer many of the key questions courts face. For instance, even supposing one accepts our argument as to the efficiency defense in mergers, many other questions arise in interpreting section 7 of the Clayton Act. How does one define the relevant markets in which a firm competes? How does one tell how competitive a market currently is, and how competitive it will be if the merger occurs? How much of a reduction in competition is enough to qualify as a substantial lessening? The text, even interpreted using sophisticated textual tools, can probably provide only broad constraints on the answers to these questions. Courts recognized those constraints long ago. All of the action on these issues today occurs within those broad bounds of the text, and textualism has little to offer there.

The second possible conclusion affirms textualism. One can question whether telling judges to choose efficient rules according to the maxims of economics has really had such fine consequences. For one thing, economists tend to disagree with one another. A lot. The early advocates of an economic approach to antitrust, e.g. Robert Bork\textsuperscript{177} and Richard Posner,\textsuperscript{178} espoused a laissez-faire, price theory-based understanding of economics. Many more recent

industrial organization economists, drawing upon game theory and the economics of information, have been more inclined to find market imperfections and to believe that judicial intervention can frequently improve welfare. For another thing, even if economists could agree on their analysis, one can question how good most judges would be at understanding and following that analysis. Limiting the discretion of judges to legislate in an area that they do not understand may make sense.

Even if one believes that the current approach to antitrust does generally tend to lead to happy results, the democratic argument for textualism still applies. Even those not firmly committed to textualism may be uncomfortable at how readily the Justices bypass statutory language that Congress enacted on their way to imposing their own ideas of the best policy. The modern approach to antitrust vests legislative power in courts that a democracy usually reserves either for legislatures or for executive agencies, both politically more accountable than unelected federal judges.

The criticism that textualism will fail to fully answer many questions may be overblown as well. First, setting broad limits to the appropriate answers may itself be an important function. Second, deference to FTC interpretations of the statute could go a long way filling out many remaining textual ambiguities. Thus, in interpreting section 7 of the Clayton Act, the Merger

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178 See Posner, supra note --.
180 See Scalia, supra note --, at 9-14.
Guidelines and specific FTC decisions can fill out much of the interpretive space that the statutory text leaves open.\textsuperscript{181}

The third and final possible response to our arguments is to say a plague on both your houses: reject both textualism and the current approach to antitrust statutory interpretation. This response takes as a starting point the criticisms made in each of the prior two responses. Textualism applied too single-mindedly may sometimes lead to quite bad consequences, and in many other cases will not give enough guidance to answer questions that courts face. On the other hand, interpreting the antitrust statutes as simply directing judges to go forth and commit economics may not lead to much better results and is quite undemocratic.

To avoid antitrust nihilism, someone choosing this path must advocate a third way in antitrust statutory interpretation. Two possibilities suggest themselves. The first is a purposivist approach. Purposivism is a second great general approach to statutory interpretation.\textsuperscript{182} It focuses on the broad goals of a statute, on the problem the legislatures meant to address through passing the statute. Both the text and the legislative history help a court determine those goals. Faced with the question of how to decide a case, after a court has determined a statute’s goals it asks what resolution of the case would best help advance those goals. Where several statutes apply, a purposivist will try to treat the statutes as a whole, with a common purpose, to the extent possible.

Proponents of the Chicago approach to antitrust will not be pleased with this alternative. Robert Bork’s early interpretation of the legislative history of the antitrust statutes as focused

\footnotesize{\textsuperscript{181} See supra note – and accompanying text. Of course, courts must decide what space the statutory language leaves open—that is the first step of the \textit{Chevron} two-step. Strong textualists might believe that in many cases the antitrust statutes alone answer the question. But here we are concerned with cases where the court cannot find an answer in the text. In that case, they can look to agency interpretation, if available, and follow that interpretation so long as it is not unreasonable—the second part of the \textit{Chevron} two-step.}

\footnotesize{\textsuperscript{182} See Eskridge, Frickey, & Garrett, supra note --, at 670}
mainly on advancing economic efficiency now looks quite suspect. Instead, fear of big business
and support for small business, distributive concerns, and concern for the corruption of politics
were all also important influences in creating the antitrust statutes. Many Warren Court
antitrust cases probably give a pretty good sense of what a purposivist approach to antitrust
statutory interpretation would look like.

The other possibility is a pragmatic approach to statutory interpretation. This approach
borrows from all of the other approaches, trying to analyze a case from a variety of perspectives
and reach a decision that a court can support using a number of different types of arguments.
Analysis would begin with the statutory text, and insofar as textualist arguments can point to a
relatively clear decision, would end there absent compelling considerations of another type. If
the text does not provide a clear answer, the pragmatist looks to legislative history and purpose
for further help. Agency interpretation, if available, may be decisive, or at least helpful. To the
extent that no clear answer emerges from any of these sources, the pragmatist also considers
what decision would best advance current values. Those values need not only be efficiency,
though; distributive fairness may also be important, for instance. Note that this approach need
not degenerate into messy multi-factor balancing in every instance. In many areas, the courts
may decide that statutory language, or statutory language and purpose combined, dictate a per se
rule of legality or illegality. Indeed, we would expect that a pragmatic approach would be more

183 See Robert H. Lande, Wealth Transfer as the Original and Primary Concern of Antitrust: The Efficiency
185 See William Eskridge, Jr. & Philip Frickey, Statutory Interpretation as Practical Reasoning, 42 Stan. L. Rev. 321
186 See Robert H. Lande, Wealth Transfers as the Original and Primary Concern of Antitrust:  The Efficiency
Interpretation Challenged, 50 Hastings L.J. 871 (1999); Daniel A. Farber & Brett H. McDonnell, Why (and How)
Fairness Matters at the IP/Antitrust Interface, 87 Minn. L. Rev. 1817 (2003).
likely to rule on per se rules than the current economics-based approach, which quite frequently relies on the rule of reason.

In this paper we remain agnostic as to what conclusion is best. We only assert that advocating textualism and supporting the reigning approach to interpreting the antitrust statutes are inconsistent positions. Deciding among the competing conclusions one can draw from that observation would require a detailed inquiry into both antitrust law and the theory of statutory interpretation, an inquiry whose detail goes far beyond the bounds of this article.

V. Conclusion

Many scholars and judges today believe that the antitrust statutes are essentially devoid of content. They respond with an aggressively dynamic approach in which courts reach the results that they believe will best advance consumer welfare according to their understanding of economics and business practices. Most remarkably, even leading advocates of textualism such as Justice Scalia and Judge Easterbrook advocate this approach to the antitrust statutes.

We have argued that those statutes are not so content-free as all that. The Sherman Act could have been given more specific content by reference to pre-existing common law. The Clayton and Robinson-Patman Acts are even more specific. The one act that truly delegates broad discretionary authority is the Federal Trade Commission Act, but it delegates that authority to the FTC, not the courts.

We thus suggest that textualism and the contemporary approach to interpreting the antitrust statutes are incompatible. In response, one can reject textualism, reject the reigning approach to the antitrust states, or reject both. What one cannot do is accept both textualism and modern antitrust statutory interpretation.