

The Basics of Monopoly

Notes

“MONOPOLY” LEARNING TARGETS

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CHARACTERISTICS OF MONOPOLY

There are several traits that characterize a monopoly. The four most important ones are described here.

- 1)
- 2)
- 3)
- 4)

BARRIERS TO ENTRY

A monopolist's profits do not go unnoticed. So why don't other firms enter the market? One of the following barriers keeps others from entering the market.

- 1)
- 2)
- 3)
- 4)

TYPES OF MONOPOLY

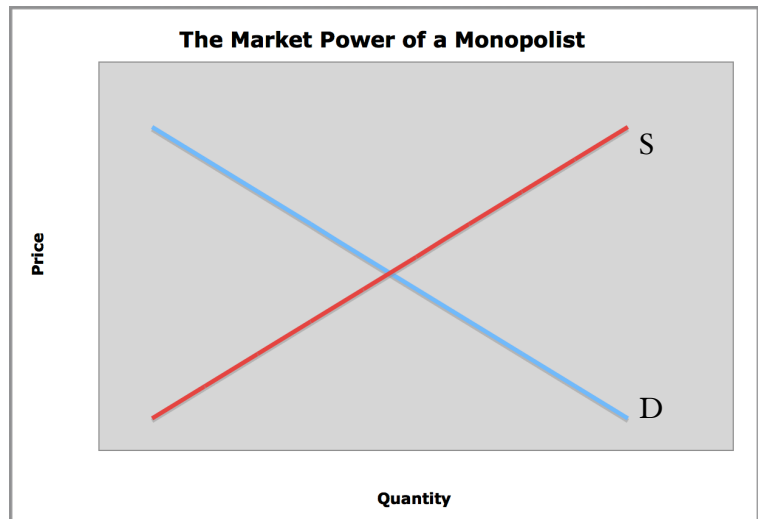
There are four types of monopolies. Each one gets its market power from the way in which it bars entry into the market.

- 1) **Geographic Monopoly**
- 2) **Technological Monopoly**
- 3) **Legal Monopoly**
- 4) **Natural Monopoly**

MONOPOLY AND MARKET POWER

The monopolist is a **price maker**, which means he/she can change the price of the product in order to maximize profits.

- 1)
- 2)
- 3)
- 4)



PREVENTING MONOPOLIES

Because monopolies want to restrict output to increase price (and their profits), most people consider them undesirable and inefficient.

- 1)
- 2)
- 3)
- 4)

REGULATING MONOPOLIES

Sometimes it is necessary to have monopolies, especially if they are natural monopolies or legal monopolies.

- 1)
 - A)
 - B)
- 2)
- 3)