• Government responds to the problem of monopoly in one of four ways.
  1. Making monopolised industries more competitive.
   a. Promote competition by using competition laws (may prevent mergers, may break up companies); preventing the undertaking of activities that make markets less competitive
   b. Competition legislation covers: acting against cartels and restrictive business practices, banning pricing strategies such as fixing and predatory pricing, monitoring and supervising acquisitions
  2. Regulating the behaviour of monopolies.
   a. Regulate the prices that the monopoly changes (the allocation of resources will be efficient if price is set to equal marginal cost)
  3. Turning some private monopolies into public enterprises.
   a. Rather than regulating a natural monopoly that is run by a private firm, the government can run it itself
  4. Doing nothing at all
   a. May do nothing if the market failure is deemed small compared to the imperfections of public policies