

- 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 charges (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

Preview from Notesale.co.uk
Page 5 of 5