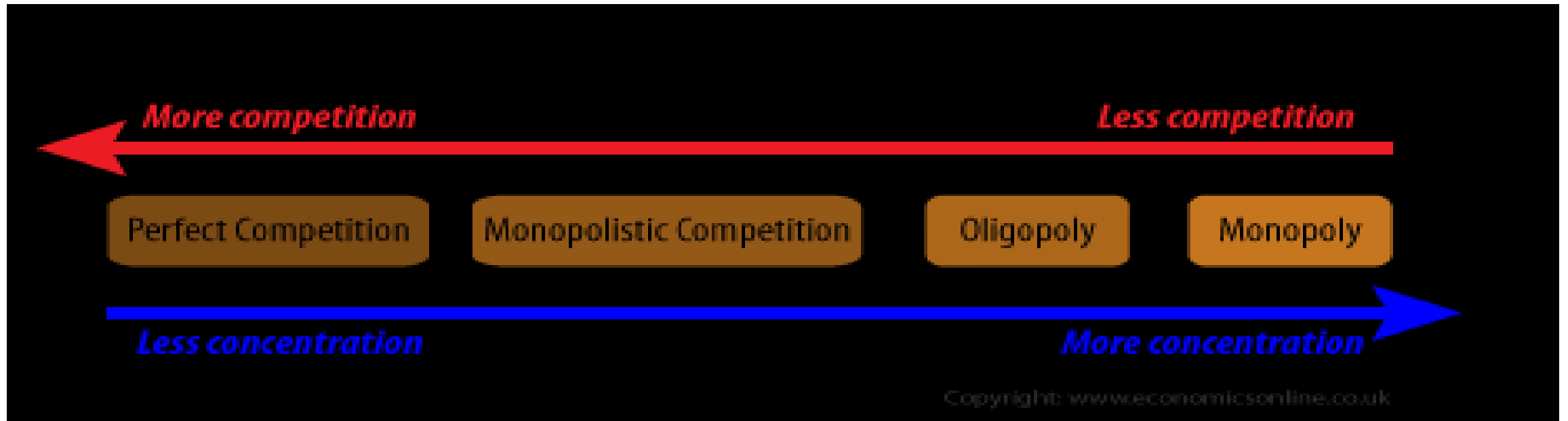


- What are the characteristics of a monopoly and why does the government protect some?

3 other market structures

- Monopoly
- Oligopoly
- Monopolistic competition



Monopoly

- A market structure situation in which a single supplier makes up an entire industry for a good or service with no close substitutes
- Represents the most extreme form of imperfect competition- a single seller controls the supply of the good or service and this determines the price
- Most monopolies are illegal with a few specific exceptions

Characteristics

- A single seller- only one for a good or service
- No substitutes- example- John Rockefeller and standard oil
- No Entry- the monopolists is protected by obstacles to competition that prevent others from entering the market
- Almost complete control of the market by controlling supply therefore price

Natural monopoly

- Sometimes it is simply more efficient and cheaper to have one company providing a good or service. It is most efficient for production to be concentrated in a single firm rather than being contested competitively as in other market structures.
- Large amount of output makes it cheaper for one of these to produce the good or service.
- Examples- utility companies

Geographic monopoly

- Caused by location not markets.
- Example- 1 grocery store in a small town, or concession stand entertainment venues.

Technology monopoly

- Based on legal ownership or control of a manufacturing method, process, or other scientific agreement.
- If you invent something you can receive a patent- an exclusive right to make, use, or sell an invention for a specified number of years- 14 or 20. Must be a physical product.
- A copyright also protects monopolies in the form of art, literature, song lyrics, and other creative works for life of the author plus 70 years.

Government monopolies

- Similar to natural monopoly but controlled by the government.
- Roads, bridges, fire departments, police.

Monopolies are a dying market structure

- Geographic monopolies are becoming less relevant because of internet commerce.
- Natural monopolies are being broken apart because of new options.
- Technology monopolies only last as long as the patent or copyright
- Government monopolies because of toll roads.

Research

- Research and explain 2 different historical examples of monopolies.
- What did the government do about them. Explain in 3 sentences for each