DOWNLOAD PDF PREVENTION AND CONTROL OF MONOPOLIES

Chapter 1 : Policies to control a monopoly

Control of Monopoly. Business Combinations might sometimes results in monopoly situations. Monopolies are not helpful for the social and economic development of a country. They result in concentration of economic power, profiteering and growth of unfair trade practices such as hoarding and black market.

Abstract Aspects of the history and current position of alcohol monopolies, particularly in English-speaking and Nordic countries, are considered. Two major issues for their relation to alcohol control measures are posed: In recent years, the history, functioning and effects of governmental alcohol monopolies have drawn some research attention see, for example, Room, ; a; b; ; Kortteinen, ; Holder and Wagenaar, ; Wagenaar and Holder, For many years, these institutional legacies of the later half of the 19th and earlier half of the 20th centuries had been nearly invisible in the research literature. The renewed attention comes at an ironic moment. In an era in which privatization is often seen as a good in itself, the monopolies are under attack in many capitalist or mixed-economy countries. Meanwhile, the alcohol monopolies of eastern Europe are being dismantled in step with the privatization of other state monopolies. The present paper draws on the recent work on alcohol monopolies, summarizing some of what we have learned about their history and functioning, and about their potential effectiveness as an instrument for the prevention of alcohol-related problems. Whatever the political or economic complexion of the modern state, monopolization of some goods is part of the essence of its existence. This is notably true of at least some of the means of violence. We take it for granted, and do not normally question, for instance, that the U. While modern states vary in the degree to which they monopolize the distribution of dangerous commodities, no state is completely laissez-faire about all commodities. As 17th-century Venice demonstrated with its tobacco monopoly Austin, Along with food flavorings and preservatives -- salt, spices and sugar -- psychoactive drugs tea, coffee, opium, chocolate, tobacco, alcohol have been conspicuous choices as such commodities. Partly because the supply of an imported or manufactured commodity can be more effectively controlled over a larger area, and partly because the fiscal benefits are so marked, fiscally-oriented monopolies have tended to become a prerogative of the state rather than of local government. Prior to the First World War, it showed up in diverse forms and places: It was no accident that these monopolies were usually at a local government level: These 19th century local monopolies were primarily of on-premises drinking places -- which is where most of the drinking was going on. The idea was, therefore, usually opposed by the temperance movement. Proposals for government alcohol monopolies were the first expression of a self-conscious "alcohol control" strategy, where governments took on the task of managing the alcohol market to limit the damages from drinking. As prohibition aims moved from "local option" towards prohibition at a state or national level partly because prohibition was inherently hard to enforce at a local level , counterproposals for "alcohol control" tended also to move away from local government levels. This model, pioneered in the Swiss federal alcohol law of Cahannes, , spread in the decades that followed to France and Germany. The public order and public health aspects of such wholesale monopoly mechanisms tend to be very limited see Fahrenkrug in Kortteinen, Two alternatives were seen for "alcohol control": Almost all monopoly systems also included a state license element, for aspects of alcohol production or marketing particularly for beer that were not monopolized by the state. Monopoly systems were particularly likely to be adopted where there had been a period of prohibition in part, perhaps, because there were fewer vested private interests. In the Nordic countries, production as well as distribution was monopolized; North American monopolies cover only distribution. All provincial and state monopolies in North America monopolize the wholesale level, at least for spirits; in several U. Besides these states, some states and provinces have demonopolized retail wine sales. In spite of their efforts to be responsive to their customers, there have been growing efforts to privatize them, and U. Their main protection has been their enormous profitability for the state. Alcohol sales in the monopoly states contribute proportionally much more revenue to their state treasuries. The wages of liquor-store employees are considerably higher in monopoly states than in the non-unionized stores of the license states. And yet the price of a bottle of liquor to the consumer is consistently somewhat lower in monopoly states than in license states. But it also reflects that the state stores tend to operate with fewer stores per capita and for shorter hours. From a public health perspective, of course, it may be seen instead as conferring benefits: Recent time-series analyses showed that purchases did in fact rise when the state privatized the retail sales of wine bottles in Iowa and West Virginia Wagenaar and Holder, and spirits bottles in Iowa Holder and Wagenaar, There is no question that government monopolies have often discriminated against imported products in their pricing policies such preferences for local products also show up, of course, in other governmental actions. But breaking the monopoly often involves neutralizing control structures which impact on public health interests. In the wake of successful U. But the shift in the focus of the monopolies over the last century is much more dramatic than the shifts in drinking behavior. There are also community-run hotels taverns in a number of areas in New Zealand Stewart and Casswell, , and a municipal hotel in Renmark, South Australia Room, As we have noted, there is also a tendency in the U. From the point of view of public health and order interests, the priorities would lie in exactly the opposite direction. From this perspective, a monopoly at the wholesale level is almost entirely irrelevant. There are far greater opportunities to influence the drinking occasion and minimize any harm with on-premises consumption than with off-premises consumption. In a bottle-shop, the possible targets of "server intervention" are limited to those who are obviously intoxicated before they even open the bottle. With a bar or restaurant, there is not only the possibility of intervening before each new drink, but also the opportunity to influence the nature and consequences of the drinking occasion through the decor, music, seating arrangements, and other elements of the ambiance. Why has the state tended to withdraw from the most promising avenues for alcohol control? One reason may be fiscal. In fact, the Minnesota municipal bars and bottle shops, at the mercy of private wholesalers, often have trouble breaking even Carlson, And civil servants, many of whom are organized in unions, are relatively expensive employees. Besides, employment is necessarily much greater per unit of sales in on-premises than in off-premises sales, and much greater in retail sales than in wholesale operations. From a managerial perspective, withdrawing from customer contacts can only make the balance sheet of the monopoly look better. The fiscal incentives are thus just the reverse of the public health interests. It is the very intensity of the labor input in a bar or restaurant which makes these places such a promising venue for server intervention. And presumably better-paid, more long-term employees will be better agents of social control than the young, poorly-paid casual workers found in many U. The state wants its hands to look as clean as possible. Any trouble there may be begins only after the bottle is opened. It is the retail level, and particularly bars and restaurants, that bears the burden of association with troubles due to drinking. The Tsarist state thus bore a particular burden for its association with the sordid on-premises drinking in the kabaks. At the end of Prohibition in the U. Recognizing this link between alcohol problems and the retail level, the U. For a state monopoly agency to take the potentially most effective role in alcohol problems prevention, then, it has to override this unease. For public health activists, used to involving the state in condom giveaways, needle exchanges, and other undignified activities, this will be a familiar issue. In the modern consumer-oriented state, monopolies as a public health mechanism -- in fact, alcohol controls in general -- are as constrained as Gulliver in Lilliput, hemmed in by a variety of competing values. We live in societies where marketplace equality is taken for granted: We tend to consider it a violation of civil liberties if customers are refused service because they belong to a particular social category e. Exceptions to this premise are rare: In our era, alcoholic beverages have been "normalized" to the extent that they are available on demand to any adult. Things are very different in many traditional societies. In the first place, in a village society, access to manufactured alcohol is often limited by limited cash resources and by limited transportation; and access to home-made alcohol is often limited by the availability of raw materials, by the limited shelf-life of traditional fermented beverages, and by the willingness of the makers. Beyond this, access to alcohol in traditional societies is often controlled by social norms which limit most drinking by particular categories of age, sex and other social divisions -- in many societies, heavy drinking is a prerogative of the powerful Roizen, There used to be equivalents for these kinds of differentiated control measures in some societies like ours. There is still an unenforced law on the books in many American states that provides for posting lists of "habitual drunkards" who must be refused service. Around , a respectable woman would never have entered a North American saloon. In a changed social climate, where there was increasing pressure to apply the norm of consumer equality to alcohol, this apparent ineffectiveness became an argument for sweeping them away. The only problem is that it is politically inconceivable nearly everywhere now to impose a rationing scheme. Price is one available lever, although it is more often pulled for fiscal than for public health reasons. Changing the opening and closing hours, and limiting the number of outlets, are other potential limits on availability. But while everyone is affected by these measures, some are affected more than others. The rich are affected less by price and other changes in availability than the poor. Those with the resources and forethought to buy ahead, and those who can slip out from their work for long enough to get to the liquor store, have the advantage if liquor stores open only on weekdays during business hours. Thus the limited range of availability measures that remain are certainly not equal in their effects. It may be because of their unequal effects, in fact, that they "work" to the extent they do. Given this constriction in the range of availability measures which are politically conceivable, what difference can the alcohol monopoly mechanism make? For off-premises sales, probably the main difference is that restricting the role of private interests makes it easier to hold down the number of outlets and hours of sale. State civil service employees are probably also less likely to sell to minors and the obviously intoxicated. Unless availability is very restricted, the public health gains from these factors are likely to be modest. Gains from government management of on-premises consumption might be more promising -- but, as we have noted, this is an arena from which the state has mostly exited. Perspectives on the History of Psychoactive Substance Use. The emergence of a compromise, Contemporary Drug Problems Analysis of city liquor-store operations for , Minnesota Cities 71 A time-series analysis of Iowa, British Journal of Addiction Women, men, and alcohol, Contemporary Drug Problems State Monopolies and Alcohol Prevention: Alcohol, Society, and the State: A Comparative Study of Alcohol Control. The abolition of the Swedish alcohol rationing system:

Chapter 2 : The prevention and control of monopolies.: www.nxgvision.com: W. Jethro Brown: Books

The ambitious character of the work which I have tried to perform was enforced upon me by an association with the work of a Royal Com mission on the Australian Sugar Industry. By Letters Patent, first issued in , His Honour, Sir John Gordon, the Hon. Albert Hinchcliffe, Messrs. R. M. Mccheyne.

For example, monopolies have the market power to set prices higher than in competitive markets. The government can regulate monopolies through price capping, yardstick competition and preventing the growth of monopoly power. Why the Government regulates monopolies Prevent excess prices. Without government regulation, monopolies could put prices above the competitive equilibrium. This would lead to allocative inefficiency and a decline in consumer welfare. If a firm has a monopoly over the provision of a particular service, it may have little incentive to offer a good quality service. Government regulation can ensure the firm meets minimum standards of service. A firm with monopoly selling power may also be in a position to exploit monopsony buying power. For example, supermarkets may use their dominant market position to squeeze profit margins of farmers. In some industries, it is possible to encourage competition, and therefore there will be less need for government regulation. Some industries are natural monopolies â€" due to high economies of scale, the most efficient number of firms is one. Therefore, we cannot encourage competition, and it is essential to regulate the firm to prevent the abuse of monopoly power. How the government regulate monopolies 1. Price capping by regulators RPI-X For many newly privatised industries, such as water, electricity and gas, the government created regulatory bodies such as: ORR â€" Office of rail regulator. Amongst their functions, they are able to limit price increases. They can do this with a formula RPI-X X is the amount by which they have to cut prices by in real terms. In the early years of telecom regulation, the level of X was quite high because efficiency savings enabled big price cuts. K is the amount of investment that the water firm needs to implement. Thus, if water companies need to invest in better water pipes, they will be able to increase prices to finance this investment. Advantages of RPI-X Regulation The regulator can set price increases depending on the state of the industry and potential efficiency savings. If a firm cut costs by more than X, they can increase their profits. Arguably there is an incentive to cut costs. In the absence of competition, RPI-X is a way to increase competition and prevent the abuse of monopoly power. There is a danger of regulatory capture , where regulators become too soft on the firm and allow them to increase prices and make supernormal profits. Regulation of quality of service Regulators can examine the quality of the service provided by the monopoly. In gas and electricity markets, regulators will make sure that old people are treated with concern, e. Merger policy The government has a policy to investigate mergers which could create monopoly power. The Competition commission can decide to allow or block the merger. Breaking up a monopoly In certain cases, the government may decide a monopoly needs to be broken up because the firm has become too powerful. For example, the US looked into breaking up Microsoft, but in the end, the action was dropped. Rate of return regulation looks at the size of the firm and evaluates what would make a reasonable level of profit from the capital base. If the firm is making too much profit compared to their relative size, the regulator may enforce price cuts or take one off tax. This is when firms allow costs to increase so that profit levels are not deemed excessive. Rate of return regulation gives little incentive to be efficient and increase profits. Also, rate of return regulation may fail to evaluate how much profit is reasonable. If it is set too high, the firm can abuse its monopoly power. Investigation of abuse of monopoly power In the UK, the office of fair trading can investigate the abuse of monopoly power. This may include unfair trading practices such as: Collusion firms agree to set higher prices Collusive tendering. This occurs when firms enter into agreements to fix the bid at which they will tender for projects. Firms will take it in turns to get the contract and enable a much higher price for the contract. Predatory pricing setting low prices to try and force rival firms out of business Vertical restraints â€" prevent retailers stock rival products Selective distribution For example, in the UK car industry firms entered into selective and exclusive distribution networks to keep prices high.

Chapter 3 : Regulation of monopoly | Economics Help

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Yet its scope of operation is very broad, and the consequences of being in breach are severe. It is particularly important that any chairman, CEO, director or authorised senior manager of any major company be aware of the CPMPL and its potential consequences. The CPMCL applies to all activities of production, trade, services, intellectual property rights and other economic activities that may have a damaging effect on competition. The CPMCL sets out a new merger control regime and prohibits restrictive agreements and abuse of market dominance. Private sector businesses with a position of dominance in the market are prohibited from engaging in practices that would undermine, lessen or prevent competition. The new law does not apply to wholly owned government entities. However, it otherwise has significant implications for private sector businesses that have a dominant market share. In broad terms, any of the following behaviour is likely to be prohibited: Each of these activities is separately defined as a criminal offence, although there is considerable potential overlap between them. Articles 9 and 10 of the CPMPL give a series of examples of what may constitute limiting, weakening competition or reducing competition. The examples are very broad, and include things such as: The effect is that the CPMPL could have an operation in relation to a whole range of businesses, from selling basic goods, providing transport, providing labour, construction, pharmaceuticals, quoting for services or even consultancy services. Criminal Penalties Penalties for breach of Articles 8, 9 or 10 include: Where a corporation is involved, the Chairman, members of the Board of Directors, the Chief Executive Officer and authorized managers can all be potentially penalized if they are aware of the breach. In any of these violations a court may also require the company or individual to rectify the violation, dispose of shares or assets or make the payment of OMR â€" 1, until the violation has been stopped. In the case of a second offence, the above penalties may be doubled, and the business may be closed for up to 30 days. Authorisation If a person or corporation wishes to carry out any step or enter into any agreement that may potentially be in breach of the CPMPL, there is a procedure available under the CPMPL to apply to the Public Authority for Consumer Protection for permission to do so under Article The Authority must issue a decision within 90 days. Conclusion The primary rationale for laws of this type is to protect the consumer from unfair market practices that exist in many countries. The CPMPL is broader than the laws in some countries, as it protects other businesses, not just consumers. The most important point to note is that if your business is proposing to enter into any agreement or carry out any act which may lessen competition, you should seek legal advice and consider applying to the Public Authority for Consumer Protection for permission.

Chapter 4 : How to control monopoly in economy?

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The societal and economic dangers of monopolies are clear. To combat the effects of these large corporations, the government has tried, through both legislation and court cases, to regulate monopolistic businesses. Though the strategies that the US has followed have varied, the aim of curbing market hegemony has been relatively constant. Though examples of attempts at government regulation are widespread, three stand out from the rest: Most regulation in its early history revolved around the railroad industry. At first, the responsibility of control of public industries fell on the individual states. However, the ineffectual legislation that was passed and the inability to control railroad monopolies made the need for federal regulation painfully apparent. The passage of the Interstate Commerce Act in created the first interstate regulatory committee. Though this group was not extremely effective in curbing the practices of the railroad, the precedent for federal regulation had been set. Later legislation, such as the Sherman and Clayton Anti-Trust Acts had more of an effect on large businesses. The latter bill created the Federal Trade Commission , which is the major regulatory body of monopolies today. The important question that arises from regulation is: Why does the government feel that it must control big businesses? Does this not violate the principles of freedom outlined in the Constitution? Indeed, the government never tried to stifle a corporation simply because it was strong. Instead, regulation exists to preserve competition and the freedom for smaller companies to enter the market. If one company controls the market share, smaller groups will never be able to flourish. For example, the dominance of Microsoft in recent years has raised the question of whether its practices are monopolistic. Because the corporation controls the majority of the market in nearly all of its markets, there is an overwhelming social pressure for regulation. The earliest regulatory measures were not as focused on competition, however. The goal was to protect the consumer. For example, the Grangers 19th Century farmers felt that they were being oppressed by unfair practices of the railroads. There was great social unrest in this population because of the practices of large corporations. To avoid revolt and turmoil, the state government passed the Granger Laws. This group of legislation was essentially an attempt to appease the troubled farmers. It was not until the end of the 19th Century and the beginning of the 20th that regulation made the turn toward preserving competition. Another trend in regulation is the unfortunate tendency of legislation to have little effect. Most of the laws created to control railroads were simply ignored by the large corporations. Similarly, the action of the Federal Trade Commission against Microsoft is often viewed as a trifle. Judge Stanley Sporkin rejected the June decision regarding the Microsoft monopoly, saying that the ruling was a mockery and that stricter control must be taken. Most attempts at federal regulation have been mediated, modulated, or amended until they lose much of their original bite. Clearly social and governmental history has shown an ever-present desire to curb the growth of corporations. The dangers of allowing one company to assume supremacy over a market have frightened the government into regulation. Though, in many instances, the legislation fails to achieve its original goal, governmental regulation has become a standard in interstate and international commerce. America was founded on the principle of free trade and freedom of competition. Therefore, the government has assumed the responsibility of preventing the formation of monopolies and curbing unfair practices of large corporations.

Chapter 5 : The Prevention and Control of Monopolies: www.nxgvision.com: W. Jethro Brown: Books

Excerpt from The Prevention and Control of Monopolies The ambitious character of the work which I have tried to perform was enforced upon me by an association with the work of a Royal Com mission on the Australian Sugar Industry.

Top 3 Methods of Controlling Monopoly With Diagram Article Shared by Monopoly is known as a great social evil because the monopolist charges high price. Monopolist does not produce at full capacity and resorts to price discrimination. Under this system, there is no rival competitor, and sells lesser output but earns more profit. It increases inequality of income. Thus, many steps are suggested regulating monopoly. There are three methods of controlling monopoly. By regulation through taxation. By regulation of conditions of monopoly, as in case of natural and regulated monopolies MC pricing. By anti-monopoly laws and policies to prevent unfair price discrimination amongst different consumers Peak load pricing. Let us discuss all the three methods: Imposition of a Specific Tax: Specific taxes are commodity taxes like excise duty and sales tax. Excise duty are levied on production while sale tax on sales. Generally, specific tax is similar to a variable cost. The firm produces OX units and sells at price OP. Firm cams profit of AB per unit. The firm sells OX units at price OP1. The effects of a specific tax are stated below: Price charged increases; consumers have to share the burden of the specific tax. To what extent, the monopolist will shift the burden of a per unit tax to the consumer. It depends on the elasticity of his supply and demand for his product. Imposition of Lump Sum Tax: Sometimes, the government levies a lump sum tax on monopolists. A tax such as a profit tax or license fee are imposed on a firm regardless of its level of output. The effect of lump sum tax is illustrated in fig. The firm sells OX units at price OP. Profits are earned which are AB per unit. There is no difference in equilibrium price and output. But the profit has fallen from AB per unit to AB1 per unit. The effects of lump sum tax are; i Output sold remains unchanged ii Price remains unchanged iii Profit reduces iv Incidence of a lump sum tax is completely on the sellers and the buyers will escape from the burden. These services should be made available to the society at reasonable prices. Most public utility firms are natural monopolies and are also called as regulated monopolies. Government and public authorities run these monopolies directly or impose price ceilings, which are not too low from monopoly price. This saves the consumers from having to pay high monopoly prices. This limits monopoly power. The questions that arise are What should be the fair price of natural monopolies? Should it be equal to MC or AC? How can their prices be regulated? The monopolist wants to sell OX units at price OP. The monopolist earns profit. The objective of government is to set a maximum price below the monopoly price OP. If the regulating authority decides to set the price of natural monopolies according to MC pricing i. The monopolist can sell any output up to X1 at the regulated price of P1; output greater than X1 will be sold at declining prices as shown by E1d portion of the demand curve. The corresponding marginal revenue curve is given by P1E1MN. P1E1 is the segment corresponding to P1 E1 portion of the demand curve. MN corresponds to E1d portion of the demand curve. The kink at point E1 on the demand curve causes E1M discontinuity or vertical section of the MR curve. The monopolist sells X1 units at price P1 and earns profit. The regulating authority can set an even lower price equal to AC rule i. This occurs at point E2. The monopolist sells OX2 units of output at priceOP2. The monopolist earns normal profits which are included in the cost structure. Any wrong judgment will lead to long term inefficient allocation of resources and losses. The monopolist will never increase output beyond X2, in which case he would incur losses. Since natural monopolies benefit from economies of scale, LMC is likely to be less than LAC in the relevant range of output. In that ease, the MC pricing can lead to losses to the monopolist. The monopolist sells OX units at price OP. The monopolist wills produce in the long-run if it is subsidized by the government out of general taxation. This will ensure normal profits to the monopolist or excess profit is zero. The monopolist always try to include as many assets in its capital base as possible in order to be able to sell at higher prices. This is a case of price discrimination peak and off-peak supplies at different prices. Some examples are, electricity has different demand curves at different times during the day. When demand is more, it is called peak period, when less the off-peak period. Hotels at hill stations have peak period in summer and off-peak period in monsoon. Demand for woolens is more in winter peak period and less in summer off- peak period. The traffic rush on roads is more after office hours. Weekend rush to amusement parks is another example of peak period. Hence, whenever the demand for a good is not the same in the two time periods and the cost to produce also differs, it is beneficial for the monopolist to charge different prices in the two periods The cost is higher in peak period because resources are pushed much harder to produce more in peak period. Figure 21, shows how the discriminating monopolist charges different price of electricity in peak and off-peak period. The price in each period will be fixed where SMC cuts the demand curve. Above figure 21 is the evidence of the following results: With this price, consumers will purchase OX units in the peak hour. Consumers will purchase OX1 in the off-peak period. Consumers will make efforts to be more economical in their consumption of electricity in the peak period. The advantages of peak load pricing are stated below: It ensures efficient distribution of the use of electricity between the peak and off-peak periods. Net gain occurs when electricity is used lesser in the peak-period and more in the off-peak period. The efficiency gains from peak load pricing largely depend on the ability and willingness of electricity consumers to reduce its use in the peak-period. While choosing the scale of operation, when we turn from short-run to long-run, the electric supply company must keep in mind the capacity needed to meet the peak period demand. It saves cost and adds to efficiency gain from peak load pricing. Disadvantages of Peak Load Pricing: Peak load pricing have the following disadvantages: Such businesses whose electricity demand is mainly in the peak period and who find it difficult to shift its use to the off-peak period will be harmed as they have to pay higher prices. Peak load pricing necessitates the installation of different types of meters for peak period and off-peak period consumption of electricity.

Chapter 6 : Browse subject: Monopolies -- Germany | The Online Books Page

The prevention and control of monopolies. by Brown, W. Jethro (William Jethro), Publication date

The following points highlight the nine main causes for the growth of monopoly. Import Duties and Market Protection 5. Planning Process and Others. The industrial policy resolutions introduced by the country have also expanded the scope of the participation of the private sector enterprises in various fields of industrial activity. The industrial policy resolutions of , in its list of industries under Schedule A exclusively reserved for the public sector , allowed the existing private sector enterprises to continue and expand. Later on, the Government opened 11 industries under schedule A to the private sector, by which the large industrial houses got the opportunity to expand. Again among the 12 industries under the Schedule B, the private sector entered in industries and in most of the cases, large industrial houses participated in these industries. In this way, growing participation of large industries in these new industrial fields has resulted growing concentration in economic power to the large industrial houses. Again the New Industrial Policy, has again liberalised many new areas for the private sector which will lead to further concentration of economic power in future. Inter-company investment is considered another important factor for the growth of large industrial houses and growing concentration of economic power. Through inter-company investment, big industrial houses occupy the directorship of a good number of companies and monopolized the decision-making of these companies. The licensing policy of the Government has also facilitated the growth of large industrial houses and concentration of economic power. While giving industrial licence, the Government never tried to control the growth of monopoly or concentration of economic power. Rather, the licensing authorities had the tendency to sanction the licenses of new enterprises to experienced person having proven business ability, instead of new entrepreneurs. Moreover, the Government policy on foreign collaboration, extension of tax incentives etc. Moreover, the Government never made any successful endeavour to grant licenses to the small producers. But the multinational corporations along with large industrial houses were allowed by the Government to produce even the items like televisions, radio receivers, soaps, cosmetics etc. Import Duties and Market Protection: Indian industries are being protected by the Government from foreign competition through the imposition of heavy import duties and also by banning imports of some commodities. This sort of protection has raised the strength of large business houses in the domestic market. The Situation has reached to such an extent that these large houses even pressurized the small enterprises, created artificial crisis of their products for increasing profits, leading to growing assets and concentration of economic power in their hands by speculating the situation. The planned development strategy has provided the opportunity to the large industrial houses to increase their fortunes further. Control over Banking Companies: In the pre-nationalisation period, the banking system was mostly under the control of large industrial houses. The major portion of the bank deposits collected from general depositor were mostly used for financing the industries of large industrial houses. Thus the commercial banks played an important role in developing monopolies and industrial empires of large industrial houses. After nationalisation even such tendencies are being persisted as the output of the bankers did not changed much. Another important cause behind the growth of monopolies and concentration of economic power in the credit policy pursued by the public sector financial institutions, where they always favoured large industrial houses in advancing loan as compared to that of small entrepreneurs. Some industrial enterprises have even obtained between 60 and 75 per cent of their total financial requirement from the public sector financial institutions deliberately. The Government has also introduced fiscal incentives in the form of tax concessions or tax exemptions so as to provide incentives to some industrial enterprises for its development. Till , the Government granted initial development allowance for such purpose. In , the Government introduced development rebate and in , they introduced investment allowance for the private enterprises. All these incentives have benefited the large business houses to the maximum extent. Instead of corporate taxes, the Government increased the rate of excise duties at a faster rate which the producers are able to shift on to the consumers. Diversification and Technological Integration: Diversification through proliferation of industrial units in different industrial categories and attaining technological integration by combining various stages of production under common ownership. Most of the large industrial houses have utilised both the techniques so as to increase their monopoly power.

Chapter 7 : The Danger of Corporate Monopolies

Pris: kr. Inbunden, Skickas inom vardagar. KÃ¶p The Prevention and Control of Monopolies av William Jethro Brown pÃ¥ www.nxgvision.com

Consumer surplus is the additional benefit enjoyed by consumers over the price that they paid for the product. Monopolies, on the other hand, set prices to maximize their own profits, by decreasing supply, increasing their own producer surplus at the expense of both consumers and society. And because there is a deadweight loss from imperfect competition , the economy produces less because of the monopoly. And the lack of competition makes the employees of the monopoly complacent. Indeed, innovation may be shunned because there are always risks with new ideas and the complacent employees do not want to upset the status quo. With competition, they would have to take those risks; otherwise, they would lose market share and may even become bankrupt eventually. Monopolies always reduce the economic wealth of society in many ways. Hence, governments regulate monopolies with the objective of benefiting societies more than would be the case if the monopolies maximized their profits. There are 3 major methods to increase the benefits of monopolies to society: Antitrust Laws The main purpose of antitrust laws is to prevent business practices that either create or maintain a monopoly. Although this article discusses United States antitrust law, the basic principles will still apply worldwide, since monopolies operate much the same in most modern economies. Moreover, many of the legal remedies available in different countries will be similar, since they address similar situations. The Sherman Antitrust Act is the broadest of the antitrust laws, prohibiting practices whose main objective is to create or maintain a monopoly. The Sherman Act does not define monopoly, but it is well-established that it involves any firm that has a power to significantly affect prices and exclude competition in a particular market. The United States Supreme Court defined monopolization as involving 2 components: Even the attempt to monopolize is prohibited, but only if the attempt has a reasonable probability of success. In other words, the would-be monopolist must possess some degree of market power, where it has a reasonable chance to become a monopoly. While it is not illegal to have a monopoly position in a market, the antitrust laws make it unlawful to maintain or attempt to create a monopoly through tactics that either unreasonably exclude firms from the market or significantly impair their ability to compete. Because some business operations have no legitimate business reason, while others may have legitimate business objectives, there are 2 different types of analysis applied in determining whether a practice violates antitrust laws under the Sherman Act. Per se means in and of itself. A per se violation is considered inherently illegal, and has no legitimate justification for it. Business practices that may have antitrust implications and legitimate business justifications are not illegal per se, so they must be examined under a rule of reason analysis, using principles and criteria developed by the courts and antitrust agencies. A practice is illegal if it restricts competition in some significant way without any overriding business justification. Thus, while a monopoly is not illegal per se, a rule of reason analysis may find that the methods used to achieve and maintain it had no other business objective other than monopolizing a market, and this is illegal. However, any practice considered illegal under the Clayton Act is illegal only if it substantially reduces competition or tends to create monopoly power. The Clayton Act prohibits price discrimination , interlocking directorates, tying arrangements, and, if they restrain trade, mergers and acquisitions. The Clayton Act also allows private parties to sue for treble damages. The Federal Trade Commission Act was also passed in , creating the Federal Trade Commission FTC with the power to conduct investigations and to prohibit unfair practices in interstate commerce. The main remedies of violating antitrust laws are divestiture, where the company is forced to give up 1 or more of its acquisitions or functions, injunctive relief, and dissolution. Other countries have also enacted antitrust laws, including the European Union and Japan and several countries in Southeast Asia. Antitrust laws apply to foreign firms operating domestically, where the domestic operations have a significant effect on competition. The main types of practices considered anticompetitive under antitrust laws include the following: Horizontal restraint is any agreement restraining competition between rival firms competing in the same market. Price-fixing is an agreement among business participants in a particular market to restrict supplies to maintain prices.

Oligopolists are in the best position to fix prices. A group boycott is an agreement by several competitors to boycott or refuse to deal with a particular person or firm, to reduce competition. Horizontal market division occurs when several competitors divide up territories in which each agrees to sell in a particular territory, or to a specific group of buyers, such as institutional or government buyers, or retailers. Trade associations may also be instrumental in restraining competition, but they do have legitimate purposes: Since trade associations do have legitimate business applications, any antitrust analysis would be under a rule of reason analysis. Joint ventures may also be used for anticompetitive purposes and will also be subject to a rule of reason analysis. A vertical restraint is any restraint on trade created by agreement between firms at different levels of the manufacturing and distributing process for a product or service. A firm that engages in the manufacture and distribution of its own products is referred to as a vertically integrated firm. While firms at different levels of the manufacturing and distribution process are not direct competitors, any agreements among them can have a significant effect on competition. Territorial or customer restrictions may also be anticompetitive, but since they do also serve legitimate business purposes, they are subject to a rule of reason analysis. For instance, franchisors may limit the number of franchises in a particular geographic area or a manufacturer may restrict retailers of its product from selling at too low of a price. Resale price maintenance agreements are agreements between the manufacturer and distributors or retailers of the product where the manufacturer stipulates the minimum price that must be charged. Refusals to deal may also be considered anticompetitive if there is a probability that the firm refusing to deal will acquire monopoly power and that the refusal is likely to have an anticompetitive effect on its market. Predatory pricing is a strategy where a manufacturer will sell its products at substantially lower market prices to eliminate competitors. Once the competitors are eliminated, then the manufacturer is free to raise prices. Microsoft provides 1 of the best examples of predatory pricing. For years, Microsoft gave away Microsoft Office with new computer systems, thereby eliminating the competition, such as WordPerfect. Then, it eventually started charging for Microsoft Office, and now sells it as a subscription. Price discrimination is charging different prices to different buyers to substantially lessen competition, when the difference in price cannot be justified by differences in production costs, transportation costs or other cost differences. Exclusionary practices are forbidden, where sellers or lessors sell or lease goods based on any agreement that the purchaser or lessee cannot buy or deal in the goods of a competitor or competitors of the seller. Exclusionary practices generally consist of 2 types of vertical agreements: Tying arrangements, where the buyer and seller enter into agreement in which the buyer of the product or service becomes obligated to purchase additional products or services from the seller, are prohibited. Mergers are also prohibited under the Section 7 of the Clayton Act, if the purpose of the merger is to lessen competition. A merger is any person or business organization that holds stock or assets in another entity. A horizontal merger occurs between 2 firms competing in the same marketplace, while a vertical merger is the acquisition of a company in a different level of the marketing chain for a product or service. The main considerations in determining whether mergers are anticompetitive are the market share of the relevant firms and whether such mergers will make it more difficult for new businesses to enter the market. The main consideration for vertical mergers is foreclosure, which occurs when competitors of the merging firms can no longer sell or buy products from the merged entity. A vertical merger will be deemed illegal if it increases market concentration or increases barriers to entry into the market, and it was the apparent intent of the merging parties to thwart competition. In some cases, a conglomerate merger may also be considered anticompetitive. A conglomerate merger is a merger between firms that do not compete with each other because they are in different markets. Most conglomerate mergers are legal, but whether they will be subject to Section 7 of the Clayton Act depends on whether the mergers were effected to reduce competition or whether it heightened the barriers to entry. There are 3 types of conglomerate mergers: A market-extension merger occurs when the acquiring firm wants to sell a product in a new market by merging with the firm already selling in that market. A product-extension merger occurs when the acquiring firm wants to add a closely related product to its lineup. A diversification merger occurs when 2 or more firms merge who provided unrelated products or services. Interlocking directorates, where individuals serve as directors on the boards of 2 or more competing companies simultaneously, are prohibited, but only if either of the corporations has capital, surplus, or undivided profits aggregating more than a specific amount or competitive sales of a certain amount Price Regulation There are some products that can be provided at a lower cost by a natural monopoly than what could be provided by competing firms. The primary characteristic of a natural monopoly is that its average total cost declines continually over any quantity demanded by the market. If the industry has a large fixed cost, then a single firm can provide the product at a much lower cost than several or many firms, because the average total cost of each firm will be much higher than it will be for the natural monopoly. Hence, a natural monopoly can provide a product for a lower price if there is no competition. Some examples of a natural monopoly include the distribution of natural gas, electricity, and landline phone service. What price should be set for the natural monopoly? However, since the average total cost of a natural monopoly continually declines, the marginal cost will always be less than the average total cost ATC , since the average total cost is the average of all costs including the large fixed costs while the marginal cost is only the extra cost of producing an additional unit. Therefore, a natural monopoly will continually lose money if the price that they can charge is limited to its marginal cost. A better regulated price would be one that allowed the monopoly to charge a price â€" sometimes referred to as the fair-return price â€" equal to its average total cost, which in economics, also includes a normal profit. This would allow the natural monopoly to survive as a going concern, but it would not incentivize the owners to reduce costs. So this type the regulation can be enhanced by allowing the monopolist to keep some of the profits earned by reducing costs. Government Ownership Sometimes the government will regulate a monopoly by actually owning it. For instance, in the United States, the federal government owns the United States Postal Service, and in Europe, many governments own and operate utilities, such as water and electricity. The main problem with government ownership is that these monopolies are operated by bureaucrats, and more often than not, they are unionized, so they have little incentive to operate the business efficiently or to provide good service to the taxpayer. Indeed, if technology were available that increased the efficiency of the monopoly, the bureaucrats would probably reject it to protect their jobs. That bureaucrats, and especially unions, operate in their self-interest is well evidenced in the United States by their high salaries and lush pensions, even though most of their work is administrative and under ideal conditions. A primary reason that Greece is so far into debt is because a large part of the Greek economy consists of public workers, whose actual work is often nonessential or perfunctory, yet they have relatively large salaries and a nice pension, and they can retire quite young. Exemptions from Antitrust Laws There are several activities exempt from antitrust laws, including the following: So, competing firms can jointly lobby Congress to enact special interest legislation. Other main exemptions of the antitrust laws include actions by governments, especially those that further the public interest or that further the defense of the nation. Also, many activities of regulated industries, such as communication and banking, are also exempt from antitrust laws, since other federal agencies have primary regulatory authority. Why is baseball exempt from antitrust laws and not other private professional sports? Because the United States Supreme Court said so in , and though it has been modified by the Curt Flood Act of , baseball is still less restricted than other professional sports regarding antitrust concerns. The original Supreme Court decision was justified by arguing that baseball was a local activity i. Get my Kindle ebook, Microeconomics: This Kindle ebook has all the articles on microeconomics on this website as well as all of the images, but no ads, and you can read it offline on any device with the Kindle app. Search This Site Privacy Policy for thismatter. Information is shared about your use of this site with Google. Details, including opt-out options, are provided in the Privacy Policy.

Chapter 8 : Full text of "The prevention and control of monopolies"

At first, the responsibility of control of public industries fell on the individual states. However, the ineffectual legislation that was passed and the inability to control railroad monopolies made the need for federal regulation painfully apparent.

Governmental action Control of Monopoly Business Combinations might sometimes results in monopoly situations. Monopolies are not helpful for the social and economic development of a country. They result in concentration of economic power, profiteering and growth of unfair trade practices such as hoarding and black marketing. Monopolies create entry barriers, try to eliminate competitors and prevent the entry of new firms. Consumers interests are greatly affected because of the growth of monopolies. They are forced to pay high prices for sub standard products as they do not have any other choice. Monopolies are able to influence the economic policy of the country to suit their interests. This they achieve by bribing the political class. The interests of the monopoly business gain precedence over the national interest. Such actions affect growth and development of the economy. Therefore governments all over the world try to prevent and control monopolies in the national interest. How to control monopoly? Measures taken to control monopoly in economy The following are some of the measures taken by Governments to control monopoly in economy. Anti monopoly legislation Many countries of the world have enacted legislation to curb monopolies. But legislation has had only a limited success in reducing the negative impact of monopolies. Promoting fair competition Competition ensures efficiency of firms and results in better quality, lower price and variety of choice to consumers. Therefore measures are taken to promote fair competition and prohibit unfair commercial practices. In India, the government has set up the Competition Commission to promote competition in all sectors of business. Consumer associations Unity is strength. Consumers unite and form consumers associations to protect and promote their interests. The consumer associations can fight against unfair trade practices, exploitation etc. In India, the consumer movement is not so strong because of lack of awareness among consumers regarding their rights. Media publicity Unfair and exploitative practices of combinations should be given wide publicity in media. Since media enjoys wide reach, it would create awareness among consumers about the wrongful acts of combinations. Such negative publicity would affect the sales and profitability of monopolistic combinations and would force them to adopt ethical business practices. Governmental action According to the noted economist, Joan Robinson , the government should impose taxes and provide subsidies.

Chapter 9 : W. Jethro Brown (Author of The Prevention and Control of Monopolies)

(Remember, regulation of monopolies is economically justified since monopoly is a form of market failure that creates inefficiency- i.e. deadweight loss- for society.) In some cases, monopolies are regulated by breaking up the companies and, by doing so, restoring competition.