The Economics of Monopoly

The Welfare Cost of Monopoly

Breaking Up Can be Bad

If we force A to reduce its output, we drive TC up.
**Patents and Copyrights**

- Many monopolies exist because of patents or trademarks or copyrights.
- Elimination of those monopolies could eliminate incentives for writing or research.
- Would the makers of a hit movie proceed in the absence of a legal monopoly on the showing of their film?

**To Summarize**

- The evils of monopolies are well known.
- However, there are cases where bigness comes from a competitive process that maximizes consumer surplus.
- Elimination of these "monopolies" would be Hicks-Kaldor inefficient.
To Summarize

• Firms may be tempted to use anti-monopoly legislation to eliminating and hobble competitors.
  – An anti-trust suit would benefit the competitors.
  – It would be Hicks-Kaldor inefficient.