

Phantom Called "Monopoly" SUMMARY

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- A socialist depicts monopolistic capitalism inseparably and equally as capitalism, and use some frightful phantoms to do so, thus concludes that enterprise requires some government restraint.
- The issue of who is in favor of the Antitrust legislation is divided, some think it's good, others think it's worthy of rejection.
- But in a free market economy a monopoly is no cause for alarm because of the following: Potential Competition, competition of substitutes and elasticity of demand.

1. Potential Competition

- As long as government isn't involved in freely entry and exit of the market, there will be a potential competition, thus at any time this is present, monopolists cannot charge monopolistic prices.
- in an industry endowed with freedom of entrance, a monopoly is an efficient monopoly. Competitors may appear over night, the competition is implicit.
- A monopoly in a free market who relaxes, soon loses his monopoly.
- Many times "monopolists" are prosecuted when they are just big business not a monopoly.

2. Competition of substitutes

- Assuming a monopolist does get to price consumers monopolistic prices and potential competition failed to show up, the customer will start thinking about substitutes that satisfy the necessity in the same way the monopolistic product use to do.
- This process would usually take several years, it's not immediate.

3. Demand Elasticity

- The substituter greatly diminishes the monopolist's capacities of monopolistic pricing, people will minimize consumption of that good or substitute it, elasticity of demand: at greater prices less demand, thus less income to the monopolist.
- the monopolist still can't charge what ever he wants.
- We consumers don't allocate our income to the satisfaction of categories of wants but to that of specific wants yielding the greatest net addition to our well being.
- Implicit competition, assures who ever is a monopolist in a free economy is really the best of the best, the most efficient.

On Optimum Growth

- A monopoly position has to be attained if the optimum size suffices to supply completely a given market.
- Without government intervention, an efficient enterprise grows to its optimal size at which unit costs of production are lowest
- territorial expanse of supply a monopoly is able to supply:
 1. Difference between unit costs of production and those of his potential competitors, which determines the market superiority of the monopolist.
 2. Costs of transportation.
- A change in transportation costs, production tech, management, can upset the monopolistic position.
- there is no need for government, if a giant enterprise were too large, the competitors will reduce it to its OPTIMAL SIZE.
- If a monopolist raises prices soon that will invite competitors to its territory and hence its sort of like self destruction.
- Hence monopolies are created by government and its restrictions.
- it creates unions that cripple the economy.

Effects of Tax Policies

- Taxes create small business enterprises to collapse.

Governments create cartels

- Some political interventions have often created cartelization, by allowing legislatively for only a few enterprises to run a whole sector of the market through regulation of production, allocation of markets and other means.
- This started by the German government with the so called social security costs, this ended in mercantilism of global goods entering Germany and then ended in subsidizing these cartels because high social security costs meant world prices were much lower thus if they were encouraged to sell at WP they were subsidized.
- Then they engaged in dumping
- Similar case in the US.

Antitrust Legislation

- The failure to distinguish monopolistic tendencies of government and a corporation growing to optimal size, antitrust laws were enacted, and now a powerful hand of government that harass enterprises.
- Thomas Jefferson wanted to include a section on the constitution preventing government made monopolies
- Founding fathers opposed monopolies (government) "monopolies are the motors of mercantilism".

The New Ideology

- Government's view on big business is Marxist, they create monopolies and operate under the assumption of the infinite growth of business not optimal size.
- Government's attempt of killing monopolies create them, governments attempt at giving every one big opportunity hurts the economy and hurts those it proclaims wants to help with these antitrust laws, they destroy competition and individual enterprise.

