Definition of 'monopoly'

Government, Capitalism

Definition of 'Monopoly' A situation in which a single company or group owns all or nearly all of the market for a given type of product or service. By definition, monopoly is characterized by an absence of competition, which often results in high prices and inferior products. According to a strict academic definition, a monopoly is a market containing a single firm. In such instances where a single firm holds monopoly power, the company will typically be forced to divest its assets. Antimonopoly regulation protects free markets from being dominated by a single entity. Explanation 'Monopoly' Monopoly is the extreme case in capitalism. Most believe that, with few exceptions, the system just doesn't work when there is only one provider of a good or service because there is no incentive to improve it to meet the demands of consumers. Governments attempt to prevent monopolies from arising through the use of antitrust laws. Of course, there are gray areas; take for example the granting of patents on new inventions. These give, in effect, a monopoly on a product for a set period of time. The reasoning behind patents is to give innovators some time to recoup what are often large research and development costs. In theory, they are a way of using monopolies to promote innovation. Another example are public monopolies set up by governments to provide essential services. Some believe that utilities should offer public goods and services such as water and electricity at a price that is affordable to everyone.