Monopoly of governors who establishes policies, procedures

Monopoly is a situation where there is only a single seller of a given product (a good or service) in the market (Sharkey, 1998). It emerges when the product has no close substitute.

The government policies on monopolies such as prohibition, permitting or regulating activities usually affect businesses and society as a whole (Geddes, 2000). Monopoly has two extreme cases namely pure monopoly and pure or perfect competition. According to Posner (1999), pure monopoly is when one company controls completely the supply or sale of a product with no close substitute. Pure or perfect competition on the other hand occurs when there are several sellers of identical products in the same market (Posner, 1999).

Natural monopoly

Natural monopoly is a circumstance that occurs in the market when the average cost of production reduces as compared to relevant range of product demand (Sharkey, 1998). The relevant range of product demand is whereby the average cost curve falls below the demand curve making it is cheaper for a single large firm to provide for the market as compared to multiple smaller firms (Mckenzie, 2008). The government intervention is therefore necessary failure to which such markets would naturally turn to monopoly exploiting consumers through high pricing and limiting supply.

Government-granted monopoly

This is a form of monopoly whereby the government provides exclusive opportunity to a firm or private individual to be the only supplier of good or service to the market (Sharkey, 1998). In such a market potential competitors are barred through legislations that are enforced by the government as patent, copyright and trademarks (Geddes, 2000). The current monopoly in the Unites States of America is the United States Postal Service. This is an independent agency of the government.

It was established in 1971 to solely provide postal services in the America. . However, the first postal service in America was established in February 1692 through a grant from King William and Queen Mary to Thomas Neale to initiate a body that would receive and dispatch letters in the colony (Sharkey, 1998). The agency is currently administered by Board of Governors who establishes policies, procedures and rates that are applied in all services provided. The United States constitution has given the congress the authority to make laws that regulate delivery of mails thereby creating government-granted monopoly as the competitors are barred(Mckenzie, 2008).

Impacts of Postal Service monopoly in United States of America

This monopoly has had several adverse effects on the consumers of the services offered by the agency. To start with, it has led to the existence of low quality services as mails are sometimes mishandled hence getting torn as well as recording high number of mails getting lost. Secondly, it has led to constant increase in prices of postage stamps and other delivery services leading to the emergency of other companies such as the United Parcel services.

Similarly, monopoly has led to slow advancement to technology within the sector as old methods of mail delivery are still applied such as use of motor vehicles instead of planes. This is evident as the agency has taken long to embrace technology as noted in 2007 through adoption of electronic postage payment methods. However, being a government granted monopoly, the government provides incentives to the agency to stabilize prices of mailing and stamps (Sharkey, 1998). The stamp copyright and reproduction act has also helped the agency to reduce forgery and unhealthy completion hence being fore ahead of their emerging competitors. Several professional economists have accused the agency of limiting supply. Rick Geddes argued that rural customers not able to get the goods due to lack of competition and are likely to pay more if goods are taken to them.

Secondly, they argue that the government should award competitive contracts to private firms to provide the same services so as to reach all citizens (Geddes, 2000). This would uphold the notion of fairness through elimination of cross-subsidy that makes citizens reside in areas in which these services are found. In conclusion, monopoly is considered an evil of economic development and enjoyment of customers' rights. The government intervention in the provision of goods and services therefore ensures these rights such as stable prices, adequate supply are achieved Posner, R. (1999).

Pressure groups and the human right agencies have spearheaded calls by government to intervene in cases of natural or government-granted monopolies.

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