

With the internal
industries or other
tools which



With a long history of bilateral and multilateral trade, policies and trade liberalization, negotiations of creating independent market environments have been a major issue of discussion in the recent past. Free market entails allowing markets rule themselves by allowing the free flow of goods and services, but in the past the government has had to regulate the market either by introducing trade tariffs, which seek to protect the internal industries or other tools which seek to set the market in order to guide the economy in an acceptable manner. Economic or industrial regulation can be described as the interference of the market by the government.

Government's aim of interfering with the market is to influence the behaviors of firms or even individuals in the private sector engaging in the provision of goods and services. These regulations are aimed at protecting the public from exploitation. Several tools exist through which the market regulation takes place and they include: price controls, taxes, interests and quotas thus regulations are used to improve the efficiency to which the society is allocated resources and alter income distribution in order to achieve certain goals. Industrial regulation affects oligopolies in such a way that for example with an oligopolist mutually aware his action will trigger reactions from others, tend to have stronger incentives to substitute anti competitive with cooperation for vigorous competition thus what may follow is a coordinated interaction.

This causes the intervention by the government to regulate chances of cartel formations and thus the operations of oligopolies are interfered with as they cannot raise the prices as they would wish. The government allows them only to raise prices to levels which are socially acceptable. Another market

structure affected is the operation of a monopoly. This is due to the fact that industrial regulation controls the market power by allowing free competition, market stabilization, and expansion of investments. This in return introduces more market players, several buyers and several sellers and operation of monopolies becomes curtailed.

Social regulation is the imposition and enactment of laws and policies, which seek to protect the society from harmful or hazardous corporate or individual behavior. It is simply concerned with the protection of the society against over exploitation, for example: production methods, the product attribute such as its quality, information disclosure for instance on the usage and includes the government rule on environmental protection, healthy, and fairness among the market players. It promotes what is deemed or has been assessed and declared as socially desirable. Social regulation affects both the private and public entities. The government ensures that what the private sector provides in the market is suitable for the public both in terms of quality and quantity. Thus social regulation protects the consumers, workers and environment from deceptive acts of the private sector. By introducing commissions such as the Environment Policy Act, the government ensures that the activities of the private sector do not threaten or overlook the safety regulations of the public as a whole.

Through this, the public sector is not cheated, duped or exploited by the private sector. Social regulation differs from industrial regulation in that it is usually applied across the board too many or all industries and usually affects many people since it involves the government regulating all the details of production thus everybody involved in the production process has

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to comply. The private sector argues that social regulation is not economical as most of the times marginal costs exceeds marginal benefits leading to over regulation. This causes most of the private entities to change their production processes for example by adopting new technologies that support the required guidelines thus causing disposal of assets before their period. A natural monopoly is a firm producing a single homogenous product which other industry would like to produce but cannot due to cases of government protection or the capital required for such venture is not affordable or even the importance of the product to the society thus it might be deemed unsafe allowing everybody to provide the service. Natural monopolies are usually established as a result of government special interests as they enhance efficiency by encouraging innovations.

Costs of production, which make one producer more efficient than the other, can also force the establishment of a natural monopoly due to the expected high returns of scale. As a matter of fact, high market concentration does not always guarantee the absence of competition; sometimes it can reflect the success of a firm. In the production theory, sometimes monopolies can be favored by their better chances of exploiting the economy of scales reaching market equilibrium faster by producing more goods or services at a relatively low cost than it would be in a competitive market.

Since these firms make profits at an abnormal rate, this may lead to adoption of advance technologies in the long run which can aid at producing quality products for consumers at a reduced price. Monopolies often exist in provision of basic services, for example, in the water industry where existence of several firms would result in multiplication of water pipes which

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would be costly to both the public and the private sector and thus most of the times the government gives natural monopolies to certain government affiliated companies to provide the services (Joskow, 2005). Premised on the fact that free trade benefits the economy, the antitrust laws of the USA seeks to prevent the anti competitive business behaviors which could be displayed by some of the major firms. The Sherman Anti-Trust Act of 1890 was the first antitrust law, which has since then undergone amendments with the most well known being the “ Clayton Act of 1914 and the Robinson-Patman Act of 1936.

Congress also created a regulatory agency to administrate and enforce the law, under the Federal Trade Commission Act of 1914” (Hartman, 1997: Par 3) The four major pieces that the antitrust laws seeks to control are “ Agreements between competitors, contractual arrangements between sellers and buyers, the pursuit or maintenance of monopoly power, and mergers”, (Hartman, 1997: Par 2) Agreements between competitors is checked under the Sherman Act of 1890, which seeks to prohibit every contract or conspiracy between two or more companies which seek to monopolize market for any product. The act authorized the Federal Government to dissolve trusts and established penalties for the persons convicted for establishing such combinations. The Clayton act which also falls under the antitrust laws seeks to address specific practices where the effect may interfere with free and perfect competition. This act covers practices such as creation of mergers and acquisitions which may lead to a creation of a monopoly. The act prohibits exclusive sales contracts, local price cutting to freeze other market players.

The only secluded sectors are the labor unions and agricultural cooperatives from these combinations that restraint trade. Robinson- Patman Act is another antitrust legislation which seeks to deal with discriminatory prices in the market charged to competitors. The purpose of this act is to protect small businesses by controlling the ability of large firms to engage in large discriminatory discounts due to their huge purchasing power. This law specifically bans the charging of different prices to different buyers. The act seeks to help the small buyers who might be disadvantaged when it comes to competition with the larger firms.

The Federal Trade commission Act is the last piece of antitrust law and this act seeks to disallow the use of unfair and deceptive practices under this act, behavior which might not be illegal under the other said acts may however be unlawful under the FTC act. The Federal Trade Commission simply enhances consumer confidence by enforcing the federal laws which seek to protect consumers. It also ensures that consumers are well equipped with free information which can help them in exercising their rights and spots to avoid deception. The US Federal Energy Regulatory Commission which is served with the function of ensuring compliance in line with the laws, regulations and any existing tariffs that exist in USA. The next commission is the Postal Regulatory Commission which advises the government on the legislations that need to be enacted with matters concerning market products and the expected consumer price index cap. Another commission is the Federal Communications Commission which has the jurisdiction over radio, telephone communication and television the commission is served with the function of regulating the monopolistic nature of firms search as the

American Telephone and Telegraph Company. The other commission, Securities and Exchange Commission interprets federal security laws, issues new rules and amends the existing ones while also overseeing the inspection of securities firms, brokers and investment advisers among others and finally the US Federal Nuclear Commission whose main function is to protect the people of USA from nuclear compounds by ensuring the safety of nuclear production and other civilian uses of nuclear substances.

With the increased attention towards civil rights, environmental concerns and consumer issues, there has been establishment of regulatory agencies which are: The Equal employment Opportunity Commission which is served with administering of civil rights, the commission coordinates the federal efforts at affirmative action for the employment of minority races and women. It enforces law against discrimination and investigates discrimination complaints against race, gender, age and religion. The second regulatory commission is the Environment Protection Agency which is charged with the responsibility of ensuring that industries adhere to the set rules which ensure that there is limited water and air pollution and also the disposition of hazardous wastes by companies is checked by this commission.

It does this through by writing and enforcing rules as directed by the congress. The Occupation Safety and Healthy Review Commission is another regulatory commission charged with the role of developing regulations at work place. It is supposed to conduct inspections at work place and ensure that the working standards under which workers are exposed to are conducive. It ensures employees work under environment free of toxic

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compounds. The Consumer Product Safety Commission ensures that safety standards on potentially lethal and dangerous items such as hand tools and lawn mowers, flammable products, children toys are enforced by the industry players involved any unreasonable injury which may result from using such items is checked by this commission. Finally we have the Federal Election Commission which is an independent regulatory conducted in the US. The commission regulates election financing since its main function is to disclose the source of money used during election campaigns.

They do this through enforcing the provisions of the law such as the limits and oversee the funding of presidential elections

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