

Many people associate “Monopoly” with a board game; in reality, the economic theory of Monopoly can be traced back to the theory of Perfect Competition. The definition of monopoly is: “a situation in which one firm produces all of the output in the market” (text book). We live our day-to-day lives not realizing what monopolies have become social norms. For example, the U.S. Postal Service. Although logistics companies such as FedEx and UPS exist, the Post Office remains the only company authorized to deliver to an actual mailbox or P.O. Box. This creates the monopoly that the Postal Service needs to continue offering its services. Another well-known monopoly is actually held by two companies, Microsoft and Apple. Both companies create premium operating systems; however, there is not much competition for smaller software firms. In the same instance, while it may reduce the competition with software programs; it increases the demand for jobs in technologies. These are often high-paying jobs with good benefits.

Monopolies can be good or bad, depending on a number of factors and scenarios. As mentioned above, although there is a monopoly with Microsoft and Apple it can lead to a different type of benefit for the economy, the job market. When a company has no competition and saturates or dominates the market, it can create unnecessary high prices, purely for the profits. While the pricing may frustrate consumers, it can work in their favor, eventually. Monopoly creates an opportunity for competition. Entrepreneurs can strive to create and invent new products or approaches to the monopoly in the market. Smaller businesses may not work in every industry, but there are still opportunities for people to invent and develop products. If their product is identical to their counterparts, we would call that “perfect competition”. It may be easy to mimic another product, especially of a large competitors, sometimes it can lead to infringement of physical and/or intellectual property. These properties are often protected by copyrights, trademarks, and/or patents. Smaller businesses must be diligent in their research and development of products, especially if they are striving for something that would work in perfect competition, to avoid any potential violations. Encroaching on another person’s or company’s ideas can be a costly mistake and lead to the business being forced to stop production (cease and desist), which may lead to businesses being closed. Again, a monopoly is created.

This leaves us questioning, how can the “American Dream” continue to exist if monopolies begin to increase? In today’s society we see how consumers are beginning to respond to choosing small businesses over large companies/corporations. Some are calling it a grassroots support movement. This year marks the eighth anniversary of American Express’ (AmEx) creation of “Small Business Saturday”, which is the Saturday after Thanksgiving. The concept is to use AmEx’s marketing channels to remind consumers to shop local, shop small. In 2017, AmEx found in a Customer Insights Survey that “as much as 80% of all consumers surveyed say at least some of their holiday shopping will be done at small, independently-owned retailers or restaurants.” (americanexpress.com). Additionally, in 2011, Congress designated the Saturday after “Black Friday” as a National Small Business Saturday.

Government intervention is sometimes needed to keep monopolies from running smaller and/or new businesses out of business. Often, large companies will use a tactic called “Predatory Pricing”. They will drastically reduce the prices for a short amount of time, for the benefit of

maximizing profits in the long run. Sadly, this usually means the smaller business is forced to close its doors. However, there are legal cases, which have convicted large corporations of the practice of predatory pricing. Typically, after this type of case, the companies are fined and must restructuring their pricing and profit building methodologies. While Monopoly as a games is very simplistic, the ebbs and flows that monopolies create in economies are quite complicated. Some may even use the colloquialism that monopolies are “a necessary evil”.

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