CONCEPT: ANTITRUST LAWS AND GOVERNMENT REGULATION OF MONOPOLIES

● ***Antitrust laws*** limit the market power that monopolies can gain. Some relevant U.S.A. statutes include:

☐ Sherman Act of 1890: Prohibited ***collusion*** and price fixing

- ***Collusion*** – an agreement among firms about quantities to produce or prices to charge

☐ Clayton Act of 1914: Prohibited from buying competitors' stock or serving on competitor's board of directors

☐ Federal Trade Commission Act of 1914: Created the FTC to help enforce antitrust laws

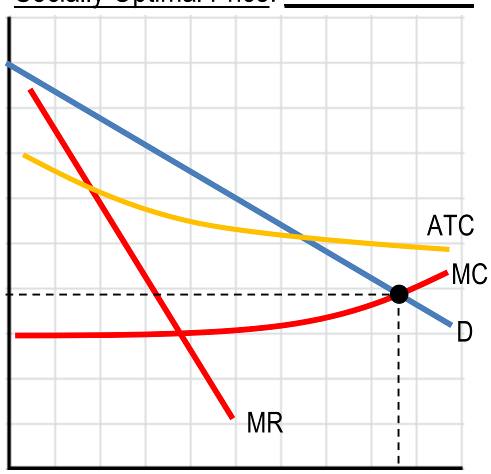
☐ Robinson-Patman Act of 1936: Prohibited price discrimination that reduced competition

☐ Cellar-Kefauver Act of 1950: Prohibited ***mergers*** that would reduce competition

- ***Merger*** – two or more firms becoming one firm

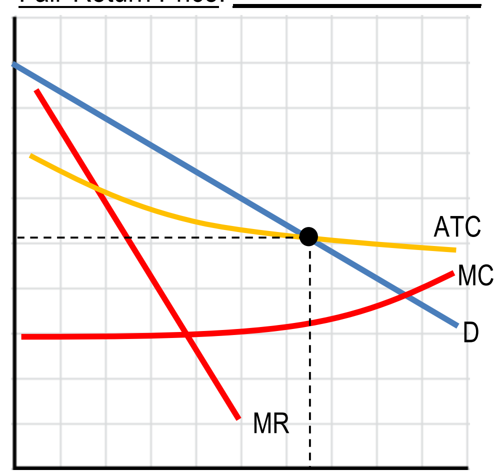
● The government can also regulate the prices monopolies can charge using ____________________

Socially Optimal Price: ____________



- Maximizes efficiency and total surplus
- Could result in losses for the monopoly
- No incentive to minimize costs

Fair-Return Price: _______________



- Less deadweight loss than unregulated
- Monopoly earns zero economic profit
- No incentive to minimize costs