

BASIC ECONOMICS

CHAPTER 8: Regulation and Anti-Trust Laws

QUESTIONS

1. How does a regulatory commission — whose initial purpose was to prevent a few large companies from unfairly charging high prices because there is no competition — end up supporting a monopoly or oligopoly?

Since there is no real life competition to show what the cost could be the commission has to rely on what APPEARS to be the cost of production and profit. also once regulation commissions are put in place they are not paid attention to except by the groups that are affected by their decisions so those groups can impact decisions.

2. During the COVID pandemic, governments passed orders that businesses shut down temporarily, and when they did open, to operate under scaled-back capacity. What were the economic “ripple effects” of these decisions?

prices went up, people remained unemployed longer, companies made less profits, so production was slowed, so shortages were real and then prices when up again as demand grew. employers cut employees, wages decreased due to less hours worked, rent and other utilities went unpaid due to lack of work available

3. Journalists like to describe large companies as using their buying “power” to “force” suppliers to give them volume discounts. Think about that for a minute. Are these suppliers really “forced” to sell to Target or Best Buy? Should the government “do something” about these volume discounts? Who has more power in the U.S. to force manufacturers and retailers to do things a certain way, governments or big businesses?

No, suppliers are not forced to sell to big companies. No, the government should not. Big businesses.

4. The percentage of sales in a certain industry by a particular company is said to be the portion that the company “controls.” Why is this illogical thinking?

Because if they had control they wouldn't be out of business, substitutions can be used by companies to change control.

5. When do you think it would be appropriate for government to step in and regulate an industry or break up/control a monopoly?

The only times its beneficial is to prevent collusion to fix prices.