Monopolies, mergers and restrictive practices

Some firms use anti-competitive practices in order to improve their own position in the market at the expense of rivals. The net result is that production is not as efficient as it could be in the market place and the consumer loses out.

A pure monopoly exists when there is only one firm in a particular market. There are very few situations in which there is a pure monopoly but many situations are where large firms use their market power to dominate a market, and push up prices. In 1998 the government created a body called the Competition Commission which sets out to create fair competition. The Competition Commission investigates cases where it is felt that organisations are trying to prevent fair competition. If it is found that a firm is exerting monopoly powers then it can be ordered to change its practices, and can receive heavy fines and other penalties.

Mergers take place when two or more firms join together.
Anti-competitive practices exist where firms prevent others from competing freely with each other - for example, a supplier of products who fixes the prices at which retailers can sell their products is being anti-competitive.