MONOPOLIES CAN SOMETIMES BE JUSTIFIED

It is a common belief that monopolies are beyond doubt extremely harmful to the economy. Passionate advocates of free competition argue that monopolies charge exorbitant prices while reducing output and consequently should be avoided like the plague.

However, an in-depth study of the problem is likely to cast doubts on whether monopolies should be eradicated from the world once and for all.

To start with, there are often cases of a natural monopoly, in which the efficient existence of more than one producer is impossible. It would certainly be ridiculous to lay a number of separate networks of pipes or cables belonging to different suppliers of public utilities.

Moreover, large companies enjoying well-established dominance of the market usually have considerable human and financial resources at their disposal. Therefore they can afford to devote large amounts of money to research and development, which benefits the whole society.

Finally, we should not be oblivious of the undesirable consequences of fierce competition, in the face of which companies such as airlines and the like might want to reduce their costs by lowering safety standards.

From the above-mentioned facts we can draw the conclusion that, as the saying goes, every cloud has a silver lining.