What is a monopoly?

KS3 KS4 Ages 11-16 ⏰ 3 min read

You've probably played the board game. But in real life, a monopoly isn't just a fun family argument — it's one of the biggest problems in modern economics, and governments spend a lot of time trying to prevent them.

What a monopoly actually is

A **monopoly** happens when one company is the only seller of a particular product or service in a market. With no competition, that company can set whatever price it likes, offer whatever quality it fancies, and customers have no choice but to accept it — or go without.

True monopolies are rare, but **near-monopolies** are common. For a long time, Google handled over 90% of all internet searches. Several countries had a single national telephone company. In some towns, there might be only one supermarket for miles.

Imagine there's only one shop in your village, and the nearest alternative is a 40-mile drive away. The shopkeeper knows this. So they start charging £5 for a loaf of bread. You moan about it, but you still buy the bread — because what choice do you have? That's monopoly power in practice.

Why are monopolies bad?

Competition is what keeps businesses honest. If one company charges too much or makes a rubbish product, customers leave and go to a rival. The original company then has to improve or lower its prices to get them back. This constant pressure is what drives quality up and prices down.

Remove the competition, and that pressure disappears. Monopolies tend to charge higher prices, invest less in improving their products, and treat customers worse — because they can. There's no one else to run to.

What governments do about it

Most countries have **competition laws** (called antitrust laws in the US) that prevent any one company from dominating a market too completely. Regulators can block company mergers that would create a monopoly, break up companies that have grown too dominant, or fine them heavily for abusing their position.

The tech industry is currently a big focus. The EU has fined Google billions of euros for favouring its own products in search results. The US government has taken Amazon, Apple, and Meta to court over similar concerns. When a company gets powerful enough, regulators start paying very close attention.

Not all monopolies are bad

There are some situations where a monopoly is actually sensible. You don't want two separate companies digging up the roads to lay competing water pipes. **Natural monopolies** — like water, gas, or railways — often work better as a single network, which is why governments tend to regulate them tightly even if they're privately owned.

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