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- **Monopoly :**

The monopoly describes an industry by comprising a single firm. In other words, the firm and the industry are one and the same. In the absence of regulation, monopolists can exercise control over the prices they charge for products and services.

Of course, in reality, it is often difficult to define industries (whether in terms of product produced or area covered), which often causes problems in defining monopolies.

The three main assumption of monopoly are:

1. **Single firm:**

In a monopoly, there is a single firm which produces all the output of the industry.

In other words, the firm and the industry are synonymous. Consequently, the demand curve the monopolist faces is in fact the same as the industry demand curve.

2. **Unique product :**

Unlike perfect competition (where all firms produce identical products), the monopolist produces the only product. In other words, there are no close substitutes being produced by other firms. This means that consumers can only buy output from one firm.

For example, traditionally in the UK before the deregulation of the 1980s and 1990s, ~~coast~~

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customers could only buy gas (British Gas), telephony (British Telecommunications) and postal services (Post Office) from a single supplier.

3. Barriers to entry:

One of the main reasons why monopolist arise and are sustained, is that barriers to competition exist - more specifically, barriers to entry and exit. Barrier to entry can be defined generally as anything that places a potential entrant at a competitive disadvantage relative to firms already established in the industry.

Entry barriers can arise in three ways, namely government regulation (legal barrier), the technical condition prevailing in the industry (structual barriers) and by the actions of established firms (strategic barriers).