Teacher Answer Key

Case Study

1. AT&T claimed one company running all the phone lines was cheaper than several companies building duplicate systems. Customers did get dependable phone service out of that arrangement.

2. Splitting the company into the regional Baby Bells let competitors into the market. Prices came down, service got better, and new technology like mobile phones and internet access followed.

Multiple Choice

1. B

2. C

3. D

Matching

1-B, 2-E, 3-D, 4-C, 5-A

Fill-in-the-Blank

1) Price makers, 2) Patents (or: high startup costs, legal restrictions), 3) Utilities

Short Answer (Sample Responses)

Q1: Monopolies encourage innovation by ensuring firms can recover R&D costs but reduce efficiency by limiting competition, which often leads to higher prices and lower quality.

Q2: High barriers to entry, like infrastructure costs or legal protections, restrict new firms from entering the market, ensuring the monopoly retains control.

Q3: Governments regulate monopolies to prevent abuse of power, ensure fair pricing, and foster competition, as seen in cases like the AT&T breakup.