BEARS – hope to profit predicting a decrease in the value of a stock. They are said to "**sell short**". Expecting the price of a stock to fall, they borrow a stock from their brokers and sell it at today's price.

Answer the following questions.

1. How do large corporations raise their funds?
2. What is the difference between bondholders and stockholders?
3. What kinds of stocks do you know and what's the difference?
4. What are the two ways the preferred stockholders are treated?
5. What is SEC responsible for?
6. How do you understand the principle of caveat emptor?
7. What does a prospectus contain?
8. What is the difference between investors and speculators?
9. How are stock market speculators divided?

Define the following words and expressions.

raise	share
funds	liquidate
treatment	prospectus
caveat emptor	buy long
speculator	board
entitle assets	securities
essential	investor
bulls and bears	sell short

1.18. MONOPOLY

To protect the market system the governments of many countries have **enacted** ***ANTITRUST LAWS***, which prohibit practices that reduce competition and increase the power of ***MONOPOLIES***. **Monopolies** are firms that have so much control over a market that they can set the price at which their goods are sold and which yields the greatest profit. A market in which there is only one seller is a monopoly. In a monopoly a single firm **determines** supply. This gives that firm the power to select any price it chooses along the **demand curve**.

Monopolies have the following characteristics:

- A single seller or monopolist.
- No close **substitutes**. No other firm offers a similar product. Buyers must either pay the monopolist's price or do without it.

- **Barriers** to entry. Competing firms are unable to enter a market because the **capital requirements** are too great.

Today most monopolies are **illegal**. However, the law does allow for monopolies in certain situations. Legal monopolies include:

- ***PUBLIC UTILITIES*** which provide an essential public service including electric, gas and water companies. **Competition** in this field might **harm** public interest.
- ***GOVERNMENT LICENCES*** which **grant** a particular business the right to operate without competition.
- ***PATENTS*** which give the inventor the exclusive use of a new product or idea for 17 years (USA). The products of certain industries, such as aluminium, chemicals and electronics are protected by patents. Competing firms cannot enter those industries unless they pay the **patent holders** for **permission** to use the process or find a new method of production not covered by existing patents.
- ***COPYRIGHTS***- the exclusive right given to the authors of original writing and artists to sell or reproduce their work. That **copyright** is a special monopoly for the lifetime of the author plus 50 years.
- ***TRADEMARKS*** are special designs, names or symbols that **identify** a product service or company. **COKE™** is a trademark of the Coca-Cola Company.

Answer the following questions.

1. What laws have been enacted to prohibit monopolies?
2. What firms can be defined as monopolies?
3. What power do such firms have?
4. What characteristics do the monopolies have?
5. What legal monopolies do you know?

Define the following words and expressions.

barriers	enact
grant	illegal
monopoly	permission
capital requirements	demand curve
patent holders	competition copyright
determine	substitutes
identify	harm