### Contents

Preface  xiii

**CHAPTER 1  “THE WRETCHED SPIRIT OF MONOPOLY”  1**
Smith, Bentham, and Ricardo on the “Evils” of Monopoly  4  
Bastiat and Marx on Monopoly as “Plunder”  9  
Marshall on the “Net Revenues” of Monopoly  13  
Schumpeter on the Vital Role of the “Monopoloid Specie”  15  
The Schumpeter Hypothesis  19  
Concluding Comments  22

**CHAPTER 2  DEADWEIGHT-LOSS MONOPOLY  25**
The Efficiency of Perfect Competition  26  
The Inefficiency of Monopoly  30  
The Locus of Market Failure: Firms?  34  
The Locus of Market Failure: Consumers?  36  
The Added Waste of Rent Seeking  37  
The Imperfection of Perfection  39  
Zero Economic Profits  42  
Transitionary Economic Profits  47  
Economic Profit as a Source of Capital  48  
Market Efficiency and the Count of Competitors  50  
Concluding Comments  52

**CHAPTER 3  MONOPOLY AS A COORDINATION PROBLEM  54**
The Conventional View of Monopoly  56  
An Unconventional View of Monopoly  57  
Changes in Agency Costs  62  
Innovation  63  
Concluding Comments  63  
Appendix: Agency Costs and Cartels  64
CHAPTER 4 WELFARE-ENHANCING MONopolies 67
   The Paradox in the Microsoft Antitrust Case 68
   Unraveling the Paradox 72
   Digital Markets 75
   The Relevance and Potential Welfare Value
     of Entry Barriers 81
   The Problem of Digital Piracy 87
   Once Again, Why Monopolies? 90
   The Microsoft Problem for Microsoft’s Competitors 91
   Concluding Comments 94

CHAPTER 5 LOCKED-IN CONSUMERS 96
   Consumer Lock-In 96
   A Product with Network Effects: A Model 100
   Efficiency Considerations 104
   Creating Networks 106
   Concluding Comments 109

CHAPTER 6 MONOPOLY PRICES AND THE CLIENT AND
   BONDING EFFECTS 110
   The Client Effect 110
   The Bonding Effect 122
   Concluding Comments 123

CHAPTER 7 THE MONOPSONY PROBLEM 126
   The Conventional Monopsony Model 127
   The Mysterious Existence of Monopsony 130
   The Monopsonistic “Company Town” 135
   Firm and Worker Mobility and Monopsony
     Market Power 139
   Concluding Comments 140

CHAPTER 8 THE NCAA: A CASE STUDY OF THE MISUSE OF
   THE MONOPSONY AND MONOPOLY MODELS 143
   The Conventional Cartel Argument against the NCAA 146
   Science as Ideology 153
   The Mistaken Presumption of “Underpaid” Athletes 155
   The Mistaken Interpretation of Cheating 157
   The Mistaken Presumption of Monopsony Power 159