

Monopolistic Behavior Will Constrain Economic Growth Of A Country - Sultan Nazrin

PETALING JAYA, March 6 (Bernama) -- Monopolistic behavior within the economic realm of a country would constrain their economic growth, said Sultan of Perak Sultan Nazrin Shah.

He said when firms begin to display monopolistic behavior, consumers were the biggest losers.

"The danger of such behavior was recognised by Adam Smith, known as the father of economics in his book 'Wealth of Nations', in which he noted that a monopoly granted either to an individual or a trading company had the same effect as a secret in trade and manufactures.

"He went on to say that when people of the same trade meet, it always ends in conspiracy against the public, or in some contrivance to raise prices," the sultan said before gracing the opening of the Malaysia Competition Conference 2017 here, Monday.

He said while such meeting could not be prevented, it was the job of policy-makers to manage and regulate their outcomes.

"For Malaysia, it is the MyCC that plays this crucial and challenging role through their implementation of the 2010 Competition Act," he said.

However, Sultan Nazrin noted that from the perspective of economics, the question of regulating monopoly power came down to a comparison of costs and benefits.

"Sound economic argument can justify the need for non-competitive larger-scale operations in some settings, including those of so-called 'natural monopoly'.

"This refers to situations with high fixed costs and economies of scale, which require huge investments to reach optimal production levels," he said adding that this might justify the presence of a dominant market player.

In such cases, he said, rather than enforce competition policy, governments might adopt policies that encourage or protect them. He added that this was especially likely to be the case when the sector involved was deemed of national or strategic importance.

Sultan Nazrin also called on policy makers to produce a clear cut definition between 'anti-competitive' and 'fair behavior', in which as the global economy evolves towards cutting edge and sharing-based interaction.

He feared influential companies with dominant positions would likely take the opportunity to blur the line between both terms on the basis of their cutting edge Research and Development.

"In this way, a balance may be achieved between economic tendencies towards monopoly, the special requirements of natural monopolies and national development strategies, and the consumer welfare and growth benefits of competition," he said.

He added that it was very encouraging that Malaysia's Competition Policy was now in place and being applied as one of the many crucial elements of the country's broader regulatory framework.

"The MyCC must now work towards the further development of its approach in order to ensure it can fulfil effectively its challenging mandate.

"As the organisation itself puts it, it must proceed as if it were playing a highly sophisticated game of chess, in which clever strategy and tactics are required to fulfill the objective of creating a fair and healthy competitive environment," he said.

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