In 1970, a famous economist wrote:

"If a natural monopoly is producing and pricing efficiently, there is no need to bar competitive entry. It is economically unnecessary, and would not occur anyway."

Comment on the economic validity of this statement and the policy issues raised by the possibility of entry into the markets of regulated firms. Again, you are writing for an intelligent lawyer who has studied little formal economics, if any. As you compose your essay be sure to address the following points:

1) Explain what you think the author means by “producing and pricing efficiently.”

2) Do you agree with the statement as a matter of economic logic? If you do, provide a convincing verbal demonstration of the conclusion. If you disagree, provide a description of situations in which competitive entry might occur into the markets of a natural monopoly even though it was “producing and pricing efficiently.”

3) Clearly indicate the importance of the validity of the statement for public policy. That is, explain how optimal public policy would differ depending on whether the statement is true or false.

THIS ESSAY IS DUE IN SERHAN’S BOX BY TUESDAY, JUNE 1ST.