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The Behavior of the Company in the Conditions of Monopoly. Antitrust Policy of the State

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Abstract

The scientific article reveals the essence of monopoly, its types, the behavior of the company in the conditions of monopoly. The role of the state in regulating the activities of monopolies is considered. A set of measures on antimonopoly policy is proposed.

Key-words: Monopoly, Firm, Economic Profit, Income, Prices, Competition, Market Demand, Market Economy, Antitrust Policy.

1. Introduction

In the modern world, the majority of the population lives in states with a market economy, with free competition among manufacturers in the market. Consumers, in turn, give their preference to the most profitable goods and services that are more in line with the price / quality ratio. Enterprises (manufacturers), on the other hand, try to build production more efficiently so that the client gives his choice to their products. Of course, any company wants to increase the size of its production and improve the quality of goods sold / services provided, but at the same time optimize production as much as possible and reduce costs.

The market offers a wide range of products and services of various types, posing the buyer with two important questions: does this meet my needs and how does it differ from the competitor? Therefore, of course, in a market economy, in order to obtain benefits and increase sales, the manufacturer must not only produce high-quality products, but also raise their technical level, i.e. not to produce what is already outdated and what the competitor already has. If we talk about goods, then in order to improve the technical level of products, it is often necessary to modernize equipment and production techniques, which will make this product more attractive on the market in a highly competitive market.

However, the development and high-quality functioning of a modern market economy is hampered by such a concept as monopoly. Monopoly is a market structure in which a single large company controls the production and sale of a certain type of product (or service), i.e. in such a situation, there are no conditions on the market for fair and transparent competition, since a certain market is occupied by one large company. In such conditions, it can be said that a large company imposes on society and its competitors its own and beneficial interests, regardless of the current needs and real capabilities of the consumer.

In order to maintain the high-quality functioning and future development of the market economy, the state undertakes to regulate the optimal level of competition both in the entire market as a whole and in the industry, to prevent both monopolization of markets and and the formation of the monopolies themselves. The implementation of this obligation is embodied in the measures of the antimonopoly policy of the state.

Monopoly is the most striking indicator and the most obvious manifestation of imperfect competition, and it is in the conditions of market monopolization that the very existence of competition can only be partially recognized, since competition presupposes the division of economic power, the consumer has a choice, which is impossible with the existence of a monopoly[1].

One of the main functions performed and implemented by the state in a market economy is to ensure and support competition. A competitive environment and the presence of competition, in principle, are an important condition for the development of market relations. However, the formation of fair competition between producers is often hindered by monopolies and monopoly formations. Even in highly competitive countries, the monopolized market accounts for three or more percent of the gross national product (GNP).

[1] Microeconomics. Theory and Russian practice: textbook / group of authors: ed. A. G. Gryaznova and A. Yu. Yudanov. - 9th ed., Erased. - M .: KNORUS, 2011 .-- 374 p.

The problem of market monopolization is one of the most urgent for the economy at the present time - it hinders the development of market relations in our country, where most of the monopolies belong to the oil and gas and transport industries. The impact of these industries on the economy is especially great in the context of the economic crisis. Before starting to consider the essence, measures and goals of the antimonopoly policy of the state, it is necessary to first understand the following questions: what is a monopoly, what are the disadvantages of a monopoly, why it is impossible to allow the formation of monopolies, what monopolies are there.

Monopoly is a situation in the market in which only one organization regulates the volume of supply of a product and independently determines the price of a particular type of product. Based on the definition and owning a certain theoretical basis, the following main features of any monopoly can be distinguished:

1. The release of products on the market is controlled by only one manufacturing company, called a monopolist.
2. The products manufactured by the monopolist are unique and have no analogues on the market.
3. Pricing in the market is completely under the control of the monopolist, since he controls the supply of goods.
4. The entrance to the monopolistic market is completely closed, which means that there is no competition.
5. In the initial classification of monopoly by type, two can be distinguished at once: ordinary monopoly and absolute monopoly. In the case of an ordinary monopoly, it is possible that another player will enter the market relatively freely and will produce and sell the same product or provide the same services.

Absolute monopoly completely excludes this option, since the concept of "absolute monopoly" means a situation in the market when a company alone and in full owns resources for the production of goods or the provision of services, being with this company out of competition. For the sake of clarity, we can give an example from the modern social life of modern Russia. Thus, PJSC Gazprom can be called an absolute monopoly on the industry market. This company has the primary and absolute right to the production and sale of natural gas. In theory, all natural gas (from the bowels of the earth) belongs to this company. There is no competition at all. Limited access to the monopoly market has a different degree, based on this, even with the secondary classification of monopolies there are three types: closed, open, natural monopolies.

A closed monopoly arises as a result of the normative consolidation of the exclusive right of an organization to produce certain products. Regulations of this nature either discourage the emergence of other manufacturers in the industry or prohibit the use of someone else's intellectual property. The prohibition of the use of someone else's intellectual property is expressed primarily in patent law and the institution of copyright.

As for an open monopoly, it is characterized by the fact that an enterprise that has recently appeared on the market becomes a monopoly producer of a product due to the exceptional qualities of a product that is unique to the consumer. However, this type of monopoly is characterized by a short-term period of dominance of one firm and the transient deprivation of its title of "monopolist", since the products manufactured by the company are not protected by law, and therefore competing firms, other market players are not prohibited from copying products from others, and as a result, the product loses its uniqueness, monopoly ceases to exist.

Natural monopoly occurs when the long-term costs of an entire industry reach a minimum only when there is one firm in the market. In such industries, the optimal scale of production of a good is close to or exceeds the volume for which there is a demand, sufficient to cover production costs.

Market monopolization is a completely natural process for the market, since every firm seeks to absorb the whole industry. Nevertheless, some factors can be identified that contribute to the emergence of a monopoly:

- Constant absorption of companies by each other and their merger.
- Government policy: protectionism, legal barriers[2].
- The ownership of a particular firm of non-reproducible and rare resources.

And, of course, it is worth mentioning the positive and negative aspects of the monopoly structure of the market. The advantages, first of all, include the large technological capabilities of the monopolist. It is obvious that large companies have concentrated large capital, which allows them to work on a qualitative improvement of the product, which helps to reduce production costs. It is these companies that contribute to scientific and technological progress. They are also more resistant to various crises.

However, the following disadvantages of monopolies can be distinguished:

- More often than not, monopoly firms overcharge, conduct a pricing policy that is not entirely fair towards the consumer.

[2] Protectionism is the foreign trade policy of the state aimed at temporarily restricting the import of imported goods and supporting the production of similar domestic goods and services.

- A side effect of the absence of competitors is the low quality of goods.
- Monopoly deprives consumers of choice.
- The presence of a desire to stagnate, since there are simply no competitors who would keep each other "in good shape".

Obviously, everyone determines the very nature of such a phenomenon as monopoly, whether it is positive or negative. Based on the foregoing, in our subjective opinion, monopoly has more negative sides.

The behavior of the firm must be considered both in open monopoly and in closed monopoly. Let's start with an open monopoly, where a monopoly enterprise can choose two models of its behavior. The first involves setting a price that maximizes economic profit. This model is suitable for a shorter-term interval, and more often it is typical for the market of new goods or services, for which obviously inflated prices are set for the first time. However, this model is not long-term, since over time new organizations enter the market offering similar products to the consumer, and therefore the old company is forced to change its strategy in order to avoid bankruptcy and work “in the red”.

The other model is more tactful and advantageous. Here the firm sets a price that yields a moderate profit, and thus avoids the undue attention of potential competitors in the field. This strategy is more attractive to those low-cost firms that generate profits at a relatively low cost.

In the case of a closed monopoly, firms appropriate the rental income. Under such a model, there is a struggle between two parties: one seeks to preserve rental income, the other does everything to break down barriers to gaining access to this income. The main threat to an enterprise operating in a closed monopoly is the emergence of firms producing substitute goods. This leads to a decrease in demand for monopoly products.

Obviously, prices under monopoly conditions are set by the monopoly firm, proceeding from their specific goals. Since there is one firm on the market, this means that the demand curve of the enterprise coincides with the demand curve of the industry. The monopolist has a choice: he can reduce or limit the volume of sales in order to maintain a high price, or he can reduce the price to increase the volume of sales. The graph looks like this.

Because of the barriers to entry into the industry, the monopolist secures itself from potential competitors and supplies itself with long-term profits.

According to the form of existence, monopoly is divided into four types:

- Cartel (major market players cooperate and, through collegial decisions (collusion), determine prices and divide the sales market, but at the same time retain financial independence).
- A syndicate (an association that is engaged in joint sales of products and as a result of distribution of profits, while maintaining production independence).
- Trust (a society in which there was a complete unification of property for joint production and sale of products, while financial and production independence is lost).
- Concern (association of trusts or companies depending on a particular monopolistic group and type of market).

To determine a monopoly market, it is necessary to evaluate a number of criteria for the functioning of this market. So, there are the following signs of a monopoly:

1. The monopolistic market is represented by one large seller and many buyers.
2. Manufactured products are irreplaceable and non-analogous (unique, ie there are no substitutes).
3. Entry of new firms to the market is extremely difficult or impossible due to the presence of barriers. Barriers include: the presence of a production license, a product (provision of a service), a major player has a monopoly on any type of activity, large enterprises and lower prices for the goods they produce).
4. Difficulty or impossibility of obtaining complete and objective information regarding the entire market.

The advantages of a monopoly are extremely few, but there are more than enough disadvantages.

The pluses include:

- The profitability of using the services of a large and wealthy monopolist in some areas of the economy, where imposing duties on a non-monopolist may be impractical.
- The greatest resilience during crises and a difficult economic situation in the country.

At the same time, the cons:

- Total or almost total control over pricing in the market (either too high or too low prices are set).
- Irrational distribution of resources (all or almost all resources (goods and services) are under the jurisdiction of one monopolistic company).

- Lack of competition (the lowest level of incentives to develop and improve the price / quality ratio).
- Economic stagnation in the market and slowing down of scientific and technological progress.
- The ability to take the form of an administrative dictate (replacing the economic mechanism).

After analyzing the balance of pluses and minuses, one can come to the conclusion that the monopoly market is extremely ineffective, with the exception of some situations when the monopoly can meet high requirements, when other players are unable to do so for a number of reasons.

The impact on the economy is due to the fact that the monopoly from the very beginning suppresses and removes competitors from the market, i.e. eliminating partially or completely competition, and its inherent advantages. Monopolies also negatively affect pricing, this factor is clearly visible when the average prices for goods and services increase. In the course of their activities, monopolies are interested in making demand predictable in their own interests, but not in the interests of the consumer.

The action of market competition and a free market inevitably gives rise to a monopoly that changes the conditions of competition, and the mechanisms of the functioning of the market system are under attack.

Due to the high level of concentration of economic resources, monopolies create opportunities for accelerating technological progress. However, these opportunities are realized in cases where such acceleration contributes to the extraction of monopoly high profits. Joseph Schumpeter and other economists have argued that large firms with significant power are desirable in economics because they accelerate technological change, since firms with monopoly power can spend their monopoly profits on research to protect or strengthen their monopoly power. By doing research, they provide benefits to themselves and to society as a whole. However, there is no convincing evidence that monopolies play a particularly important role in accelerating technological progress, since monopolies can delay the development of technological progress if it threatens their profits.

Therefore, in order to regulate the activities of monopolies in a market economy, it is necessary on the part of the state to pursue an antimonopoly policy.

Antimonopoly policy of the state is a set of measures implemented by the current government in order to combat unfair methods of competition and prevent market monopolization.

Of course, the main instrument for implementing such a policy is the legislative activity of the state, which is understood as the publication of normative legal acts that consolidate the system of rules for the functioning of the market and prevent the absorption of an entire industry by one firm. This takeover should be prohibited by law, and accordingly, in case of violation of the rule of law, certain sanctions should be applied to the company seeking to monopolize the market. In the current legislation of the state, the prohibition of various kinds of restrictions on freedom of competition should be enshrined.

Also, the state, as an antimonopoly policy, can create state bodies, departments that analyze and monitor the market in order to identify violations of competition. Favorable competitive environment in the spheres of activity of economic entities that are not natural monopolies:

1. Equal access to goods (works, services) of natural monopolies, and the development of competition in potentially competitive types of their activities.
2. Termination of anticompetitive interference of government bodies in the functioning of markets, high efficiency of budget expenditures when placing state and municipal orders.
3. Effective implementation of state policy in the field of control over foreign investment in business entities of strategic importance for ensuring the country's defense and state security."

These goals can be attributed to state organizations that pursue the goal of preventing monopolization of the market, any state. Such bodies may have the following powers: to initiate and consider cases of violations of antimonopoly legislation; to bring to legal responsibility for violation of the relevant legislation; bring claims of violations to the courts.

Moreover, within the framework of antimonopoly policy, the state can help saturate the market with manufacturers that produce scarce goods and services by supporting entrepreneurship (large and small) by stimulating various incentives, as well as creating state-owned enterprises, which will also lead to the emergence of competition in the industry.

In general, by regulating the market by various methods, the state can pursue the following goals:

1. To create conditions that have a beneficial effect on the development of healthy competition.
2. Remove barriers blocking entry to the industry for new manufacturing firms.
3. Prevent situations in which the industry will be controlled by one organization.
4. Adopt legislation providing for certain sanctions for violation of the rules of healthy competition.

One of the most important components for maintaining a stable level of competition and ensuring socio-economic stability is the state antimonopoly policy, which is pursued by the state directly through special authorities and administration, exercising total state control over compliance with the legislation related to the competition law system.

Thus, antimonopoly policy is a complex of administrative, economic and legislative measures of the state aimed at ensuring and maintaining the efficiency of the functioning of a competitive market, as well as optimizing the market structure and preventing the formation of monopolies.

The main objectives of the antimonopoly policy include:

1. Creation, provision and protection of the necessary conditions for high-quality and effective development of both competition and entrepreneurship for the benefit of the national economy;
2. Elimination of illegally created barriers to entry into any market, elimination of any illegal restrictions for the development of competition, which makes it possible to exclude monopoly actions of companies and the dictates of an economic entity.
3. Legislative definition of liability and subsequent sanctions for monopoly actions that violate the rules of fair competition.
4. Protection and provision of opportunities for the development of small and medium-sized businesses, avoiding arbitrariness on the part of large and well-established businesses.
5. Creation of all conditions for the development and strengthening of the national economy.

Antimonopoly policy of the state is also lawmaking, the purpose of which is to prevent companies from using market power, legislative measures include:

1. Prohibition of collusion (cartel agreements) aimed at ensuring a certain level of prices and production.
2. Strict control over mergers and acquisitions of the company, preventing the emergence of a company that will gain control over the offer.
3. Forced demonopolization under the threat of complete liquidation and other sanctions (crushing of existing monopolies).

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Direct (administrative) measures of antimonopoly policy include:

1. Setting prices at the level of average costs.
2. Ban on the establishment of illegal barriers to entry into the market.
3. Prohibition of illegal mergers and any monopoly collusion.

Indirect (economic) measures of antimonopoly policy include:

1. Licensing of business entities by type of activity.
2. Support for small and medium-sized businesses (market liberalization).

In modern Russia, serious attention is paid to antimonopoly regulation. Competition and antitrust laws are well developed, regulating liability for violations of established rules in the field of market trading.

The specialized body for the enforcement and implementation of the antimonopoly policy is the FAS, the Federal Antimonopoly Service. It is endowed with the appropriate powers to monitor markets and suppress the activities of monopolies through penalties or other measures to hold them accountable for violations.

The FAS has a number of tools in its arsenal to influence monopoly, these include:

- High taxes for monopolies in order to reduce the profitability of companies.
- In order to prevent and restrain the inflation rate, strict control over prices and pricing in general is being implemented.
- Full state ownership can be established on the monopoly.
- Regulation of large-scale industry and other strategically important industries is carried out by the state, which makes it possible to quickly monitor the price level, control production volumes, and the entry and exit of companies.

Also, the Government, together with the FAS, is implementing the following measures in practice:

1. Activation of competitive market structures to counter monopolies.
2. A set of measures aimed at preventing the activities of monopolies, stopping their work by legislative means.
3. Strict control over pricing in the country and an immediate response to unreasonably low or high prices.

Antimonopoly policy is one of the directions of state regulation of the economy, representing a set of state measures (relevant legislation, taxation system, denationalization, denationalization and privatization of property, encouraging the creation of small enterprises, etc.) aimed against monopolization of production and the market and ensuring the development of competition among producers.

Antimonopoly legislation - legislatively enshrined fundamental rules of activity in the market of economic entities, state authorities and administration.

The state does not seek to make all markets completely competitive, but tries to eliminate serious market deficiencies. It creates an environment where competition is encouraged rather than monopoly, where the first option is more profitable than the second. Thus, antimonopoly policy is an instrument of administrative regulation of the economy in order to prevent violations of the economic equilibrium or socially undesirable changes, its main points are:

- Protection and promotion of competition.
- Control over firms that occupy a dominant position in the market.
- Price control.
- Protection of interests and assistance to the development of small and medium-sized businesses.

The state seeks to prevent the transformation of big business, which has arisen on the basis of concentration and centralization of production and capital, into a monopoly that disrupts the normal functioning of the market mechanism. The state controls the processes of mergers of corporations, and not all of them are recognized as legal and permissible. It is against such monopolies, which have arisen on the basis of the centralization of capital, that antitrust legislation is primarily directed against. However, it should be remembered that the goal is not to fight against individual companies, but to prevent the deterioration of the competitive environment.

The inconsistency of such a phenomenon as monopoly is reflected in special legislation. On the one hand, antitrust legislation is aimed at protecting consumer rights, and on the other, it is designed to encourage the process of concentration of production and the formation of large corporations, if this is due to the development of scientific and technological progress and the conditions of competition in world markets[3].

There are different systems of antitrust regulation in the world: American, European, Japanese.

In the United States, the interests of maintaining competition in the national market have a clear priority in comparison with other tasks of the country's economic development, including the preservation of non-competitive industries and companies.

[3] Sanko G.G. Monopoly and Antitrust Regulation. - Minsk: BSEU, 1997.

In the countries of the European Union, monopolistic activity, in principle, is not excluded or prohibited, but is allowed, but only as long as it does not violate the conditions established by law. Such a system is inherently protectionist in relation to serious competition from outside.

Compared to the American system, in the European one, maintaining competition is less priority than the preservation of national producers among the EU countries, and methods of inter-firm interaction are also allowed.

In Japan, to ensure the capture and retention of positions in international markets, forms of inter-firm interaction are also allowed, which clearly contradict the interests of competition between national companies, including in the domestic market.

As for Russia, the European model is taken as a basis here, since the need for the existence of state monopolies in such areas as, for example, the nuclear complex, defense production, etc. is obvious.

In general, the development of antimonopoly regulation abroad is characterized by a transition from strict antimonopoly regulation, prohibitions and prescriptions to a more widely understood antimonopoly regulation as an integral part of the policy of maintaining competition, to understanding the place of antimonopoly activity in state regulation. At the same time, predominantly quantitative criteria for assessing the position and behavior of firms are being replaced by qualitative characteristics of the efficiency of markets and industries with the application of antimonopoly legislation. The policy directed against the emergence of monopoly is replaced by a more flexible approach - not against monopolies in general, but against the consequences of monopolization.

The antimonopoly policy of the Russian Federation also uses bans on anticompetitive actions of the authorities and administration. The formation of market relations implies the elimination of direct interference of state bodies and government in the activities of firms and enterprises. At the moment, the law prohibits the creation and approval of a number of normative acts and perform certain actions that, by their specificity, can restrict the independent activities of enterprises and competition in a certain area, as well as those that create prejudicial or convenient conditions for some enterprises, but to the detriment of others and thus, they restrict direct competition in the market and infringe on the interests of enterprises and people.

In addition to direct antimonopoly regulation, there is also indirect one. It consists in supporting the competitive environment not by limiting the concentration and centralization of capital, but by stimulating or supporting the development of medium-sized businesses through government orders and attracting foreign investment. In other words, the support of potential competitors of the monopolist is carried out by means of “invisible regulators” of the state. In modern economic theory and practice, there are two main groups of methods for regulating natural monopolies: price and non-price methods[4].

If we talk about the conclusion, we can say that in the regions there is a fairly large problem associated with the monopolization of various local industries and the existence of various monopoly associations.

Thus, it can be concluded that monopoly is a serious problem in the market economy and requires immediate control by the state. Relying on existing laws and adopting new, really working laws aimed at limiting monopoly power and preventing the creation of new monopoly entities, pursuing an effective antimonopoly policy, it is possible to solve the problem of monopoly. The antimonopoly body prevents cartel collusion, which, in turn, has a detrimental effect not only on the economy of the state as a whole, but also on every citizen in particular, for example: an increase in prices for car parts by three large manufacturers, at the exit of a cartel collusion, we get profit for companies and unreasonable spending for the buyer.

In conclusion, it is worth summarizing all of the above. In some cases, the activities of monopolies have a positive impact, moreover, in some areas, without a serious and well-to-do monopoly, it is impossible to perform a certain work qualitatively and for a reasonable price. However, on a national scale, the existence of many monopolies has an extremely detrimental effect on the economy: on the allocation of resources, on pricing, on the possibility of small and medium-sized businesses entering the market. The presence of fair competition has much more advantages than the presence of monopolies in each market, fair competition provides: the presence of incentives to improve their products, the distribution of resources in accordance with specific demand, an overall positive impact on the national economy of the state.

2. Conclusion

Antimonopoly policy is inherent in any developed state with a market economy, with the help of a special body and special measures of restraint and influence, the activities of illegal and negatively influencing the market monopolies are suppressed. With the help of antimonopoly policy, inflation is slowed down, prices and production volumes are regulated.

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