OPEN ACCESS
INTERNATIONAL JOURNAL
EIJMRMS
Next Scientists
European International Journal of Multidisciplinary Research and Management Studies
SJIF 5.954 2022

EUROPEAN INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH AND MANAGEMENT STUDIES
ISSN: 2750-8587
DOI: https://doi.org/10.55640/eijmrms-02-04-28

https://eipublication.com/index.php/eijmrms
Volume: 02 Issue: 04 April 2022
Published Date:- 26-04-2022

Page No.-151-158

THE AMBIVALENCE OF MONOPOLY

Khasankhonova Nodira Isametdinovna

Senior Lecturer, Phd Department "Economics, Management, Taxes And Insurance"Tashkent Financial Institute, Uzbekistan

Majidov Bekzod Nabiyevich

Teacher Of The Department "Economics, Management, Taxes And Insurance"

Tashkent Financial Institute Index100000, Uzbekistan, Tashkent City, A.Temur Street 60a, Uzbekistan

ABSTRACT: - The article discusses the duality of approaches to the role of monopolies in the market. The historical periodization of the development of monopolies, systemic risks and contradictions of monopolies are also considered.

KEYWORDS: monopoly, perfect competition, economic inequality, J. Schumpeter's hypothesis, ambivalence, market power, systemic contradictions and risks, monopoly climate, monopoly potential.

INTRODUCTION

Competition stimulates technical progress, contributes to the development of the economy, the promotion of domestic goods on the world market. But the creation of a full-fledged competitive environment is hindered by the dominance of monopolies, the imperfection of antimonopoly legislation, and much more.

Monopolies exist all over the world. For example, a kind of monopoly can be called a command economy, which is often adjusted as a state enterprise. It stands out for its directive planning, state pricing, and centralized distribution of material resources. Within this state enterprise there is a monopoly of central departments and ministries.

H The highest state monopoly is the concentration of production in metallurgy, engineering, chemical and environmental industries. Often, one or two enterprises produce this or that product, which dictate their terms to the consumer. Poor product quality, inflated prices, or outdated assortment have little effect on changes in demand in the face of constant shortages and lack of choice of suppliers. Often, under state monopolies, it often appears with a backward technological base.

The specificity of the Uzbek monopolies affects the peculiarities of the legislative regulation of their activities. Uzbek competition law is developed under strong monopolies. Therefore, it is important for the country not only to limit monopoly and abuse of dominant position, to enforce competition rules, to punish violations, but also to create a competitive environment by showing political will.

Throughout world history, there has been economic inequality, which acts as a consequence of the fact that the management process finds its expression in many different forms of its implementation. The objective inequality of their role and significance is given by both natural and artificial causes. Each of them finds self-expression and is implemented in a certain segment of economic activity. Without natural and artificial economic inequality, the existence of the economy is impossible. Economic inequality can be seen as one of the arguments that explain the existence of monopolies.

Современная рыночная экономика представляет собой сложнейший организм, состоящий из огромного количества разнообразных производственных, коммерческих, финансовых и информационных структур, взаимодействующих на фоне разветвленной системы правовых норм бизнеса, и объединяемых единым понятием - рынок.

LITERATURE REVIEW

The fundamental principles and approaches to the characterization of natural monopolies as an economic category were laid down in the works of representatives of the classical school of J. S. Mill, A. Marshall, W. Petty, J. Robinson, T. Farrer and E. Chamberlin.

The concept of "natural monopoly" was first introduced by J. S. Mill. Being an active supporter of competition, he could not but recognize the advantages of natural monopoly in certain areas of management. "An enterprise of truly social significance can only profitably carry out its functions on such a large scale that the freedom of competition becomes almost illusory" .

One of the first to pay attention to the problem of monopolism and monopoly was V. Petty. He considered a monopoly in the sphere of circulation and associated it with "the exclusive right to sell." “A person who has this right may sell the goods to which this right applies, valuing it as he pleases, or at the price he pleases, or. doing that too. and other within the limits of the tranches allowed to him" .

A. Marshall laid the foundation for the technological concept of competition, explaining the reasons for the emergence of monopolies by the fact that there are some "natural" reasons for the emergence of monopolies, the main of which is economies of scale. He showed the relationship between economies of scale and concentration of production: «The expansion of the scale of his production quickly increases his competitive advantage and reduces the prices at which he can sell his products. This process can continue as long as his organizational skills remain in full force, and if the enterprise is able to hold out for hundreds of years, he and one or two others like him will divide the entire industry in which he operates» .

A similar interpretation is given by S. Fischer, R. Dornbusch and R. Schmalenzi, emphasizing that if the production of any volume of output by one firm is cheaper than its production by two or more firms, then they say that the industry is a natural monopoly . K. McConnell and S. Brew also believe that natural monopolies arise in industries where economies of scale are possible, but at the same time they point out the impossibility of competition «In several industries, economies of scale are especially pronounced and at the same time time, competition is unfeasible, difficult, or simply not applicable. Such industries are called natural monopolies» .

P. Heine generally believes that the concept of "monopoly", which comes from two Greek words and means "the only seller" in this sense does not exist at all. He cites many situations that characterize the concept of "monopoly" and notes that "it has too many meanings, and they are too vague. And that's why we're not going to use it" . Approximately also characterizes this concept J. Tyrol who generally refuses to identify natural monopoly, since, in his opinion, the concept of natural monopoly can acquire different meanings depending on the specific application . A distinctive feature of a natural monopoly was the state of the sectoral market, in which for any allowable volume of production corresponding to market demand, the value of total costs with optimal use of resources is minimal, provided that the sectoral structure is formed by a single market agent. This definition, which most fully reflects the essence of natural monopoly as a phenomenon, has not been revised with the development of theories of natural monopolies and is fully consistent with modern views.

Subsequently, the development of the theory of natural monopoly continued in sectoral economic studies related to the need to regulate their activities. In particular, individual signs of a natural monopoly, issues of classification, establishment of a cost function, etc. were studied.

The founders of American institutionalism T. Veblen, J. Commons, J. Galbraith considered natural monopolies in the context of the formal and informal rules of the game formed in society, various types of transactions, and the socio-economic and political-legal structure of society [13,14,15].

The works of foreign economists have made a significant contribution to the study of certain aspects of the activities of natural monopolies. Thus, the theory of concession agreements within the framework of natural monopoly was developed by H. Demshetz, effective antimonopoly norms and sanctions by P. Joskow. And approaches to the effective pricing of a natural monopoly were developed by F. Ramsey, H. Averch and L. Johnson, S. Littlechild. Representatives of political and legal theory (T. DiLorenzo, G. Gray, R. Early), accepting the neoclassical definition of natural monopoly, emphasized that the subject of discussion is the validity of identifying market and technological factors as the main reasons for its emergence. Their concept follows from the assumption of an increased role of the state as a determining factor in relation to natural monopolies .

ANALYSIS AND RESULTS

Monopoly as a form of inequality is not a direct consequence of economic relations. A monopoly is a source of income that results from the distribution of property rights. This is where the problem of inequality arises. Thus, the nature of economic inequality explains the emergence of monopolies, on the one hand, and on the other hand, the monopoly itself is a manifestation of economic inequality.

There are several approaches to the definition of monopolies. Monopoly is a sphere of material and non-material production, at the same time it is a sphere of consumption. The state through the monopoly carries out large-scale economic transformations. Greed is the driving force behind monopoly.

Monopoly is considered from different points of view:

- as a special institution (oligopsony, monopsony, and oligopoly);
- as a form of organization of monopoly dominance.

Monopoly is characterized by an appropriate set of models of economic and organizational behavior, generally accepted and habitual norms of behavior, formed by the monopoly "power-force field", mental models of behavior (routine plus value).

Monopoly can be viewed as a benefit to society and at the same time as a pathogenic form of economic activity aimed at plundering national wealth on a legitimate basis.

In economic reality, the attitude towards monopolies is ambiguous. On the one hand, monopolies are criticized, on the other hand, they are recognized as necessary in all types of economic activity, i.e. not only in production, but also in distribution, exchange and consumption. The condemnation of a monopoly does not yet mean its denial, since its existence is often unavoidable in order to ensure the well-being of a nation. This shows the versatility and inconsistency of socio-economic development. The inevitability and necessity of the emergence of a monopoly is often perceived as a manifestation of economic inequality, leading to the stratification of economic activity at various levels of social production. J. Schumpeter argued that monopoly is not always only an economic evil. Among the positive features, he refers to the possibility of monopoly profits to serve as "a way to accumulate funds to finance additional investment" . There is also a "hypothesis of J.Schumpeter", which says that the monopoly position of the company is the main condition for successful innovation. At the same time, it is innovation that destroys monopolies: “The impact of innovations, for example, new technologies, on existing industry structures in the long term prevents the strategy of limiting production, maintaining dominant positions for maximization”. There is another approach to monopolies, when it is believed that the freedom of a monopoly turns into violence and slavery (non-freedom) for the consumer. The dominance of a monopoly can also be determined by non-economic factors: national traditions, psychology, religious ideas, the spiritual life of society in all its diversity. Monopoly, making economic decisions, embarks on the path of egocentric interest, focuses solely on maximizing its target function - utility, income. The monopoly permeates all levels of management and power and acquires a systemic character.

Between the two diametrical approaches to the role of monopolies in the economic system, there is a third approach, which assumes that the optimal state of the market is achieved by balancing the economic power of monopolies and free competition. The relationship production - consumption, which is expressed in the law of the rise of needs, leads to the emergence of new, hitherto unknown needs that become for the consumer, according to Zh. Zh. Rousseau, "an extra link in the chain that binds him." Submission to the power of monopoly presupposes the abolition of the state of competition. The opposition of competition and monopoly mutually limits each other, thereby preventing extreme measures of manifestation (dictatorships of monopoly or competition). Obviously, the mutual transition from one state to another should not be accompanied by acts of economic violence and coercion, because they do not lead to the establishment of freedom of monopoly or competition, and hence to economic development. But the freedom of monopoly and competition has a common interest, namely, in subjection to the law, within which they confirm their legitimacy. Monopoly conditions society and is conditioned by it. It appears as a productive force, including determining production relations. Monopoly is an example of a closed structure, but at the same time monopoly acts as a consequence of something new, which should be reflected in institutional changes.

Monopoly changes along with social transformation and the transition of society to a post-industrial type of development. The driving force behind the post-industrial monopoly is information (the monopoly on information, on information technology, on knowledge is the ability to dictate prices for a given type of product). For example, a patent can be viewed as a temporary government-enforced monopoly. At the same time, it is an incentive to expand the scope for inventions. The patent is associated with intellectual property, which is of particular importance in the post-industrial economy, its legal protection and leads to the attraction of capital to the market, to the development of competition. At the same time, the monopoly on knowledge slows down the spread of innovations and the innovation process itself. The concept of monopoly as an element of capitalist management is ambivalent in nature, since there is an obvious fact of its presence within the framework of the socialist economic system.

Monopolies are characterized by systemic contradictions. The systemic contradictions of a monopoly are made up of a complex interaction between the seller and the buyer and their economic motives that guide them. The systemic contradictions of a monopoly can be predetermined by the danger of the emergence of situations in which responses to their challenge lead monopolies not to their optimal separation, but, on the contrary, to an increase in their reliability. The design features of a particular form of monopoly and economic incentives that determine the behavior of a monopoly and contribute to the accumulation of its systemic risk determine the systemic risks of a monopoly or a monopoly sector.

From a demand perspective, a monopoly does not provide consumers with a choice between alternatives. Freedom of decision lies only in the choice of one of the alternatives: forced cooperation or lack thereof with a monopolist subject. From the point of view of supply, freedom from any competition for the purchasing power of consumers expands the range of options for market arbitrariness of the monopoly entity. A situation arises in which the test of the reality of the possession of market power by different parties is being tested. The strength of a monopoly lies in the weakness of potential competitors, as well as in the imperfections of the legislation that have arisen due to the absence of antitrust law traditions. The list of monopolies creates a monopoly climate, which, in turn, characterizes the monopoly potential.

The state and the market are different forms of hierarchy and control. They do not always exist in harmony with each other. The state forms the market, but the market, including with the help of monopolies, can put pressure on the state and thereby test it for flexibility or imperfection, or the absence of certain institutions.

CONCLUSIONS AND RECOMMENDATIONS

Note that monopoly is a phenomenon inherent in both non-market and market economies. However, despite the common nature of monopolism in the two types of economy, it has significantly different roots in both economies.

In a centralized state economy, monopolism inevitably arises as a consequence of the way in which it organizes management and builds organizational structures. The monopoly on political and state power, the unity, interweaving, and sometimes even the merging of party, legislative, executive, judicial power, observed for many years, could not but lead to an economic monopoly. This was also facilitated by economic policy, one of the main slogans of which was proclaimed the concentration and specialization of production, which resulted in the creation of industrial giants that monopolized entire sub-sectors of social production.

Market competitiveness is determined by the limits within which individual firms are able to influence the market, that is, the conditions for the sale of their products, primarily prices. The less individual firms influence the market where they sell their products, the more competitive the market is considered. The highest degree of competitiveness of the market is achieved when an individual firm does not influence it at all. This is possible only when there are so many firms operating on the goods market that each of them, in particular, cannot influence the price of the goods in any way, and perceives it as such, determined by market demand and supply. Such a market is called fully competitive. And firms that operate in a fully competitive market do not compete with each other. If individual firms have the opportunity to influence the conditions for the sale of their products (primarily prices), then they compete with each other, but the market where this opportunity is realized is no longer considered fully competitive.

REFERENCES

1. John Stuart Mill, Dissertations and Discussions: Political, Philosophical, and Historical (New York 1874) Vol. 3, p. 253.
2. Petty. The Origins of Political Economy. — University College Cardiff Press, 1985. — ISBN 0-906449-91-X.
3. Backhouse, Roger E. "Sidgwick, Marshall, and the Cambridge School of Economics." History of Political Economy 2006 38(1): 15–44. ISSN 0018-2702 Fulltext: Ebsco.
4. Фишер С., Дорнбум., Шмалензи Р. Экономика: Пер. с англ. - М.:Дело ЛТД, 1993, 864 с.
5. Макконнелл К.Р., Брю Стенли Л. Экономикс: Принципы, проблемы и политика. В 2 т.: Пер. с англ. 11-го изд. Т.1. – М.:Республика, 1992.- 94 с.
6. Limitations of the Economic Way of Thinking // Religion & Liberty. — Volume 8, Number 4.

7. Тироль Ж. Рынки и рыночная власть: Теория организации промышленности. В 2-х томах: Пер. с англ. СПб.: Экономическая школа, 2000.Т1. -328 с. Т2-450 с.
8. Веблен Т. Теория праздного класса / Т. Веблен. – М.: Прогресс, 1984. - 267 с.; Commons, J. R. Institutional Economics / J. R. Commons // American Economic Review. -1931.- V 21. - P 648-657.; Гэлбрейт Д. Экономические теории и цели общества / Д. Гэлбрейт. – М.: Прогресс, - 1979. - 406 с.
9. Лоренцо ди Т. Миф о естественной монополии // Экономика и организация промышленного производства. — 2001. № 4. - С. 81-98.; Ely R.T. Outlines of Economics. New York: MacMillan, 1937.
10. Schumpeter, Joseph (1954). History of Economic Analysis. London: George Allen and Unwin.
11. Topical issues of managing the development of socio-economic systems in the context of the global economic crisis. // Proceedings of the International Scientific and Practical Conference (March 30-31, 2009). Part I. - URL: http://www. skags.ru/doc/conf30-31032009-1.pdf (Accessed 02.03.2013).