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COMPETITION AND PROBLEMS OF MONOPOLISTIC MARKETS

Under the competition, we understand the economic process of rivalry economic subjects for the favourable terms of the existence on the market. Analysis of the issues discussed in the article by us gives possibility to prove that, competition is the determinant factor of the arrangement of the prices, the stimulus of activation of innovative processes.

Key words: Competition, Monopolistic Competition and Perfect Competition, Market System, Conceptions, Competitive Firms, Field, Competitive Relations.

Introduction. In the modern economy there take place quality changes that is connected to the exacerbation of competitive fight between countries, regions and firms. This in the terms of the globalization is provoked by the uneven development of the different countries.

Market economy, as a system, was formed as a result of formation of social relations, and the vocation of which is to regulate the competitive behaviour of the economic subjects that provide with guarantee of freedom of economical activity for every agricultural subject. Substantial sign of the market system first of all is competition and competitive relations developed on its basis. When, in the economic system there is going on production of the terms of competition and its proper competitive relations, the market system continues functioning and dynamic development, together with the disappearing of competitive basis market economy stops its existence.

Will economic competition disappear, if the state will not actively act for its maintenance, and if the competition maintains itself and the attempt of any kind of restrictions from the state is futile? In general, how effective is the protection of the customers or competitors by the state and does the protection of the competitors provoke restriction of the competition? It is tough to answer these questions without analysing sources of the competition and results, also origin of state policy and results.

«Competition», as economic concept. In the scientific literature there is several explanation of the competition that reflects separate signs of this tough category. The first, the most perfect theoretical conceptions about the driving forces of the competition appeared in XVIII c. in the middle ages in the classical direction of the economic conception. The theory of classical competition was generalized in the work of Adam Smith «The Researches about nature and causes of the wealth of nations», where he first time proved that competition causes optimal distribution of the labour and capital. It should balance private interests and economic effect, and with this aim A. Smith was identifying competition with «invisible hand» of the market – automatic mechanism with equal weight [1].

On the example of the price competition he proved all the range of essential provisions that in future became postulates of the doctrine of «maximal satisfaction of requirements». A. Smith made basis for the theory of international competitive advantage, he worked out the theory of absolute advantages that was proving benefit of the international trade for the subjects that are involved in this process. However, the theory of absolute advantage does not have answer on the question whether it can be beneficial or not trade of two countries, or only one, developed country can produce both kind of production in relatively less expenses.

One more famous representatives of the classical political economy is David Ricardo who was discussing competition as necessary term for market price production. In his work «The principles of political economy and taxation» D. Ricardo built theoretical model of the perfect competition. The main attention was concentrated on the fact in this system is functioning in the long term perspective. Such kind of approach gave us possibility not to take into account those details that are connected to the state regulation, monopoly governing, geographic features of the market and etc, that have no decisive meaning in the long term perspective. For the terms discusses by D. Ricardo, the main principle is that the prices are formed as a result of the demand and competitive fight with the influence of the provision. Thus, he proved long term versions of the salvation of the problem of economic growth in the terms of the perfect competition, formed theories of values and distribution on marginal productivity basis. [2]

In the frame of structural conception of the competition in the modern economic science the competition is divided in perfect and not perfect. The last one, for his part, contains three models: monopoly, oligopoly, monopoly competition. It is recommended to implement the development analysis of competitive relation in the frame of synthesis of conceptions monopoly and competition. If we direct the analysis from the sphere of the perfect competition to absolute monopoly sphere we will found out that increases the difficulties concerning the entry in the field and decreases the number of enterprises.

In the justification and development of «monopoly» and «not perfect» competition made their contribution E. Chamberlain, G. Robinson, I. Shumpeter and other representatives of classic economic theory. [3] It should be

marked that in the works of G. Robinson «The economic theory of not perfect competition» and E. Chamberlain «The theory of monopoly competition» there were summarized discussions about formation of the character of pricing and non of a price forms in the terms of monopoly. These works were due to with the necessity of reinventing of the action of market mechanisms taking into account the role of the factors as are limited number of sellers, product differentiation, expenses of the selling, taking into account the importance of the interaction of the sellers in the market of non of the price forms of the competition.

The role of innovation in the development of competition. I. Sumpeter pays special attention to the innovative activity in the terms of the development of competition. The author justifies any kind of quality of monopolization of the market system if it serves acceleration of scientific-technical progress. From the positions of economic growth, the competition is the rivalry of old and new: new goods, new technologies, new sources of provision of requirements, new types of organization. Neoclassic school, the pick of which was end of XIX century and first third of XX century, more fully and exactly represented the influence of the perfect competition on the price system. With the concretization of the economic analysis, neo-classics connected the competition to the fight for the rare economic wealth and also for the money of the customers, with the help of which was possible to purchase this wealth. Also distinguished by its importance conceptions of Alfred Marshall. He criticized the «conventionalities» of clear competition model. The elaboration of the theory of analysis of partial and long-term sustainable equilibrium on the market gave possibility to create the basis of the new model of the competition – monopoly competition theory. Developing the main provisions of the classics, A. Marshall more consistently and fully justified the mechanism of automatic forming of the balance on the market with the help of activity of the laws of perfect competition and marginal utility and the marginal productivity.

G. Meinard Keins in his work «The general theory of the employment, percent and money» in the terms of the development of competition justifies the necessity of interference of the state in the market economy. The analysis of the content of the organizational forms of competitive relations shows that their development and perfection is represented with technical-technological terms and also with the formation of social regulators, among them by the state institutes. Competition, as economic multidimensional category can be discussed in the different aspects. In the narrow sense the competition can be characterized as fight of independent economic subjects for limited economic recourses.

As economical manner, the competition represents the system of activity of economic subjects on the market, among them fight for the aim of provision best possibilities for selling their production, satisfying different demands of the customers. Austrian economist August von Hayek discusses the competition not only as rivalry for the more beneficial use of the capital, but as the procedure of discovery of such kind of factors that is possible to be left, as unknown or minimum, unused for everyone.

Generally we can undoubtedly call XX century the century of competition. The event of competition gained international and global importance exactly in this circle. In particular, R. McConnell and L. Brew think that the obligatory terms of the competition are: «existence of big number of buyers and sellers of the concrete product or resource», also «freedom for buyers and sellers to enter or leave the market».

Widely spread explanation of competition by the famous researcher, Professor of Harvard Business School M. Porter: «the strategy of the competition should be based on the comprehensive understanding of the structure of the field and the process of its change. In every field of economy, – it doesn't have importance, is it active on domestic or foreign market, – the sense of the competition is expressed only by five force: – danger of arriving new rivalries; – danger of arriving changeable goods; – ability of the trade of the suppliers of the completing products; – ability of the trade of the sellers; – with the rivalry of already existing competitors between each other.

From five forces the meaning of each of them changes from field to field, and finally, beforehand determines the profitability of the fields. The parameters of each mentioned force and their interaction influences on the competition in each production system. The approach offered by M. Porter to the competition is equally useful for those fields that have connection with the production of the goods, and for those fields that produce service. The main principles are fair for all the sort of business, including bank sphere. M. Porter united all kind of activity in the chain of so called values, in other words, every form of form activity has its contribution in the formation of the final value of the product. Thus, in the economic theory the competition is discussed as mechanism of regulation of social production, as the form of mutual rivalry of market agriculture subjects and promotion process [5].

Discussion of the conception of the competition in the modern economic science. In the modern economic science of XXI century there was paid dig attention to the issues of national economic competition and research of competitiveness. Under the competition some discuss the rivalry of the economic subjects that are interested in the achieving the aim and in the terms of enterprise this aim is maximization of the profit with the preferential satisfaction of the demands of the customers. Others understand the competition as rivalry, or fight, more often between clearly distinguished rivalries, the ability of better provision in different from competitors.

In spite of such kind of approaches, in the scientific literature there is marked the diversity of ideas concerning understanding of competition. In particular, A. A. Ambartsumov and T. T. Sterlikov explain it as «rivalry between the participants of market economy for the best terms of the production, buy and sell of the goods.» I. A. Spitidonov explains competition as «the process of interaction, relation and fight between enterprises that act

on the market for the better possibilities of the sell of the production, satisfaction of diverse demands of the customers and with the aim more of possible benefit.» With the explanation of A. S. Khasanova the competition, as economic category, expresses relations between subjects of market systems for the gaining of additional benefit concerning economic rivalry. In this explanation there is underlined the substantive feature of the competition, namely that, it represents economic rivalry.

The explanations of the competition given by different authors, as a rule, do not contradict each other, but more fill each other. At the same time, each of them cannot be considered as enough. It is expressed in the following that many economists doesn't take into account the general theoretical aspect of the problem – the sense of economic relations characterized to it.

Concerning this, it is recommended to discuss the competition from the position of the signs that make its determination:

- It is the component that creates the system of market relations, determining the unity of all the elements characterized to it (enterprise costs, the price formation, adaptation of enterprises and organizations to market requirements, satisfaction with goods and services, etc.);

- Is the fundament of the market methods of agricultural production, the basis of formation and detection of competitiveness of the production; shows itself in the system of reproduction of technical and economic parameters on all stages of its design, preparation, pre sales and post-sales service, at all stages of consumption.

The Problem of Monopolist Markets in Georgia. Discussion of monopolist markets is quite actual today, it is especially important for Georgia to define whether there are monopolies in Georgia. For who these monopolies are and for whom not? These questions are asked for many times for the last years and we had many different answers. For instance is the producer of «Borjomi» water monopolist? We have to start analysis of such questions from the analysis if we have direct or close substitutes similar product companies or services. If we review the market of mineral waters Borjomi could not be the monopolist, as it has many substitutes and competitor mineral waters. Yes, the companies has an exclusive right to get natural resource from the mines, but distribution of this right actually creates more problems, rather than ownership of this right by one owner. For instance if we distribute it among three companies, none of them will have the motivation to promote the brand as other will use by it «for free» – this is very simple example.

Let's review the latest past of Georgia, the politics of regulating competition and the methods fighting against monopoly has been changed for several times, the amendment was introduced in the law in May 2012 and the law about «Free trading and competition» was accepted. Despite of this, the practical activation did not take place due to change of the government, later on the working on the legislative changes was started, as a result in March 2014 the title of the law was changed and it was called as the law «about competition» and changes were introduced in it. After such changes, in several months they worked on establishment of the competition agency and elaboration of internal procedural law. Finally, the agency was launched at the end of 2014. In November 2014, the agency declared that it was launching study of oil product market by its own initiative. There was the decision made about study of the coffee market study as well. Currently it is known that there is the interim research report at the moment prepared, it was presented to Prime Minister, though the results of the research was not publicized. There was only statement made, that as a result of the study it was found the signs of limited agreements of the competition.

There are several cases of monopoly and competition limitation cases in the world practice and there are several important ones in our opinion

1. The company, which achieves the greater part of the market by its own technology or innovative actions, becomes a dominant and is able to impact on the prices by its own forces. Such condition is not everlasting, as the competition appears very soon and the market is coming back to the starting point in a short period of time.

In such case the company is observed in order to overcome the cases of competition limitations. The most famous case of such condition was in the USA, when the company «Microsoft» was divided into several parts.

2. The company, which becomes the monopolist by means of direct support of the state and it has the right of exclusive action and dictation of the conditions by the law. In Georgia «Airzena», «Georgian Post» were such companies several years ago. But it is considered that this form is not efficient and state supports to limitation of the competition.

3. When the sector is specific and it naturally requires operation of one company, as existence of two ones is linked with more expenses. Such fields are energetics, water, power and gas distribution networks, and highways. In such case state either manages itself or transfers to a private one by regulating conditions. Though together with the change of the time and technology, their status is changing as well, for instance in Holland, there the alternative wind and solar stations are highly developed, the price of electricity is regulated by the market and it has not the status of natural monopoly.

4. The companies having indirect support of high officials, have privileges, allowances and it supports to their dominance on the market.

Finally, it is time, when we can give the right to ourselves to use the term «Monopolist competition» and «incomplete» monopoly, as substituting terms, we are releasing them from the primary linkage with various con-

cepts of Chamberlin and Robinson, as the best names for the modern models for price theory. But why does the complete competition theory gives incomplete model of a real world. Therefore, it is necessary to review several options of the monopolist, or incomplete competition theory.

Monopolist competition is the intermediate option of market economy development, which includes the signs of the monopoly and at the same time incomplete market competition. It is quite fair to consider monopolist competition as «a golden mean», meeting interests of the consumer most completely, therefore this model of the market economy is most widespread on all the latitude and continents. Currently our goal is to understand the particularities of the monopolist competition» and to analyse the concept by means of specific examples of the monopolist competitive markets. If we try to understand the idea and explain, the latest can be formulated like this is the model of specific relationship in the economics, which meets the following requirements:

- Limited number of the producer enterprises;
- Production of wide range of the product;
- Limited (controlled) price regulation

The peculiarity of the monopolist competition is actually the principle impossibility of the «secret conspiracy» and illegal agreement between the greater players of the market with regards of dissemination of the influence in separate spheres of economy. This peculiarity brings this model of the market relationship closer to the complete competition market. The reason for it is quite a big number of the entrepreneur subjects competing with each other having their own financial interests. It is known that one regularity, monopolist competition appears generally on the markets with sustainable trading traditions and long-lasting (or traditional) development. The most obviously monopolist competition are found

- In the sphere of service (internet-cafes, beauty salons, petrol stations, dry clening services, etc.);
- In catering sector (meat or diary product market, chocolate batons or chewing gum markets, carbonated drinks or in the market of any other separated group of item);
- Light industry (fashionable everyday cloths, sport item market);

Why on these markets? There is well expressed priorities of the consumer. For instance, let's talk about chocolate market. Hundreds of producers are available in the market producing wide range of diversified good quality product able to meet the requirement of even the finest taste, like «Snickers», «Mars», Bounty», «Twix», «Barambo», etc. It is obvious that many consumers have already identified its own priority and therefore they buy certain one regularly. For instance «Snickers» rather than other ones. In case the price raise such consumer will change its priority very easily. Obviously, the price is not the only factor-making item attractive for a consumer. For this purpose packaging of the product, client service conditions, or flexible system of discounts are similarly attractive. As many producers are available on the market as similar it is to the complete competitive market. Though, in the monopolist competition markets (in accordance to the fundamental disproportion 80/20) the greatest part falls on the insignificant number of the companies. And though they operate in the condition of the severe competition, it is impossible their «relocation» from the market. Entrance to such markets has no vivid barriers, though we have to understand, that we have to face high (higher than a medium) competition caused by availability of the similar product producer on the market.

Resume. The competition supports to removal of inefficient companies from the market, rational appliance of the resources, avoids dominance of the producer over the consumer. During the mentioned approach the concept of the competition is discusses first of all as a dynamic process and it is revealed in making product and technologies perfect, formation of new markets, new sources of material and new types of the organizations as a rule requiring investment. Stimulation of the investment is the possibility of gaining positive economic benefit until price competition will not cause falling of the prices to the long-term balanced level. Considering complicated economic situation of Georgia poor investment perspective it is important to create an effective system of competition politics, introduce new practice, identify and regulate the proble. In particular, it is important to introduce the following activities: to introduce the change for fill the gaps of the competition regulating law; to maintain independence of the competition agency assigned by the law and to stay without any influence; the agency has to ensure accountability and transparency of its activity; to observe and study the markets mostly influencing the welfare of the population, development of such system which hinders limited agreements and actions for competition; directing maximum power for development such environment which will be best for development of small and medium business, with free competitive market, where the possibility of misuse of available conditions by the dominant companies is eliminated, automatically creating the best environment of development of the business and improvement of economic condition of the country. Such challenges require complicated and careful actions, though noteworthy that one of the important factors for achievement success is immediate and timely actions. For such purpose, it is important to realize and implement the rights assigned to the competition agency in the practice.

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