

ЕКОНОМІКА ТА УПРАВЛІННЯ НАЦІОНАЛЬНИМ ГОСПОДАРСТВОМ

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COMPETITION POLICY FORMATION AS A PRICE CONTROL METHOD IN THE MARKET

V.O. Onischenko, Doctor of Economics, Professor.

O.A. Rudych.

Poltava National Technical Yuri Kondratyuk University.

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Problem definition. The world practice and experience of economically developed countries all over the globe show necessity of creating the control instrument of competition and avoiding price discrimination, or rather rulemaking that encourage enterprises to establish their rules of the game based on competition and in any manner defend their interests.

All the market participants follow their own discovered conception of marketing strategy based on their own capabilities and market activities.

Previous research analysis. Price control issue in the market was studied by a number of scholars starting from A. Piga who introduced a concept of price in the market. Later J. Berman, P. Doyle, F. Kotler, T. Nagel, A. Grytsenko, V. Korenev, V. Tatasevych, L. Shkvarchuk, etc. expressed their own ideas in this issue. Authors of scientific studies concerning price formation are K.O. Buzhymyska, I.L. Erukhyrovych, O.V. Kolesnykov, V.L. Korineva and such economics luminaries as A. Smith, D. Ricardo, A. Marshal, D. Acemoglu, E.D. Beinhocker, etc. But the issue of place occupied by the price formation policy in regional economic systems in competitive environment was not sufficiently considered. Therefore, it provoked option of research subject.

Goal setting. The object of this article is research of competition functions as a price control instrument in the market, reasons of its formation and guarantee criteria.

Primary material description. During the years of centrally-controlled economy, the role of competition came to nothing because of target control in the economizing process. Besides, an emphasis was only put on negative effects of the competition for a long time, such as seizing the market by large entities, get-rich-quick programs of some companies and possible bankruptcy of others, emerging of various social compositions of society due to differential satisfaction of needs, unemployment rate increase, etc.

It appeared owing to planning and administrative way of economizing, absence of liberal access to capital goods. The main users of capital goods were large state entities. However, they also did not have free choice but used only those things that had liberal access and were in quantity that they were allowed by plans and guidelines. In this case, there was no sense to speak about entrepreneurship and free development of economic activity. Manufacturers created resources deposits pulling out of the market that influenced negatively on the efficiency of economic activity.

On the other hand, competition has much more advantages than disadvantages which appear in its functions:

- competition provides complete interrelation with buyers and sellers, i.e. it is an instrument of attaining balance between production and consumption, demand and supply on outputs creating herewith favorable price for each part;
- it affects common interests of all parts of the production process and makes individual intentions in economic activity subject to public interests;
- it encourages manufacturers apply innovations of scientific-technical progress for creating a new product or product differentiation depending on personal needs of a group or a certain consumer;
- it makes manufacturers search ways of production cost reduction, that is being produced for getting cost advantages in the market;
- it creates market price providing balanced proportion between social needs and social production.

While functioning, competition influence on production efficiency spontaneously, increasing its technical level, providing quality improvement and product differentiation [1].

Reasons of price competition formation have to be studied for thorough understanding of its action.

The first reason of its formation is presence of big quantity of sellers in a certain market of goods or services. They begin competing with each other for getting favor of consumers while decreasing its own price [5].

The second reason is freedom of choice in economic activity. Owing to this each manufacturer selects a product, its quantity and quality.

The third reason is satisfaction of balance between demand and supply (avoiding deficit and excessive production).

The forth reason of competition formation should be considered as presence of production goods market. In competitive struggle determining of high profit rate is very important, that is target in choosing the economic activity. However, selection of activity only determines the possibility of production. For turning it to reality it must be changed into production goods having money capital [6].

The history of competition policy in Ukraine began just after proclamation of independence from the Soviet Union in February 1992, when within attempts of creating market economy the first Competition Act was adopted.

Antimonopoly Committee of Ukraine (AMCU) created in 1993 for providing competitive legislative execution, now is responsible for observation of two laws that are the result of initial competitive legislation development: “Economic Competition Security Act of Ukraine” (2001), that is the main instrument of using competitive legislation in Ukraine, and “Unfair Competition Security Act of Ukraine” (1996), that concerns actions of certain subjects of economic activity aimed at exploitation or damage to competitiveness of other subjects of economic activity [2].

Competitive legislation of Ukraine is developed from the European competitive laws, but their accepting and practicing is part of constant attempts of Ukraine aimed at integration into western markets. In particular, Ukraine intends to join the European Union, but one of the conditions of joining is providing of the efficient competitive legislation system [3].

Thus, for instance, the main trend is propaganda among citizens concerning protection of competitive advantages of manufacturers and specifying their blame for law violation. For that purpose both mass media and social organizations must be involved and thematic round table and seminars for specialists must be held as well. The main consumers of such information can be organizations of specialists in certain spheres (trade unions, manufactures of particular field association, chambers of commerce, etc.).

In modern reality of the Ukrainian economy the main benefit for competitive advantages protection is putting into action principal theses of competitive legislation which would show not

only economic but social effect. For that purpose Antimonopoly Committee of Ukraine should be empowered more, in particular regarding anticompetitive behavior ban of officials and executive authorities as well as carrying out an expertise of approved legislative concerning influence on competition in certain branch or market in general.

However nowadays Antimonopoly Committee finds difficulty in lack of concentration in performance and presence of a great deal of authority obligations and governance support. It is the most noticeable in the natural monopoly markets where Antimonopoly Committee makes efforts on rebalancing and providing market regulators [7].

For improving the situation controlling agencies (Antimonopoly Committee first of all) should use efforts for consumer right protection and easing barrier to market of potential competitors access that results in restriction of price control, reducing of administrative, economic and financial privileges for natural monopolies, elimination of local government body authority concerning interfering into economic activity of enterprises.

Control over monopolization and concentration degree on regional goods market must be carried out by means of state monopolistic organization frameworks downsizing and dividing of functioning monopolistic organizations [3].

According to the investigations made by Razumkov Centre it was found out by on the average 40 per cent of the asked chiefs in industrial branch, 15 per cent of the chiefs in agricultural sector and about 75 per cent of the chiefs in communication and intercommunication lines were in favor that competition as an important leverage over efficiency of enterprise economic activity in the market.

Low level of competition development is testified by scientific research data as well, according to which for the last years in the goods markets with limited capacity for competition development more than 50 per cent of production volume is disposed. Including completely monopolized markets- more than 7 per cent, a dominating company market – almost 28 per cent, several dominating companies market – more than 15 per cent [4].

The main reasons of low level of competition development in the Ukrainian market are:

- imperfect conjecture in the regional and national goods market;
- high barriers for entering the markets that do not keep out new entrants of the market;
- non-development of the market conjecture that does not allow to enter financial-credit and government institutions;
- lack of truthful information (especially in nature monopoly markets);
- necessity of creating the legislative conditions for approaching competitive support instruments between Ukraine and the European Union;
- necessity of providing interaction between government body and non-public organizations that continue innovative, investing, price activity and protect consumers' rights.

Summary. Thus above-mentioned reasons are determinative while enforcing the monopolistic markets control policy (including nature monopoly markets) however creating case for price and tariffs control performance without self-interest but taking into account only production efforts; determining right of use resources and production goods, providing following rules of legal state and principles of freedom of choice.

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Volodymyr O. Onyshchenko, Doctor of Economics, Professor, Finance and Banking Department, Rector of Poltava National Technical Yuri Kondratyuk University. **Olga A. Rudych**, post-graduate student, Finance and Banking Department. **Competition policy formation as a price control method in the market.** The article considers the functions of price competition as a price control instrument in the market, its causes and guarantee criteria. Fulfillment of the requirements and avoiding distortions enable convergence of Ukrainian competition policy with global analogues.

Keywords: price regulation, competition policy, competition.

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Онищенко Володимир Олександрович, доктор економіки, професор кафедри фінансів і банківської справи, ректор Полтавського національного технічного університету імені Юрія Кондратюка. **Рудич Ольга Анатоліївна**, аспірант кафедри фінансів і банківської справи. **Формування конкурентної політики як спосіб цінового регулювання на ринку.** Досліджено функції конкуренції як цінового регулятора на ринку, причини її виникнення та критерії забезпечення. Виконання поставлених вимог та уникнення диспропорцій дасть змогу зблизити українську конкурентну політику зі світовими аналогами.

Ключові слова: цінове регулювання, конкурентна політика, конкуренція.

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Онищенко Владимир Александрович, доктор экономических наук, профессор кафедры финансов и банковского дела, ректор Полтавского национального технического университета имени Юрия Кондратюка. **Рудич Ольга Анатольевна**, аспирантка кафедры финансов и банковского дела. **Формирование конкурентной политики как способ ценового регулирования на рынке.** Исследованы функции конкуренции как ценового регулятора на рынке, причины ее возникновения и критерии обеспечения. Выполнение поставленных требований и избежание диспропорций даст возможность сблизить украинскую конкурентную политику с мировыми аналогами.

Ключевые слова: ценовое регулирование, конкурентная политика, конкуренция.