

Fair Competition as the Basic Problem of Market Economy

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ABSTRACT

In the Economy, both the level and forms of competition significantly determine market structure, investment opportunities, trade balance of the country as well as the degree of fairness and transparency in the process of distribution of public wealth and income. The existing injustice in both economy and business has revealed new themes and directions that are exactly in line with the times. In EU countries the legitimate questions about justice are the following: Why did the economic development create a huge level of property inequality under the conditions of globalization, in economically successful countries? Why do transnational corporations violate the conditions of fair competition? How pervasive is the problem of inequality in our world? and How inequality is reflected between the objective perception of reality and its subjective understanding? Does the competition have the natural ability to regulate market relations without causing a sense of injustice and inequality? Economists, lawyers, philosophers and political scientists try to find a logical answer to these questions. We think that the fair competition is a fundamental problem of the market economy. It must ensure the sustainable development of society, reduce the recurrence of economic crises and limit both the process of business expansion and total formation of monopolies. The problem of fair competition requires special research and we have paid great attention to it in our paper.

Keywords: Market Economy, Justice, Unfair Competition, Market Relations, Antimonopoly Law.

INTRODUCTION

Competition is the most important stimulus for the development of a market economy, which increases the efficiency of production in business and reduces production costs as well as improves product quality and leads to progressive, organized and structural reforms.

In the XVIII century, the development of industry in the UK has given a serious impetus to the research on the competition which was actually the merit of the representatives of the classical political economists including Adam Smith, David Ricardo and others.

Adam Smith - one of the founders of classical political economy - introduced the concept - "competition" - in scientific economics terminology. He mentioned it for the first time in his work - "On the Nature and Causes of People's Wealth". Adam Smith considered competition as a category

of behavior related to the success of a market competition between producers and sellers of goods. Hewas the first who studied the connection of competition between supply and consumption of goods and determined that the main reason for this controversy was the price of the goods. Adam Smith also highlighted the role of competition in both efficient distribution and use of economic resources.[1]

The formation of fair competition is influenced by lots of interrelated factors, including economic and financial capabilities of the participating entities, historical traditions and culture of entrepreneurship, range and quality of manufactured product, level and character of state market regulation, access to market information and so on.

The Universal Business Dictionary defines the immanent (internal) nature of competition as follows: "Competition is the emulation between producers, sellers, any economic or market entities. So this is a struggle aimed to earn higher incomes, profits and other benefits in order to conquer the key market for goods.[2]

The main idea of fair competition is related to freedom of choice. In a market economy, producers and consumers have a free choice. According to their own will and risk, they determine what kind of product to supply to the market and what to buy. But freedom of choice does not automatically guarantee economic success, as the success can be achieved only the fair competitive struggle.

THE RESULTS OF DISCUSSION

The idea of freedom is unalterable for politicians and economists with liberal views. They think that the fair competition is the basis for market existence and they consider it as a prerequisite for natural and normal development. They argue that the market relations do not require excessive interference from government, as the freedom defines both the fairness of supply and demand in the market and the normalization of economic processes.

According to the well-known German economist, public figure and founder of the theory of social economy, Ludwig Erhard: "Liberalization and the restriction system on currencywork together like fire and water as any form of the restriction system on currency is a symbol of all evil for me. Individual countries have been able to come up with the idea of suicide through careless actions such as: restriction on successful competition". [3]

At the same time, it should be noted that at the present stage of public development, in both scientific circles and the political spectrum consider the above mentioned view as not the only proposition in view of the fact that the real market is a combination of interrelated transnational industry and local markets, which are not able to balance each other.

There are lots of arguments representing the need for state intervention in the regulation processes. Like neoliberals they argue that in business elimination of inequality is a utopia. Moreover, they consider an inequality as the basis for the market economy which gives both prospectsand opportunity creating a better business environment.

"The motivation is: to reach personal well-being, to increase profits and establish a place in the environment. On the one hand,it is quite easy to live in such a world: think about

yourself and take care of your own well-being and never worry about the romanticism of "World Sorrow" and the moral imperatives of freedom and justice. On the other hand, it is very difficult to live in such a world, because in the world there are 66 billion people who have the similar intentions". [4]

In the conditions of competition, injustice must be discussed in two aspects: 1) when the chances of market participants are unequal in the conditions of competition and 2) when the situation in the market is unfair.

The inequality of opportunities is primarily due to the different quantity and quality of both property and financial assets of market participants. Consequently, financially strong participants have more chances to manipulate and regulate prices, achieve both successful advertising and PR, improve their management and marketing, make various deals and agreements with other participants, expel unwanted competitors from the market and so on.

As for market injustice, it can be found in many aspects of business, including the conditions of registration of business entities, investment environment, ecological conditions, tax regimes, mechanisms for both distribution and redistribution of public wealth, unjustified benefits, and so on.

On the market, the state is one of the leading figure participating at the process of establishing balance and restoring justice. The state should adopt and protect antimonopoly legislation, promote small and medium-sized businesses, introduce a fair taxation system, and, if necessary, pursue reasonable protectionist policy.

What should be done not to make the rich even richer and poor even poorer? What measures should be taken to fill the property gap? What kind of economic and political mechanisms are needed to overcome injustice in a competitive environment? Is justice really achievable in the economy? Is it just an illusion?

In recent decades, in the background of property polarization the prospect of overcoming the above mentioned challenges are becoming increasingly hypothetical. Though we think that our society will find the right solution encouraging both competition and free enterprise, which could eliminate the injustice of public relations in this area.

In order to study the problems of fair competition, it is necessary to analyze the social processes and changes that took place in the process of a market formation.

The main sign of our era is the rapid industrialization, followed by emergence of large cities and factories, the creation of urban industrial centers and massive urbanization. The poorer rural population moved to the cities, followed by the formation of two new social groups, including employers and employees.

Industrialization and a market economy have changed worldviews. The main focus was on the values of the market economy. The value created by competition, which was an object of distribution of fair public wealth became a fundamental issue in a market economy.

Competition can be considered fair if there are many relatively small and medium enterprises which are unable to manipulate commodity prices due to their volume and if there exists no risk preventing a market participant from taking a well-deserved advantage

Fair competition should provide the conditions for new entrants to enter as well as exit the market freely. All market participants should have equal access to business information.

In order to reach fair competition, the state must establish a system of market regulation in which market participants will not be able to make any deals and agreements against each other.

Competition will be fair if competition and the business environment can provide the following conditions: competition must be a natural regulator of commodity prices, competition must protect the interests of consumers, competition must take place within the framework of legal regulations. The creative nature of competition is its main driving force and stimulus together with other important conditions. These two important circumstances determine businessman's interests: in order to make a profit, produce more products and sell them.

"The production process requires from the entrepreneur both initiatives and courage to create something new and the willingness to take risks. If a person has these qualities, If a person has these qualities that means that he has the spirit of an entrepreneur". [5]

The motivation of the business is to increase the value of his own assets and get more profit out of them. In this struggle, there are used methods of both fair and unscrupulous competitions, supporting entrepreneurs get their place in the market as well as gain (in some cases undeserved) advantages. In most cases, the reason for the struggle is to determine the profitable price for goods. Then the competitors start deliberately to drive each other out of the market trying to impose their own dominant conditions on consumers.

Where is the edge of an unfair competition? This is very difficult to determine. As the great German philosopher Martin Heidegger believes, injustice as well as time and space are infinite. [6]

The problem of unfair competition existed in all eras, but it became especially relevant at the beginning of the XX century, when the first monopolies began to form. In this period, the capital began to concentrate in the markets. There were created joint stock companies and the market participants began to fight for control over natural material and financial resources. Unfair competition involves the use of both methods and mechanisms which are not in compliance with legal rules and give undeserved advantages to the participants of the fight.

It is completely unacceptable for business ethics to spread inaccurate and misleading information damaging either competitors or their business reputation. It is also inadmissible to deliberately mislead consumers about the terms and quality of products produced by competitors.

In the conditions of scientific and technical progress and the latest technological and information achievements, economic and industrial espionage have become particularly frequent in the field of modern business. That is unlawful targeting and theft of both trade and commercial secrets. In particular, when the state tries to grant more privileges or benefits to any business group by law or other regulations, it creates an artificial barrier for others. The state is also unfair, when it acts as a

passive supervisor in the monopolization process. This passivity creates monopolies, which completely control both sales and production.

The world is existential, and sometimes successful business groups can really feel or want to convince others, that the world has become more harmonious through their successful business "empires." We think that this is not true even in conditions of wealth accumulation, in the so-called rich countries.

In the conditions of property polarization and imbalance, the propaganda of these views (using their own press, television and other media outlets) hinders the process of public consensus and is unproductive in terms of formation of civil society.

"The level of democracy in a country is measured by its contribution to establishment of justice". [7]

If a large part of the society does not have a sense of justice, even the efforts of a very small number of very rich and successful people, spending lots of financial and human resources, will be a chimera and an illusion.

CONCLUSION

Competition is like a sport competition, where you fight for leadership, which is the never ending quest for better and (if you don't get out of this fight yourself) there is no stopping point. In many cases, the victory is achieved through the use of fair methods and techniques.

We believe, that in a market economy, one of the priorities of the government should be to establish justice, and therefore, it is unpromising to ensure compatibility of the principles of justice and the mechanisms of the market economy only by realizing with free market and self-sustaining ideas. Of course, the economy is a guarantee of the effective functioning of a social fair system, but at the same time, the sophistication of social protection mechanisms is not less important.

P.S. In the research process we have to face new challenges related to pandemic effects. Today, it can be said, that the economic crisis caused by the pandemic is catastrophic. However, it is clear, that Coronavirus will be the starting point for new challenges in both the economy and public life.

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