REGULATORY MECHANISMS OF MONOPOLY IN CONDITIONS OF THE MARKET ECONOMY

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Abstract: *The article is devoted to study theoretical approaches to a monopoly concept from the point of view of the market economy, explore regulation practices of monopoly, legislation bases of antitrust policyin developed countries and conduct comparative research of used regulation methods of natural monopoly. Results of the research also lead to the ways of improvement of monopoly regulations in Uzbekistan in order to provide economic efficiency.*

Key words: *competition, antitrust policy, monopolist, regulation, antimonopoly legislation.*

I. Introduction

Although economists have not explored monopoly as an economic category for a long time, the phenomenon of monopoly appeared in ancient times while a market was the first time (presence) and continues being in all stages of socio-historical development. For example, in Ancient Egypt, Babylon, India and China besides wheat, honey, salt and textile, foreign trade was object monopoly due to being a way of increasing state treasury.

Our analyses are devoted to studying theoretical and practical methods directed to regulating monopoly in a market economy. In short, we suggest that market economies need tolimit monopoly presence to achieve maximum growth in consumer welfare over time.

In the last quarter of the XIX century turning free competition into monopoly was an important event(particularly in Europe and the USA). Because the world economic crisis in 1929-1933 was an inevitable consequence of monopolization.

II. Literature review

According to Adam Smith(1723-90), patterns of monopoly had in private-ownership of land because of rent. Nevertheless, there were no thoughts about absolute and differential rent. He postulated that monopoly was a situation in which a seller or manufacturer possesses exclusive rights for selling much above natural price by keeping the market constantly under stocked, by never fully supplying the effectual demand[1].

David Ricardo (1772-1823)agreed with Smith that the monopoly price is the highest one at which consumers would like to buy, but this price can change occasionally and depend on products. He also argued that trade restrictions besides charging more than the competitive price actually raise "natural price" because of increasing market inefficiency[2].

Frederic Bastiat (1801-50) had no more support of monopolies especially government-created ones in comparison with Smith, Ricardo. In various scientific works, Bastiat saw monopoly among a changing list of "evils of society" along with war, slavery, theocracy, colonialism, impostures, inequitable taxation and excesses of government, frauds of every kind and privilege. He claimed that monopoly too transfers wealth from one pocket to another, but much of it is lost in the process[3].

Alfred Marshal (1842-1924) recognized the general view that a monopoly was any firm able to

set an artificial monopoly price which is determined with little reference to cost of production, but predominantly by consideration of what the market will bear. He tried to explain with help of graphs how a monopolist by ignoring the interests of society, including consumers, would choose its price-output combination in order to maximize “net revenues” or monopoly profits. Marshal also suggested that the monopolist might regulate the current and the future price demands for charging a higher price[4].

In the theory of monopolistic competition Edward Chamberlin (1899-1967), by analyzing comprehensively the essence of monopoly, monopolistic price and monopolistic profit, stated that the main point of monopoly is to control supply and price. He supposed that every seller became an absolute monopoly by increasing differentiation, but at the same time, it faced imperfect competition from another producer of a substitute product. In that situation “Margin of power” phenomenon is observed as it holds the way of artificial increase of goods price and put forward the theory of monopolistic profit[5].

If “classic” and “neoclassic” schools believe that free competition is an essential condition of economic growth, it is considered that there is a competition among monopolists according to Chamberlin`s doctrine. It is seen in development of price and non-price competition (relating to improving the quality of product and advertisement). The absence of pure competition and pure monopoly ,in reality, was firstly known in economic liberalism.

Joan Robinson(1903-1983) thought differently from Chamberlin saying that monopoly causes a complete disruption of the balance of the competitive economic system, absorption of small companies and even “exploitation” of production factors due to imperfect competition[6].

Robinson assumed a negative attitude towards monopoly what is a factor of disruption of socio-economic relations in market economy. Entrepreneurs have less interest in turning production into a monopoly in free competition than in imperfect competition. Because in imperfect competition some firms are not able to reach growth and work inefficiently. Therefore, a monopolist does not have an opportunity of raising the price of its products by limiting the production. Nevertheless, it has a chance of decreasing production costs by way of perfection of organization of production. She also said about monopoly of a buyer in which there are one buyer and many sellers in the market relating to the demand concentration.

Joan Robinson`s conclusions make clear that in the condition of imperfect competition, the tendency of exploitation of production factors appears. This situation is far strengthening by the absorption of small companies. Unifying of management, becoming large of the size of companies naturally leadto rising injustice in distribution of the wealth. The problem of monopolization of production brings forward to resolve the dilemma of “productivity or justice”.

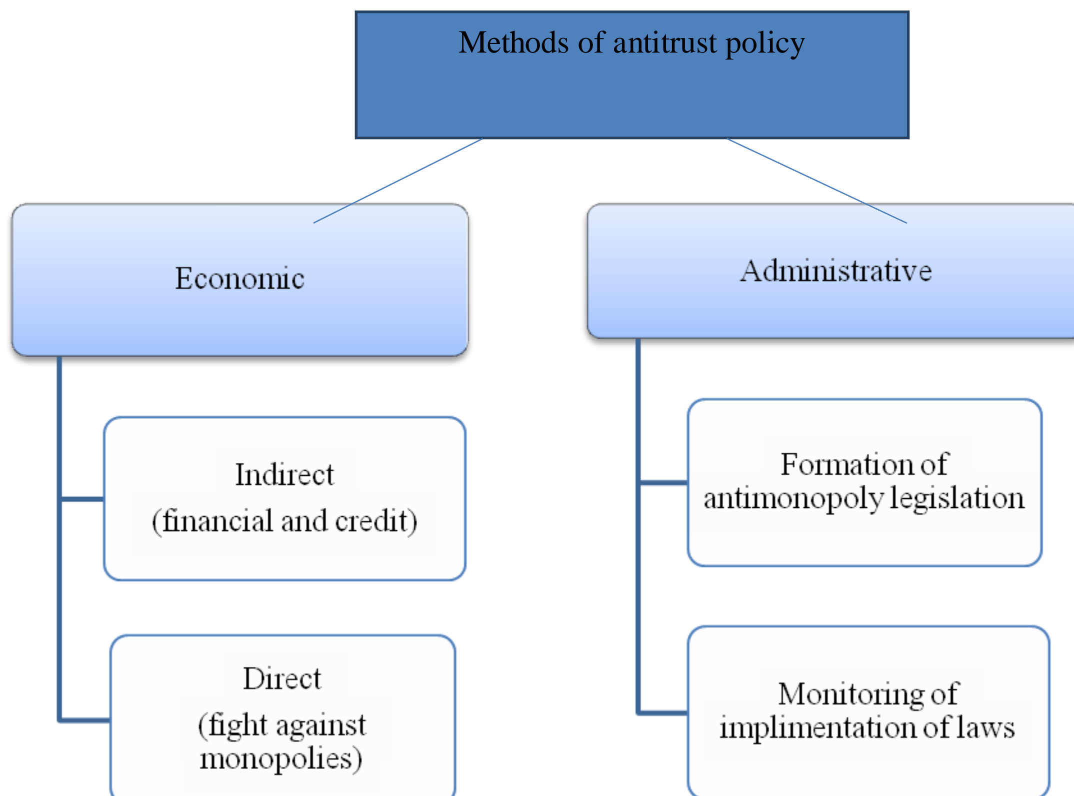
III. Material and methods

The market economy has been developing in society for quite a long time. It creates a fertile ground for competition. Competition, in turn, encourages manufacturers to keep up with the times, apply new technologies, increases labor productivity, and so on. However, one way or another, any company strives to increase its share in the world market, eliminate competitors and increase its competitiveness. This is how monopolies arise.

At the present time, there are many companies that wish and try to be a monopoly in their sectors over the world, even often resort to illegal methods. In that case, it is very important to regulate

monopoly, support competition in a country and improve legal framework for taking control of monopolists.

IV. Methods of antitrust policy



There are three types of **regulation of monopoly in USA:**

- Formation of special regulatory organizations of private firms
- Creation of firms in the form of state ownership
- Competitive access to markets

The aims of such regulation are prosperity, security and health of people. In this condition, special regulatory organizations should be independent, plenipotentiary. Upper limit on percentage of income is set in most cases.

The main federal antitrust laws are the Sherman Antitrust Act, Clayton Act, Federal Trade Commission Act and Seller-Kefauver Act. Currently, three organizations assuming control over monopoly have in the USA: Antitrust Department of Ministry of Justice(initiation of criminal cases against entities violating antitrust laws), Federal Trade Commission (state control over compliance with antitrust laws), the Supreme Court of the USA(assessment of the legality or invalidity of the terms of contracts or methods of economic activity)[7]. The regulation of mergers and acquisitions of companies

is very important in the USA. Within the scope of antitrust laws, the main indicator of monopolization is Herfindahl-Hirschman index (HHI).

The government tries to prevent market of monopolists and prohibit the conclusion of various transactions and contracts. The federal laws regulate securities trading, tender bids and contain antitrust provisions while state laws regulate corporate formation and their management. If a company has 90% share of the market this company will be accepted as the dominant company in the USA. According to the legislation of the USA, whether the company is abusing its dominant position, it must be proven that the company has market power and has the ability to greatly inflate the value of goods in order to make a profit.

The Sherman antitrust act has the following main points[8]:

- any agreements, associations in the form of a trust or any other or secret agreement aimed at limiting production and trade are considered illegal;
- any person who tries to monopolize, unite, conspire with another person or persons is considered guilty of a crime.

However, the Sherman act contained very confused and superficial language. It ambiguously gave definition to main concepts like trust, monopolization or attempt at monopolization, restriction of trade. The uncertainty left loopholes for companies. The necessary clarification of the law was made in 1914 with the adoption of the Clayton Act, and in 1950 with the adoption of the Act Celler-Kefauver.

The Clayton Act includes the following four conditions:

- a complete ban on certain forms of price discrimination;
- restrictions related contracts which the buyer is forced to purchase not only the necessary products, but also completely unnecessary ones;
- ban on pooling through buying control packet of shares, which may be result of prohibition of free competition.
- limiting the intertwining of directorates through the representation of one person on the boards of directors of various companies.

Robinson-Patman law adopted in 1936 supposed to restriction of price discrimination and criminal liability for the policy of predatory (extortionate) prices - setting prices below average / marginal costs in order to oust a competitor from the market.

Celler-Kefauver act was directed to the restriction of mergers not only in the form of buying stocks, but also mergers by purchasing any assets of a company.

Hart-Scott-Rodino Antitrust Improvements Act adopted in 1976 was an amendment of Clayton Act which established the possibility of acquiring the capital of other competing enterprises, as well as their assets and monetary thresholds for asset value, revenue or agreement value. This new document established a mandatory procedure for prior notification of the Federal Trade Commission(FTC) and the US Department of Justice about major economic concentration agreement. 30 days is given during which FTC and Department of Justice check the agreement and make an appropriate decision on compliance with a competition law. If you get a positive answer, it has a right for making agreement. If there is no compliance with the antimonopoly legislation, then a decision is made to ban the agreement. If Notified Body makes a decision about no compliance with the antimonopoly legislation, it addresses

the court for the purpose of prohibition of the agreement. At the same time, there is a right of FTC and Department of Justice to apply for a ban on the agreement before a court decision is made.

The regulation regarding antimonopoly policy of European Unionwas yet attached to the Treaty of Paris in 1951 establishing European Coal and Steel Community (ECSC). Therefore, the article 65 of the Agreement prohibited the cartel practice of enterprises when issues of enterprises concentration within the framework of ECSC and abuse of dominant position by enterprises were banned by the article 66[9].

EU needs to distribute authority precisely among institutions for providing effective antitrust policy. According to the article 13 of the European Union Treaty (EUT) EU institutions are European Parliament, European Council, European Commission, Court of Justice of European Union, European Central Bank, Court of Account.

Not all EU institutions are equally involved in the implementation of antitrust policy. The main antitrust organizations are the European Commission, the Court of European Union, the European Parliament and the EU Council.

The European Commission has the authority to monitor compliance with the principles established by articles 101 and 102 of the Treaty on the Functioning of the European Union(TFEU) to investigate violations of the Union's antimonopoly legislation, as well as to impose fines on enterprises of the member states.

Along with primary source of EU legislation like EUT and TFEU there are the Regulations № 1/2003 on December 16, 2002 concretizing the powers of the European Commission. According to the Regulations №1/2003 one of the main functions of the Commission is to investigate possible violations of antimonopoly legislation of EU by enterprises operating in the territory of EU. The investigation includes inspections of enterprises and their documents, survey of individuals and representatives of legal entities, sending inquiries to legal organizations. Besides the investigation, the Commission has the authority to bring violators of the antimonopoly legislation to justice, namely to impose fines on enterprises. The Commission has also the right for taking temporary measures and putting obligations which as a general rule, ban the commission to continue to investigation except for the cases provided inparagraph 2 of article 9 of Regulation №1/2003 on enterprises.

As stated above the Court of Justice of the European Union plays a significant role in the regulation of Union`s antimonopoly policy.

The EU Court of Justice fulfills enforcement function i.e. applying normative acts adopted by the European Parliament and the EU Council and law-making function developing main principles of EU rights for filling gaps and convergence of EU`s legal system with legal system of the member states.

The EU has developed a system of checks and balances in which both various branches of government and the institutions themselves cannot have unlimited powers. The EU Court of Justice has limited powers of the European Commission by forming a precedent.

According to the article 19 of EUT, the EU Court of Justice enforces the law in the application and interpretation of treaties. To this purpose the EU Court of Justice decides on claims brought by member states, institutions, individuals or legal entities prejudicially at the request of national jurisdictions about the interpretation of the Union`s law or validity of acts adopted by other institutions and in other cases provided by agreements.

In spite of the importance of compliance with the provisions of the Treaties as well as their

uniform application and interpretation, in our opinion, the main function of the EU Court of Justice in the sphere of antimonopoly policy is to fill gaps in the legal regulation by the sources of primary and secondary law.

The main function of the European Parliament and the EU Council both in the Union and in the sphere of antimonopoly policy is adoption of regulatory legal acts. If it is talked about features of the legislative procedure of the European Parliament and the EU Council, it may be agreed that a feature of legislative process in the sphere of competition is the useof consultation procedure for making critical decisions limiting sharply the role of the European Parliament.

The concept of abuse of dominance was first formulated in the EU in the European Court of Justice`s judgment in case of Hoffmann-La Roche & Co. v Commission. According to that,abuse of dominance is considered such behavior of an economic entity having a dominant position, which leads to create obstacles to support the competition level existing in the product market or to increase this level[10].

Recently, British experts in the field of European competition law have identified three factors coming out of legal regulation and judicial practice of the European Community in the field of abuse of power in the market. These factors can be used to answer the question: whether an economic entity is abusing a dominant position in the market[11].

Firstly, it is necessary to check whether an economic entity performs any action that can`t be considered useful for any purposes of economic entity`s activity except to eliminate competitors. Secondly, it is important to determine whether economic entity`s actions are aimed at eliminating so effective competitor as itself. Thirdly, it should be assessed whether actions of dominant economic entity lead to unfavorable consequences for consumers, for instance, to increase prices or to decrease goods production. It is important to note that these factors is only doctrinal interpretation of EU legislation and practice of the European Court of Justice. Although, it is applied widely enough, it is not conventional and compulsory for all. Therefore, answering the question about whether an economic entity is abusing a dominant position in the product market, the European Court of Justice comes from the general concept given in the judgment in case of Hoffmann-La Roche & Co. v Commission, the last judicial practice as well as facts of the case.

The abuse of dominance of an economic entity is one of two conditions required for liability under article 82 of the Treaty establishing the European Community(EUT). The second prerequisite is damage to trade between EU member states, which directly follows from the text of Art. 82: “Any abuse by one or more undertakings of a dominant position within the common market or in a substantial part of it shall be prohibited as incompatible with the common market in so far as it may affect trade between Member States”[12].

Currently, agreements among cartel-type enterprises are regulated by Council Regulation No. 1/2003 / EC of December 16, 2002. According to article 101of the agreement and provisions of the regulation, it is unconditionally prohibited, for example, agreements considering price fixing; limitation and control of production, production distribution, technological development and investments; distribution of markets and sources of supply; applying other binding conditions.

One of the features of the EU competition system is the inclusion of state aid regulation in it. The provisions of articles 107-109 of TFEU define the boundaries of the legality of such aid and establish the procedure for monitoring the implementation of the adopted rules by the EU authorities.

Furthermore, there are a number of the European Commission decisions determining the industry-specific nature of competition rules in the field of state aid. According to article 107, "Save as otherwise provided in the Treaties, any aid granted by a Member State or through State resources in any form, whatsoever, which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between the Member States, be incompatible with the internal market"[13].

V. Results and discussions

Analysis of modern enforcement practice of European Community in the field of abuse by a business entity of its dominant position demonstrates a tendency to apply concept and implementation worked out in the 70-80s of the XX century although the economic and competitive conditions in the common market of European Community have obviously changed since then. Owing to this, it provokes more and more discussions about the necessity to change the approach of the European Commission and European Court of Justice to the application of Art. 82 of EUT in favor of more economic one, about the need of introduction of changes in EUT and even about the signing of a new document that would contain more detailed regulation of competition in the common market. But these discussions remain in the EU, more and more at a territorial level while law enforcers stays adherents of a conservative approach to the abuse of the dominant position.

The basic difference between the EU antitrust law and the American antitrust law is a supranational approach. The supranational principle means power transfer of EU states to integration institutions. The EU competition law is characterized by relatively soft regulation. If antitrust law of the USA was built on the principle of prohibition of market monopolization (Art. 2 of Sherman Act, 1890), norms of the EU competition legislation would make no provision for such ban. The EU competition legislation focuses on the correction of market behavior. It is taken into consideration how much market share the company will have, if it starts to abuse its dominant position.

In many countries**, regulation of natural monopolies** is carried out on the basis of several schemes:

1. Rate of return regulation;
2. RPI-X regulation;
3. Profit sharing regulation;
4. Competition "for the market"

These methods are used to regulate public utilities and private utilities too.

Rate of return regulation

Rate of return regulation has been the predominant regulatory method for many years. To this day, it is widely used in many countries, for example in the USA. With this approach, the regulated price is set at a level that allows the enterprise to cover its operating costs and provide a certain specified return on the used capital:

$$P = C + K * r$$

P- price, C- operating costs, K- capital, r- return on equity.

The volume of return on equity must be "fair" that the owners of enterprise have to receive income from the use of the enterprise's capital at a level not less and not greater than the return on capital for another enterprise with the same level of risks.

In this regulatory system, if prices stop to cover the costs of the company, the company has the right to apply to the regulating authority to revise the tariff. This approach to regulation guarantees that enterprise can cover its costs but does not give any stimulus to the decrease of costs.

The main advantages of the rate of return regulation:

– The regulated price provides the enterprise with the possibility of a break-even operation, and investors have an opportunity of getting “fair” income. Thereby enterprise fully covers financial needs and has the opportunity to enter the capital market (for example, to finance large investment projects).

– Regulating authority sets the price on the assumption of economic costs i.e. looking for the optimal solution for the selected objective function. Consequently, the revision of the tariff allows you to get rid of the burden of past mistakes, which is especially valuable in an unstable economic environment.

This approach has the following disadvantages:

– The regulating authority, as a rule, does not have enough information about the future costs of the enterprise, while the enterprise has an objective opportunity to manipulate the provided information.

– The regulatory procedure requires considerable time and money. Analysis and verification of the information provided by the enterprise may require the involvement of external experts (auditors, engineers, etc.), which is associated with certain financial costs. Due to bureaucratic delays, there is a time lag between the change in economic conditions and the revision of the tariff. In conditions of high instability of the economic environment, this increases the inertia of the enterprise and prevents it from responding in a timely manner to external changes. Consequently, many regulatory systems provide for the possibility of automatic revision of tariffs in the event of a significant change in external economic conditions. For example, utility tariffs are automatically revised when fuel and energy prices change significantly.

– The enterprise has no incentive to decrease costs and increase production efficiency. Because any cost reduction will be withdrawn from the enterprise in the course of regulation, and, conversely, any increase in costs can be passed on to consumers. This is perhaps the most important disadvantage of profitability(rate of return) regulation.

– The company gains incentives to increase unjustifiably its production base (asset value). The higher the asset value, the more amortization and profit, and consequently the regulated price.

– Determining the required level of profitability is always somewhat subjective. As a rule, regulating authorities focus on the rate of return on investments with a similar level of risk in the securities market. This approach is not entirely correct. Because the level of risk is largely determined by the nature of the regulation procedure, i.e. there is a feedback. Moreover, regulated enterprises try to manipulate the amount of their capital taken into account in calculating the profit included in the price.

RPI-X regulation

Profitability regulation is widely used in the USA, where utilities in most cases were initially privately owned. Anew form of regulation of natural monopolies appeared in Great Britain in 1984, at the same timeas the privatization of British Telecom.

This method of regulation was specially created in order to encourage regulated enterprises to increase efficiency so that the benefits from this would pass to consumers in the form of price

reductions. In this approach, a regulating authority sets a price to a regulated enterprise for a certain period, usually lasting 5 years. It is supposed that this price will allow the company to cover its operating costs and make a certain amount of profit in condition that the company will work as effectively as the model company.

The regulating authority firstly evaluates the savings which the company could achieve at the expense of effectiveness increase of its work in the previous period and translates these savings into an initial price reduction.Then the regulating authority assesses what needs were for model company in order to cover operating costs for renewing fixed assets, expanding and improving its assets. Taking into account this expenses regulating authority calculates the value of the annual price reduction in real terms (X). This value is set in such a way that gives the enterprise opportunity to obtain a “fair” return on its assets. After that, the enterprise can annually increase prices in accordance with the growth of the consumer price index minus the adjustment value X:

$P_1=P_0*(RPI-X)$

P_0-price in the base period, P_1-price in the reporting period, RPI-consumer price index, X-correction factor.

At the same time, regulating authority is not dealing with detailed checks of financial and economic activities of the enterprise.

This approach assumes that the enterprise always increases efficiency of its activity. Because prices are not automatically indexed by the amount of inflation growth but by a smaller amount. If the enterprise does not increase its efficiency, it will bear losses. In other words, the tariff decreases by X percentage every year in real terms (since indexation is usually done annually).

This method has several variants, for example:

- A regulation of prices is separate for each type of activity;
- A regulation of the weighted average price of several types of activities for a given sales structure(price basket);
- A regulation of the maximum allowable revenue per unit of production (revenue yield).

The main advantages of RPI-X regulation include the followings:

- The procedure of regulation becomes much simpler and chipper: the expenses for gathering and analyzing information about financial and economic activity of the regulated enterprise reduces significantly;
- When the enterprise appears incentives to increase its production efficiency, investors receive stimulus to invest capital. Because the economic effect of measures aimed at increasing efficiency will not immediately withdrawn during the price revision. The enterprise becomes interested in reducing costs;
- RPI-X regulation breaks the link between costs and the tariff setting process to a considerable degree;
- The economic independence of the enterprise increases.

The privatization of public utilities and their regulation based on RPI-X showed its efficiency in Great Britain. From 1992 to 1997,operating costs in electric-power industry fell by 17%, the number of employed reduced by 26%, end-user prices of gas fell by 14% which was more than the decrease of

wholesale gas prices and the service quality increased in most cases. All these positive developments were reflected in the stock market that the annual average return on investments in utilities gas, electricity and water supply was 28%(for comparison the average annual growth of the FTSE-100 index was 17%)[14].

In spite of the advantages, RPI-X regulation has the following disadvantages:

– The company will only realize a profit if it can perform more efficiently than the regulating authority expect. Consequently, the enterprise is interested that the expectation of regulating authority is as low as possible. In this situation, the regulating authority is at a disadvantage, as it must rely on the information, which is provided by the enterprise itself;

– The normal investment schedule is disrupted. The enterprise becomes interested in taking all measures to reduce costs at the beginning of the regulated period as it can accumulate all amount of savings for whole period in this case. At the end of the regulated period, the incentives to increase efficiency and decrease costs of the company disappear practically;

– Within the framework of this regulatory system, incentives to increase investment efficiency are unclear. If a company reduces amount of its investment it will be difficult for the regulating authority to identify whether the company is investing more effectively or investing simply in less amount.

– The company loses its incentive to improve the quality of services. It is also a result of that the regulatory system stimulates to reduce operating costs, whichcan especially be achieved by decreasing the quality of service;

– The practice of this regulation method in Great Britain shows that there isa great deal of subjectivity in determining the value of X, which is the subject of constant controversy and debate;

– The stock market perceives this method of regulation as carrying high risks for regulated enterprises. The average amount of beta(β)for British companies is more 1.6 times than the amount of beta for American companies(0.89 in comparison with 0.55)

Profit-sharing regulation

One of the important advantages of the “incentive” regulatory system is that the enterprise by making profit is forced to decrease its costs. In the future regulating authority will pass this cost decrease on to consumers in the form of a tariff reduction. Nevertheless, the system itself will only work, if the enterprise can make a certain profit during a certain time period. Actually, the idea of profit-making by monopolist may be very unpopular in the case of introducing errors in setting the initial value of the tariff during the regulation of RPI-X. This profit may be very significant.

Therefore, it has appeared the idea of creating a regulation system allowing it more quickly to take advantage of the reduction in costs of theenterprise. For setting a tariff, the regulating authority uses predictable values of enterprise costs, and then it will monitor actual costs of the enterprise. If the actual costs are less than the predictable values, the tariffs must decrease by an amount allowing to except a part of the profit from the firm. In other words,the enterprise should be ready for the fact that if it begins to make a profit more than predicted profits, the tariffs have to decrease by an amount that the company will only receive predicted amount of the profit in setting the tariff.

This regulatory system needs detailed monitoring of actual costs and the profit of enterprise and may be very difficult for implementation. Besides that, it weakens company incentives to decrease

costs.

Competition for the market instead of competition in the market

A fundamentally new solution to the regulation problem is to replace competition in the market with competition for the market. Even if competition in the market is unreasonably(one enterprise-monopolist is in the capacity of meeting the market demand cheaper than several competitors satisfy), in some cases it is possible to hold a competition for the right to serve the market. In this case, the right to serve the market is given to the competitor that offers the best price-to-service ratio. Although this method has not yet become widespread, real examples of its practical implementation still exist: water supply in France is carried out based on the conclusion of concession agreements so that potential concessioners compete with each other at the stage of concluding an agreement.

The main advantage of this approach is that instead of an artificial imitation of the results of the competition, there is a transition to the formation of real competitive incentives.

The main disadvantages are the difficulty of organizing and holding the competition, the limited number of possible participants and the complexity of the procedure for monitoring and controlling the performance of the winner of the competition. Perhaps that is why this method has not yet become widespread, although, according to many researchers, it has a great future.

Uzbekistan's antimonopoly policy is carried out by several institutions such as the Parliament of Uzbekistan of Oliy Majlis adopting antimonopoly legislations, the Cabinet of Ministers enforcing antimonopoly laws as well as the Antimonopoly Committee of the Republic of Uzbekistanregulating antimonopoly procedures.

The Antimonopoly Committee functions based on Laws of the Republic of Uzbekistan "On Competition" (06.01.2012, №319), "On natural monopoly" (19.08.1999, №815-I), "On Protection of Consumer Rights" (26.04.1996, №221-I) and "On Advertising" (25.12.1998, №723-I).

The Antimonopoly Committee being given the rightfor competent authority in the field of competition in commodity and financial markets by article 9 of the Law "On Competition" implements the state policy aimed at limiting and preventing anti-competitive actions of business entities, unfair competition and illegal actions of public administration and local government.

According to article 21 of this Law, the Antitrust authority functions also includes drawing normative acts, determining the presence of a dominance, keeping the state register, monitoring for obeying competition laws particularly in conducting tenders and exchange trades, detecting violations of the legislations and taking action against them and others attached in laws.

Today, the state regulates prices (declaration, approval, fixed or limited prices (tariffs), regulation coefficients, setting a premium and a limited level of profitability and other methods of price regulation) for more than 30 goods and services.

At the same time, despite the fact that 10 types of goods (works, services) are regulated in the field of natural monopolies, in practice they are regulated by 137 different price levels set on categories of consumers and suppliers, as well as a regional basis.

The cost-based pricing method used by monopolies and natural monopolies consists of a scheme to add a minimum profit to the cost, which encourages unreasonable increase in costs, does not encourage a decrease in production costs, and the increase in costs is offset by a direct increase in prices and tariffs for consumers.

Conclusion

Although theoretical ideas about monopoly notion put forward by “classic” and “neoclassic” economists and practical experiences of monopoly regulation in developed countries was one of the foundations in improving antitrust regulation by taking into account features and development level of national economies in many countries, globalization, rapid changes in the world market, technological “boom” and digitilization of economic processes require to find out new mechanisms of regulating monopolies to reach economic prosperity.

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