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Antimonopoly Regulation System as a Driver for Ensuring the Economic Security of Russia's Product Markets

COMMEMORATIVE MEDAL FOR YOUNG RESEARCHERS

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Abstract

The protection of the national economy from external and internal threats defines economic security. Monopolism and systemic flaws of the antimonopoly policy are the vexed issues of the current Russian economy. New crises that arise almost every year aggravate the country's economy which is already in stagnation. Hence, in the context of ensuring economic security the development of the antimonopoly regulation system seems relevant at present.

Keywords: *economic security, antimonopoly regulation, inequality, poverty, monopoly.*

At present the Economic Security Strategy of the Russian Federation until 2030 is the paramount document regulating the challenges and threats to the economic security of the Russian Federation which was adopted to implement the strategic national priorities of the country. However, one of its major drawbacks is the lack of provisions on the protection of competition, and the fight against monopolism, which makes it impossible to overcome the challenges and threats and to achieve the goals of the state policy of economic security.

The interdepartmental program of measures to identify and suppress cartels and other agreements restricting competition for 2019–2023 which was developed on the basis of the Strategy until 2030 partially closes this gap.

The program includes only two indicators:

– the ratio of the initiated enforcement proceedings to collect administrative fines to the number of resolutions received by the structural units of the Federal Bailiff Service of Russia;

– the number of cases of violation of the antimonopoly laws of the Russian Federation, initiated on the basis of a cartel and (or) another agreement restrict-

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ing competition, the revenues from the sale of goods (works, services) gained by all participants of the agreement restricting competition is less than 50 million rubles (or damage from which is less than 10 million rubles).

Nothing above-mentioned contributes to the adequate achievement of the goals of antimonopoly laws and economic security. The inefficiency of the existing management system resulted in manual regulation of food prices by the country's top officials in December 2020.

In addition, the current situation is exacerbated by the income inequality of the country's population. A system of 40 indicators affecting various aspects of the socio-economic and scientific-technological development describes the state monitoring of Russia's economic security. Therewith, the coefficient of funds (15.6 in 2019 with a threshold value of 7), and the share of citizens and workers with monetary incomes and wages below the subsistence level (13.1 % in 2020 at a threshold value of 6 %) are a single indicator that determines the level of income inequality. However, none of the above indicators takes into account the population's cash expenses or the possibility to influence them whereas the balance between income and expenditure ultimately determines the opportunity to make savings.

The status quo predetermined the introduction of a new indicator for assessing the state of economic security of the Russian Federation – the household income ratio (*HIR*). It is calculated as the ratio of disposable resources to cash expenses for all types of households. In 2016 it was 1.176, in 2017 – 1.175, and in 2018 – 1.174.

The household income ratio and its relationship with antimonopoly law can be expressed as follows:

$$HIR = \frac{DR}{CE},$$

where *DR* – disposable resources; *CE* – cash expenses.

Cash expenses can be divided into two categories: economically reasonable and economically unjustified. Economically unjustified expenses include household expenditures resulting from the purchase of goods at economically unjustified prices (due to dominance, cartels or concerted acts) and economically unjustified tariffs. Therefore, the formula for the household income ratio is as follows:

$$HIR = \frac{DR}{ERE + EUE} = \frac{DR}{ERE + EUPE + EUTE},$$

where *ERE* – economically reasonable expenses; *EUE* – economically unjustified expenses; *EUPE* – economically unreasonable price expenses; *EUTE* – economically unjustified tariff expenses.

Having considered the impact on the household income of such factors as the consumer price index for goods and services, the number of initiated cases on violation of the antimonopoly laws, and the number of enterprises and organizations using the multiple regression equation, we found that when the number of initiated cases on violation of the antimonopoly laws changes by 1 %, the household income ratio decreases by 1.003 % respectively. This tendency indicates a shift in the balance of interests between the state, business

entities and consumers not in favor of the latter, which does not contribute to economic security of product markets.

Further, one should explain what is meant by the economic security of product markets. It is the state of security of the product market from internal and external threats via functioning of such a model of antimonopoly regulation, in which a balance of interests is achieved between the state, business entities and consumers. It is important to note that internal threats in such a case will increase under the influence of behavioral acts of business entities operating in the product markets such as setting monopolistically high and economically unjustified prices for goods, economically unjustified higher prices for the same product for consumers, economic entities joining prohibited concerted acts, unfair competition, *etc.* External threats will emerge based on the possibility of new economic entities entering the product market from outside territories and their non-competitive behavior. One should also take into account the threats associated with illegal actions of regulators, leading to economically unjustified tariffs, which may threaten the real existence of product markets.

The balance of interests in this case means ensuring equal opportunities for the implementation of targets and key indicators of participants of the interaction in product markets, which do not lead to infringement of the interests and loss of welfare of other participants. However, taking a course to support the development of entrepreneurship in the country, the state had to give up some of its legitimate interests and interests of citizens in favor of economic entities:

- to amend the administrative procedures for antimonopoly regulation, in particular, to refuse maintaining the Register of Economic Entities with a dominant position; to increase time boundaries under consideration when analyzing product markets;

- to include criteria for minimum shares held by business entities in prohibited concerted act cases;

- to add stages while considering antimonopoly cases;

- to reduce opportunities to replenish budget as a result of lower penalties;

- to exclude the right of individual consumers to protect their interests, for example, in case of unreasonable price increases due to the abuse of dominant position by economic entities;

- to reduce the possibilities of protecting the interests of consumers and competing enterprises in case of violation of the interests by micro-enterprises, by introducing a criterion for the earnings of economic entities in the analysis of the product market in the amount of more than 400 million rubles for the last calendar year.

The concept of ‘failure of antimonopoly policy’ was introduced due to the imbalance in antimonopoly regulation.

A failure of the state antimonopoly regulation, which leads to threats to the development of product markets, is the imbalance between the interests of the state, business entities and consumers, arising from the ongoing transformations.

In the context of the introduced concepts of balance and failure the conceptual model of antimonopoly regulation of the Russian Federation was improved to reduce threats to the development of product markets (see Fig.).

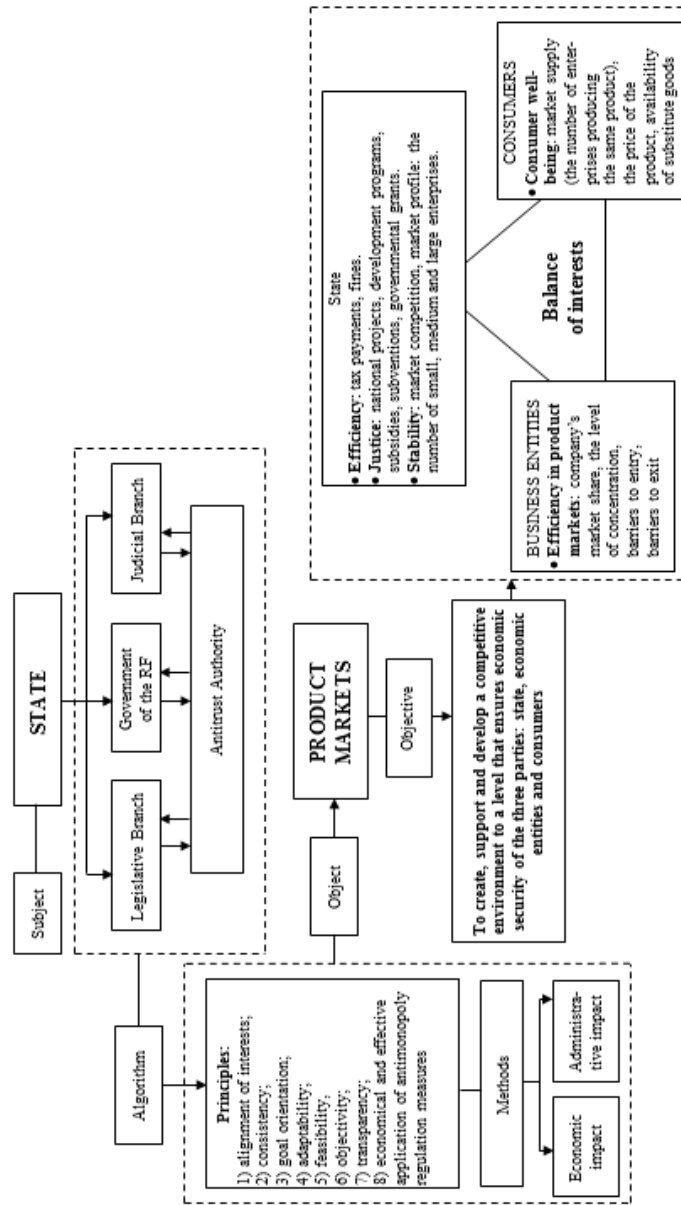


Fig. The conceptual model of antimonopoly regulation

The conceptual model includes the subject (the state) which determines the algorithm, consisting of the fundamental principles and methods of influencing the object – the product markets. The goal of antimonopoly regulation is to create, support and develop a competitive environment to a level that ensures economic security which is hard to achieve if the objectives of the three parties, namely, the state, economic entities and consumers are not taken into account and not further implemented.

1. The state should contribute to the development of economic entities in a favorable competitive environment, protect against monopolistic activities and unfair competition and, as a result, achieve global goals of state regulation, such as:

- efficiency, *i.e.* effectively functioning production which results in the budget replenishment in the form of tax payments from entrepreneurs. In addition, non-compliance with antimonopoly legislation involves the imposition of severe fines, including turnover-based fines (of the last year's revenues), which is also one of the sources of the country's consolidated budget;

- justice, *i.e.* the state redistributes income through the taxes. For this purpose, the state uses such instruments as development programs, subsidies, subventions, governmental grants;

- stability, *i.e.* state regulation creates conditions for the development and protection of competition in the market to establish a certain market profile: a number of small, medium and large enterprises.

2. Business entities – protection of their interests from unfair actions of other business entities, including natural monopolies and government bodies, which allows them to function more efficiently in product markets. Thus, another global goal in government regulation, namely, stability is achieved.

3. Consumers – antimonopoly regulation ensures consumer well-being by securing the interests of citizens, for example, from price manipulation by monopolists or business entities that have joined the cartel or are engaged in concerted acts. The high level of competition in product markets leads to balanced prices and expands consumer choice.

In order to counter threats to economic security in antimonopoly regulation in product markets within the proposed conceptual model the methodological tools were adjusted:

- the tools for analyzing the product market in the system of state antimonopoly regulation were improved;

- the methodology aimed at identifying the threats, setting monopolistically high price by business entities with a dominant position in product markets and countering it was developed;

- the tools to protect entities from the use of economically unjustified price for goods were developed; the concept, the characteristics as well as methods to identify an economically unjustified price were given;

- the pricing factors of a business entity with a dominant position in the product market were defined. The methodology for identifying the threat of economically unjustified change of higher prices for the same products and countering this phenomenon was supplemented and tested;

- the algorithm to identify prohibited concerted acts, which makes it possible to assess the independence of the behavior of participants in the product market was proposed;

- the methodological background for setting a ‘justified tariff’ for the services of natural monopoly entities was suggested;

- the universal method for assessing the level of economic security in the product market was developed.

In case these provisions are included in the economic policy, they might contribute to the achievement of the goals of the country's economic security.