



Institutional Characteristics of the Regulation of Natural Monopoly Fields

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Abstract: In this scientific article, the institutional features of the regulation of natural monopolies are studied from a scientific and theoretical point of view. The reasons for the emergence of natural monopolies and the impact on other sectors of the economy are defined. Proposals and recommendations on ways to eliminate the negative characteristics of their impact on the economy have been developed.

Key words: monopoly, natural monopoly, competitive market, management mechanism, institutional features, competitive environment, competitive mechanism, regulation, market reforms, price regulation.

Enter. As a result of the reforms being carried out in our country, deep reforms are being carried out in all sectors that are included in the spheres of natural monopolies, as well as in many sectors and industries. That is, in the conditions of globalization: implementation of structural changes in the fields of natural monopolies, which make up the main part of the country's infrastructure; creating an environment of pure competition; ensuring sustainable growth in the real sector of the economy; increase competitiveness within industries; acceleration of modernization and diversification of industrial sectors; structural reduction of state-owned industries; Decentralization and privatization of service links to large industries in which the state's share is preserved are being rapidly implemented. Of course, the state as the main reformer plays an important role in carrying out work in this regard.

It is necessary to change the control system of natural monopolies to a regulatory system, that is, to re-divide their activities into upper, middle and lower levels. Through this, a healthy competitive environment is formed in the field as a result of the entry of new enterprises and organizations to operate in natural monopolies. In addition, it is necessary to carry out modern institutional reforms in order to provide financial support to newly established enterprises and organizations, to ensure their free operation in the market.

Scientific disputes between industry experts and economists always arise during the study of problems related to the control, regulation and management of natural monopolies. The reason is that in no country have developed certain unchanging standards for the regulation and management of the spheres of natural monopolies, and it is not possible to develop such invariable standards today. Because the fields of natural monopolies maintain their position in the market mainly according to their technological and economic aspects. Therefore, in such cases, all countries use different approaches to regulate and manage natural monopolies based on their internal capabilities.

Analysis of literature on the topic. The reasons for the origin of natural monopolies should be distinguished according to their economic, technological and legal characteristics. It is necessary to pay attention to the institutional aspects of the regulation and management of natural monopolies. Natural monopolies appear in institutional (legal) and entrepreneurial form, depending on their occurrence in economic sectors. Such cases should be distinguished from each other. Because, as noted above, institutional (legal) natural monopolies serve to maintain a dominant position in the formation of interstate relations (political or economic). For the products produced by such natural monopolies, the state allocates certain subsidies to the population. Natural monopolies created for business purposes have an economic or technological advantage. For this, the state regulates their activities by using various mechanisms to regulate and manage them.

Regulation of natural monopolies is carried out in the following ways[1]:

- price regulation - setting permanent or temporary specific tariffs (indicators, parameters) for products and services;
- determination of the tax burden depending on the type of activity, regulation of credit rates, determination of the amount of state duties for import and export of products from the state border;
- clarifying the threshold standards for introducing their products and services to the market depending on the type of activity of natural monopolies;
- according to the legal status of the organization or enterprise, to determine the consumers who must be served and to set benefits and subsidies for them.

In addition, it is possible to use other types of border standards, control and regulation methods of entering the market based on the legislation on state control, regulation and management of natural monopolies.

"From an economic point of view, anti-monopoly policy is a state policy aimed at restricting and regulating the emergence of monopolies, mergers and acquisitions, cartels, price gouging, anti-competitive actions".[2]

"Natural monopolies are situations in which it is impossible or economically unacceptable to create competitive conditions in the market to meet the demand for certain types of goods (works, services) due to technological features." [3]

The principles of anti-monopoly management are as follows [4]:

- ensuring equal opportunities (need to conduct and develop business without administrative barriers);
- discretion (entering and exiting the market, selection of deals and requirements for signing them);
- ensuring the direct application and execution of the base of regulatory documents (voluntary acceptance and unhindered implementation of the requirements in the instructions and explanations of the documents);
- systematization of the existing base in regulatory and legal creativity, ensuring the stability of regulation of market relations.

The way to create a competitive environment in the conditions of a monopoly was first presented in 1838 by A. Cournot in the work "Research of the mathematical principles of the theory of wealth". According to him, if the production of goods is concentrated in the hands of one person, it constitutes an absolute monopoly.[5]

Natural monopoly is the structural structure of the economy - an element that ensures its stability, integrity and efficiency. The operation of natural monopoly entities has a significant impact on the final macroeconomic indicators, the social sphere and the security of the country.[6]

L. I. Lopatnikov defines the concept of "natural monopoly" as follows: On the one hand, it is a

situation in which, based on the technological characteristics of production, the producer (seller) of goods and services effectively responds to the demand of the industry in the absence of competition in the market.[7]

The concept of "natural monopoly", among the first, J.S. Mill gives his attitude as follows. As an active supporter of competition, he did not recognize the advantages of natural monopoly in some areas of management, "An enterprise of real social importance can benefit in the performance of its tasks only on such a large scale that the freedom of competition almost disappears." [8]

There are direct and indirect reasons for state regulation. Because the state regulates and sets prices for the products and services provided by these industries, taking into account the population, that is, the social stratum of consumers. At the same time, these sectors are of high strategic importance for the state. [9]

Implementation of the activities of natural monopolies in market conditions and its regulation is one of the most complex and controversial problems related to many spheres of society: economic, informational, technological aspects, political and social spheres. Public relations that arise under the influence of structural changes, the introduction of market mechanisms and progressive technologies, the improvement and change of the regulatory role of the state, do not need legal regulation. [10]

The formation of competitive relations in the field of natural monopolies combines more complex and multifaceted problems. Many experts and scholars who study the problems of competition and monopoly express different views on the problem of competition, but they do not give a clear definition of the term, there is no fixed model of defining the relationship between enterprises or organizations as competitive, clear formulas affecting efficiency are also not developed. [11]

A differentiated approach to monopolistic markets and the separation of natural monopolies. There are areas in any country's economy where market mechanisms, including market pricing, are not rational. Natural monopolies, industries where it is impossible to develop competition or economically inefficient are among such industries. The main task of the state in relation to such industries is to agree with their monopolistic activities. For this reason, direct state regulation is applied to economic entities that belong to natural and state monopolies, and the regulation of their economic activities on the main indicators of production and investment, product quality, price (tariff) planning, and the possibility of providing subsidies related to the costs of such regulation. envisages [12]

Natural monopolies are regulated by the state in the following areas: pipeline transportation of oil, oil products and gas; production and transportation of electric and thermal energy; transportation on railways, taking into account the use of railway infrastructure; publicly available postal services; water pipes and sewage service; aviation, port and airport services. [13]

The method of direct regulation of natural monopolies includes measures aimed at the activity (behavior) of market participants. Through this, it is ensured that all participants participating in the market operate on the basis of the same requirements, that everyone can fully use the specified opportunities, and that everyone follows the regulatory and legal requirements in the same way.

Research methodology. In the article, the methods of scientific study, comparative comparison, study of statistical data and economic comparison and analysis, logical thinking, scientific abstraction, analysis and synthesis, induction and deduction are widely used in the article.

Analysis and results. During the research, we will pay attention to some aspects of the regulation and management of natural monopolies. These include the following:

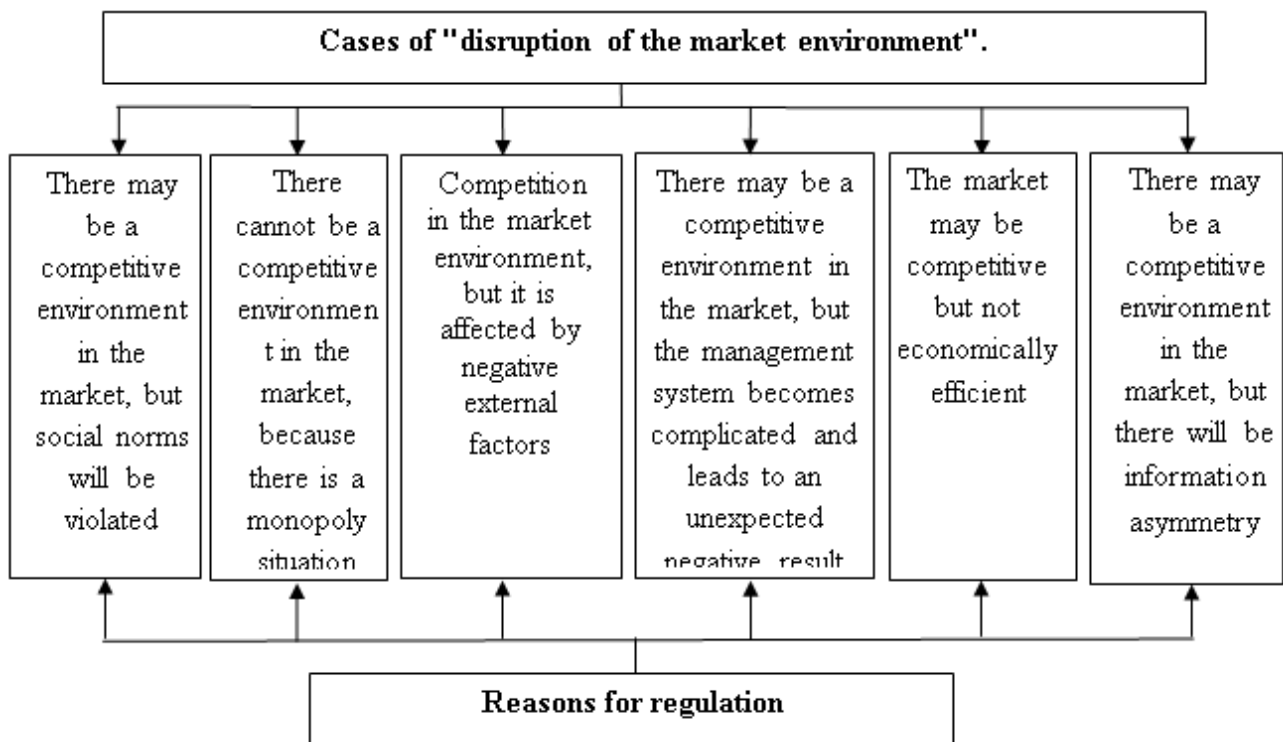
- the advantage of natural monopolies over other industries is their high possibility of free use of natural resources. The main users of natural resources are large enterprises and organizations. Such enterprises and organizations are considered to be natural monopolies because they have economic or technological advantages over others;

- natural monopolies are those operating in the sectors and industries that make up the country's main infrastructure. Due to the presence of modern technologies in them, there is a high possibility of reducing costs in product production;
- the reason for the creation of opportunities by the state for certain types of natural monopolies is the export orientation of the products produced by them, which ensures the priority of the state in the formation of international relations.

Regulation and management of the activities of enterprises and organizations belonging to the spheres of natural monopolies are controlled by special bodies established by the state on the basis of legal documents.

As a result of the behavior of organizations operating in the fields of natural monopoly, the competitive environment in the market is disturbed. That is, as a result of this, "disruption of the market environment" occurs.

The concept of "disruption of the market environment" - a violation of the competitive environment in the market - situations that conflict with the rights of consumers and the interests of other producers and service providers occur. Therefore, it is regulated by the state in order to prevent "disruption of the market environment" (Fig. 1).



1 - picture. Reasons for state regulation of natural monopolies

State intervention is important in the regulation and control of natural monopolies. The importance of state intervention is that all costs incurred in regulating and controlling natural monopolies are covered by the state. In addition, as a result of state intervention, the principles of transparency, legality, and fairness are followed.

State regulation of the spheres of natural monopolies is carried out in direct and indirect ways.

A system of regulating the activities of natural monopoly organizations was developed, summarizing the regulatory objectives and forms of regulation (Fig. 2).

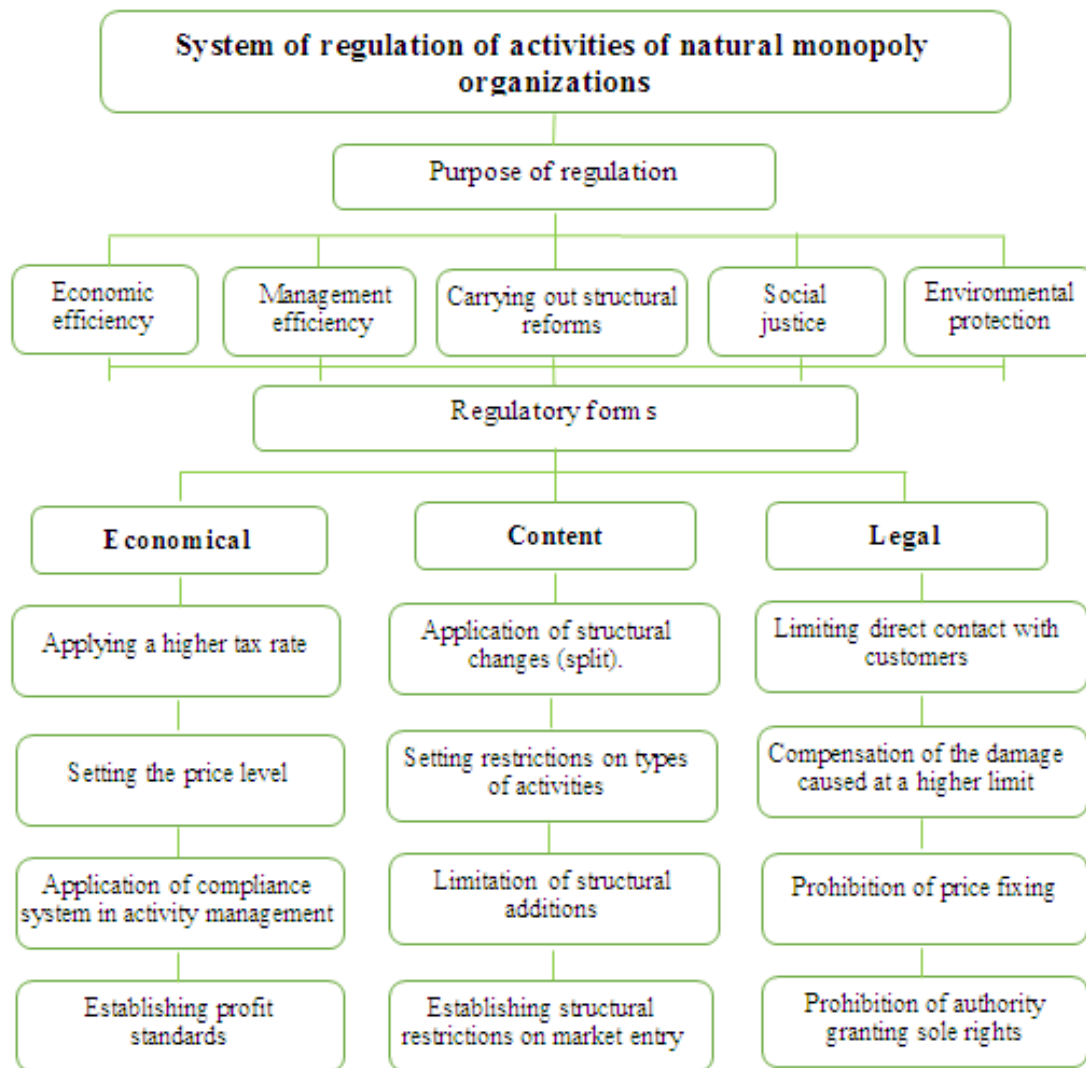


Figure 2. System of regulation of activities of natural monopoly organizations

It can be seen from the above picture that the goal of regulation is important in the effective organization of the regulatory system of natural monopolies. The goal of regulation is to increase economic and management efficiency in the fields of natural monopolies, ensure social justice and environmental protection, and carry out structural reforms in the field.

The following forms of state regulation and management of natural monopolies are widespread:

- ✓ by structurally regulating natural monopoly areas - improving existing types of activities, opening new types of activities, reducing repetitive types of services, granting or denying the right to provide services for certain types of activities;
- ✓ establishing modern forms of license cancellation or registration by types of activities;
- ✓ establishment of a work system based on new criteria for conducting activities in the field;
- ✓ setting tax rates for business entities operating in the field, developing pricing strategies for certain types of goods;
- ✓ determination of financial assistance mechanisms supporting newly established organizations in order to develop a competitive environment in the field.

As a result of the consistent reforms carried out in our country in the last five years, many sectors are being reformed again. Among them, the laws aimed at controlling and regulating the spheres of natural monopolies operating in the main links of the country's infrastructure were adopted in the early years of independence. The economy needs to review the laws passed many years ago. Therefore, the laws adopted many years ago cannot fully meet today's requirements. In recent years, a lot of work has been done in our country to improve human dignity. Based on this, the laws

adopted in order to develop the activities of any industry and industry are focused primarily on valuing human interests, protecting consumer rights, creating an effective and clean competitive environment in industries, and increasing entrepreneurship in economic sectors.

Summary. In each country, there is a need for public services to regulate and control natural monopoly industries. Because it is not possible to create an environment of competition in a natural way when improving the welfare of the population, protecting the interests of consumers, and creating a business environment in every area. Therefore, by applying administrative methods, developing legal standards, and improving regulatory methods, a competitive environment is formed in the market.

Therefore, in all countries, based on their internal capabilities, in accordance with their legal norms, in order to achieve the country's future goals and high economic productivity, depending on the policy they are conducting, models for regulating the spheres of natural monopolies are developed. Some countries achieve their goals by adopting specific laws to regulate natural monopolies.

In the practice of the countries of the world, many models are used to regulate and manage the activities of natural monopoly organizations. However, the general criteria of the models used in practice have been studied and according to the results of their analysis, most models are implemented by the following methods:

- setting price standards for products and services provided by natural monopoly enterprises and organizations;
- determination of profit-making norms of natural monopolistic organizations;
- establishment and regulation of prices (tariffs) in the field.

The world economy is rapidly developing, and any country that lags behind this development trend will certainly lag behind the development of this country for several years. Therefore, first of all, the development of the country's economy depends on how perfect, transparent and fair the current legislation and the laws and decisions that are being adopted with a view to the future will be.

In order to ensure an effective and healthy competitive environment in the legislation of the country, it is important to consider the following:

- ✓ removing artificial barriers to the establishment of new enterprises and organizations in the fields of activity and creating opportunities for newly established enterprises and organizations;
- ✓ giving legal priority to enterprises and organizations that have just started their activities in entering the market and concluding new contracts;
- ✓ improvement of the legal framework for the creation of opportunities by the state in the formation of financial funds for newly established enterprises and organizations regarding the organization of new types of activities in markets where there is no competitive environment;
- ✓ abandoning the practice of providing unreasonable benefits and additional benefits for some enterprises and organizations in the market;
- ✓ to accelerate the process of privatization of enterprises serving them by introducing structural changes in natural monopoly industries;
- ✓ updating the legal norms on reducing the amount of funds in the authorized capital of enterprises and organizations that grant the right to enter the market;
- ✓ abandoning the practice of groundless inspection of the activities of enterprises and organizations by state organizations and legal norms limiting competition in the market.

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