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**PHENOMENON OF MONOPOLY AND ITS POLITICAL AND
ECONOMIC ANALYSIS**

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Abstract

This article is devoted to the study of the phenomenon of economic monopoly. Monopoly is not a deviation at all, but it is an important functionally determined economic institution of modern society. Its origin and reproduction is determined by the presence and dynamics of internal contradictions constituting the very essence of the capitalist mode of production.

The authors believe that the reason generating monopoly is presented by the contradiction between the goal of capitalist production and the means to achieve it. The goal of capitalist production is reflected in the desire of self-expansion of capital. The means of achievement of this goal is production of surplus value. The dialectic of goal and means of capitalist production is manifested in the fact that the means generated by the goal eventually turns into an obstacle to its further achievement.

The analysis of this contradiction naturally leads to the idea of the search for various ways to resolve it. According to the authors, one of these methods is precisely creation of monopolies. The essence of monopoly is that it provides the simultaneous implementation of two functions opposite in meaning. Based on such causality, the authors of the article give their own definition of monopoly as an economic institution that provides a solution to the contradiction between the goal and means of capitalist production by simultaneous increase of the degree of exploitation of producers and the parallel increase in the price of produced goods.

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1. Introduction

Over the entire period of post-Soviet history, our country is undergoing profound systemic transformations. This process is not completed till present time (Medvedev, 2016; Medvedev, 2018). The most important direction of this process is the reform of existing economic relations in Russian society.

During the whole process of economic transformation that began in the 90s of the twentieth century and continuing to this day, various representatives of state power, as well as direct economic actors, declared the struggle against monopolism and the formation of a competitive environment as one of the most important goals.

However, despite the constant confirmation and goal-setting of the need to develop competition, in reality it is possible observe a completely opposite tendency, the essence of which is the steady reduction of competition and, conversely, the intensification of economic monopolism.

2. Problem Statement

Due to the above mentioned circumstances, it seems extremely relevant to study the problem of economic monopolism. The understanding of the essence of monopolies, explaining the reasons for their occurrence and reproduction has both theoretical and practical consequences, and provides opportunities for a more complete and comprehensive understanding of the specifics of the Russian economy. In addition it provides tools for its practical change.

Theoretically, the issue of monopoly is developed enough, but at the same time numerous modern theorists reduce the monopoly to a purely economic phenomenon (institution) bypassing its socio-economic nature and determination. At the same time, a monopoly is interpreted simply as a kind of natural (or artificial) given of economic life, devoid of internal socio-economic causality and determination. Therefore, the political and economic study of the nature of a monopoly seem scientifically justified and necessary which in the first place implies its consideration as a phenomenon causally determined by socio-economic contradictions of modern (capitalist) society.

In addition, the scientific study of this issue can lead to practical conclusions, with the help of which it will be possible to develop practical recommendations aimed at the creation of a competitive environment in Russian economy. In our opinion this fact, in its turn, will contribute to the solution of the task of institutional and structural modernization, the need for which was expressed in a recent program article presented by Medvedev (2018), the Chairman of the Government of the Russian Federation.

3. Research Questions

The subject of the research is the essence and causality of monopoly as a socio-economic phenomenon.

4. Purpose of the Study

The purpose of the research is to study the essence, as well as causal grounds for the emergence and existence of economic monopoly.

5. Research Methods

The methodological basis of this study is presented by Marxist political economy and based on its foundation, materialistic dialectics. The usage of Marxist political economy as a methodology made it possible to consider monopoly not just as a purely economic phenomenon, but also provided an opportunity to explore it as a socio-economic phenomenon.

6. Findings

The idea that monopoly is an element organically integrated into the system of modern capitalism and, thus, does not represent its (capitalism) anomaly at all, was expressed by various representatives of scientific community as Marxist (Amin, 2007; Wallerstein, 2006; Lenin, 1950; Marx, 1963; Parenti, 2006), and non-Marxist (Armentano, 2011; Braudel, 1992; Volkonsky & Koryagina, 2006; Guriev, Zhuravskaya, Rachinsky, & Yakovlev, 2004; Kirtsner, 2010) ones.

For example, the French historian and economist F. Braudel brings apart the concepts of “market economy” and “capitalism”.

According to the scientist, the modern economy is a three-level system. The first (lower) level is “an area that is not transparent to the eye ... This is an elementary “basic” activity that is common everywhere and the scale of which is simply fantastic” (Braudel, 1992). The second level is “market economy, i.e. the mechanisms of production and exchange” (Braudel, 1992). Finally, at the third (highest) level, “active hierarchical structures are rising. ... This is ... non-transparent zone, which ... seems to be a sphere of capitalism” (Braudel, 1992). The researcher believes that monopolies are located on the third level, outside the space of market and competition. They are the form of expression of capitalism, while competition and market only partially come into contact with it.

In this regard it should be noted that with all its merits, F. Braudel's concept has a controversial point. It seems not quite reasonable to oppose market competition and capitalist monopoly, as well as the identification of capitalism with the last aspect. In our opinion, the competition and monopoly, presenting important elements of capitalism, constitute its essence. They are connected dialectically - the law of identity and the struggle of opposites, when one element presupposes the other and at the same time denies it. Therefore monopoly and competition mutually deny each other, constituting at the same time the indissoluble unity of capitalism - its identity.

This idea was developed by K. Marx (Marx & Engels, 1955). Emphasizing the dialectical nature of the relations between competition and monopoly, the scientist wrote: “monopoly produces competition, competition produces monopoly. Monopolists compete with each other, competitors become monopolists” (Marx & Engels, 1955).

Wallerstein (2006), a follower of F. Braudel also opposes the identification of capitalism with a competitive market economy. He points out that it is “the existence of monopolies dominating the market define element of our system”. According to the scientist, monopoly acts as an important essential element of the capitalist system, designed to ensure an increase in profits. “In fact,” says Wallerstein (2006), “it would not be an exaggeration to say that the ability to accumulate a large amount of capital depends on the ability to establish a monopoly”.

Thus, it is obvious that monopoly is an important structural element of the system of modern capitalism. Moreover, this element is not a kind of deviation, but, on the contrary, is an economic institution immanently inherent in capitalism, the very existence of which is determined by the logic of its (capitalism) development.

What are causality, and the essence of monopoly conditioned by it?

In our opinion, the emergence of a monopoly is reasoned by the dynamics of the internal contradictions of capitalist society.

The main contradiction of capitalism, according to Marxist political economy, is the contradiction between the social nature of the production process and the private nature of appropriation, which in turn is the common source of all other contradictions of the capitalist system. The most important among them is the contradiction between the goal of capitalist production and the means of achievement.

The goal of capitalist production is self-expansion of capital. The means of the achievement of this goal is the production of surplus value, i.e. exploitation of the labor of others. The dialectic of goal and means of capitalist production is manifested in the fact that the means generated by the goal eventually turns into an obstacle to its achievement.

Thus, the result of the functioning of the capitalist system, the result of self-expansion of capital and the growth of exploitation is the inevitable fall in the standard of living of a significant proportion of the world's population (and, above all, the working people).

Thus, the dominant class of capitalist society faces a serious problem - how to combine growing exploitation, leading to massive and ever-increasing impoverishment of the population, with an increase in aggregate demand for manufactured goods from the same population.

At the stage of production of goods, capitalism contributes to the decrease in the living standards of the working people. At the stage of the realization of goods, capital, on the contrary, needs a lot of people with high purchasing power. Since both stages are not separated in time, in this regard, the self-expansion of capital creates a contradictory need for the working class, which, despite the economic deprivation, must maintain a high demand for the goods produced.

It is impossible to finally resolve (dialectically remove) this contradiction under capitalism. It is reasoned by the fact that its removal presupposes the elimination of the basis of capitalism — the relations of class exploitation. At the same time, as some modern researchers point out (I. Wallerstein, S. M. Menshikov), capitalism has several ways of partial resolution of the contradiction between increase in the exploitation of workers and maintenance of high aggregate demand for manufactured goods.

The first of them is the geographical separation of the process of reproduction of capital, when goods are produced in one region of the world, and are realized in another. As a result, it is possible to spatially separate the ever-increasing labor exploitation of workers and the high, ever-increasing demand for manufactured exported goods (Wallerstein, 2008).

An illustrative example of the use of this method is the economic strategy of modern China, involving the exploitation of local population in the production of export-oriented goods.

The second way is the participation of the state in the formation of high demand for produced goods, when it either directly acts as a consumer of goods through the state order system, or acts indirectly by increasing the volume of material assistance to population.

This method was implemented in the United States and Western Europe in the second half of the 20th century in the framework of socio-economic model of the Welfare state.

The third way to partially resolve the contradiction between the increase in the exploitation of workers and maintenance of high demand for produced goods is to develop the non-productive sphere (services), which is able to accumulate significant amounts of surplus value and thereby ensure capital turnover.

This method (like the previous one) has been actively used in Western Europe and the USA since the 1960s – 1970s of the XX century.

Finally, the last method by which modern capitalism partially resolves the contradiction between the growth in the exploitation of workers and the preservation of high aggregate demand for produced goods is associated with the creation of monopolies.

In our opinion, the essence and role of monopoly in the system of capitalism is precisely due to its ability to act as a means of resolving the above mentioned contradictions and thus combine significant (and ever-increasing) exploitation of workers while maintaining high demand for produced goods.

According to K. Marx, the full circle of capital circulation includes three stages (Marx & Engels, 1987).

The first stage is the purchase by a capitalist of the necessary means of production and labor. Marx describes this stage as the transformation of money capital into productive capital and schematically represents it as:

$M - P (L + M)$, where M - money capital, P - productive capital, L - labor, and M - means of production (Marx & Engels, 1987).

The second stage is associated with the consumption of resources acquired by capitalists (means of production and labor). Capital is again experiencing transformation, moving from a productive form into a commodity form. The result of this stage is a product with a higher value than the cost factors of its production (Marx & Engels, 1987).

Finally, during the third stage, a capitalist sells the produced goods (Marx & Engels, 1987). Then capital again changes its shape and moves from a commodity to a monetary “dimension”. It schematically looks like: $PG' - M'$, where PG' is the produced goods of greater value than the cost of production factors (M), and M' is the money capital obtained as a result of the sale of goods (PG') and exceeds the cost of capital, spent on the purchase of factors of production (M).

In general, the result of the full circle of capital circulation ($M - G \dots L \dots PG' - M'$) becomes its (capital) increase, where $D' > D$.

As it was mentioned earlier, the interest of the ruling class consists in a permanent increase in capital, where the circulation M' exceeds M. However, the particular content is typical for each stage of the general process of capital circulation. Therefore, at each stage, the target also changes along with mainstream class strategy.

At the first (1) and second (2) stages of the capital cycle, the interest of the ruling class consists in reducing costs (1) and producing the maximum possible surplus value (2). Both dictate a specific strategy of the owner of the means of production — intensifying the exploitation of the working people.

At the third stage, the interest of dominant class is presented by the increase in money capital due to the growth in sales volumes and the price of goods supplied to the market. In this regard, the strategy of capitalist behavior is to increase the price of goods.

Since the intensification of the exploitation of working people entails the inevitable fall in their purchasing power - the problem of selling the produced goods, without which the process of self-expansion of capital is impossible.

Monopoly in this regard is the exact way to solve this problem. With its help, the ruling class is able to combine increasing exploitation with maintaining high demand for produced goods.

In the first and second stages of the capital cycle, the function of monopolies is to reduce the costs of the ruling class to produce goods by through the increase in the degree of exploitation of workers.

At the same time, since the labor of an employee is acquired on the basis of deferral of its value (wages are paid after the end of the process of increasing value), then in reality, the entrepreneur's purchase of labor ($M - L$) is carried out after actual consumption (C).

In the process of the consumption of workers' labor (C) monopolists use two methods of increasing surplus value: a method of increasing absolute surplus value and a method of increasing relative surplus value.

The first method presupposes the increase in total duration of working time, when the period of entrepreneur's usage of the labor of an employee increases in absolute terms. This method can be carried out in various forms. They can be: an absolute reduction in wages, in which a monopolist imperatively reduces the price of the labor of a worker; delays in the payment of wages; "Optimization" of the production process, based on the reduction in the number of working personnel, etc.

The second way to increase the surplus value is associated with a change in the ratio of "necessary labor - surplus labor". If the total duration of working time remains unchanged, the share of required labor decreases, as a result of which the share of surplus labor increases (Marx, 1963).

This method is carried out by introducing various technical innovations into the production process, which make it possible to increase labor productivity and, thus, reduce the monopolist's costs for the purchase of labor. Describing the influence of technical innovations (machines) on the process of capitalist production, Marx wrote: "like all other methods of developing the productive power of labor, they must reduce the cost of goods, reduce the part of the working day that a worker uses for himself, and thus prolong the other part of his work day, which he freely donates to capitalist. Machines are the means of the production of surplus value". (Marx, 1963)

Both of these ways to increase the surplus value are actively used by monopolists.

The realization of the function of cost reduction by a monopoly is connected with the fact that it deprives an employee of the opportunity to find alternative earnings, that is, in fact, turns into a monopsony - the only buyer in labor market.

During the third stage of the circulation of capital ($G' - M'$), a monopolist sells produced goods on the market. Since the monopolist is, in fact, the only seller in a particular sector of economy, the price for the goods offered by him is not formed as a result of interaction with other sellers (as would happen in a competitive market), but at the desire of sole owner of the means of production. And this price, which is completely understandable, is always as high as possible.

Thus, the functionality of a monopoly at the stage of sale of produced goods is manifested in the ability to constantly increase its price, regardless of the purchasing power of the population or the demand for produced goods reasoned by it.

7. Conclusion

According to the performed analysis it is possible to draw the following conclusions:

1. Monopoly is an important element of the system of modern capitalism. Its emergence and existence is determined by the presence and dynamics of internal contradictions, which constitute the very essence of the capitalist mode of production. Causal-reasoning monopoly contradiction is the contradiction between the goal of capitalist production and the means of its achievement.

2. Monopoly as an economic institution occurs as one of the ways to resolve the contradiction between the goal of capitalist production and the means of its achievement.

3. The essence of monopoly is presented in the fact that as an economic institution, it provides the implementation of two functions that are opposite in meaning: first, it reduces the costs of the ruling class to produce goods through the increase in the degree of exploitation of workers, and secondly, it gives it the opportunity to increase price on produced goods, despite the decline in the purchasing power of population. Thus, we can define a monopoly as an economic institution that provides a solution to the contradiction between the goal and means of capitalist production by simultaneous increase in the degree of exploitation of producers and the price of produced goods.

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