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PROFIT IN THE SYSTEM OF ECONOMIC CONCEPTS: CONTENT AND CONCEPTUAL EXPLANATIONS

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Abstract. Profit is commonly perceived as the overall outcome of an organization's financial performance, the result that emerges after comparing revenues with the costs incurred. In essence, it represents the difference between what an enterprise earns and what it spends in the course of its activities. Within economic theory, profit is interpreted more broadly than as a mere numerical indicator. It is associated with compensation for entrepreneurial risk, an internal source of development and investment, and a measure of how efficiently resources are utilized and management is organized. At the same time, theoretical approaches do not offer complete unanimity: various economists provide differing explanations of the nature of profit, its functions, and its role within the economic system as a whole.

Keywords: enterprise profit, theoretical concepts of profit, economic profit, zero financial result, gross profit, net profit, competitive environment.

Introduction. Publications from previous years dedicated to the financial results of enterprises pay attention to any interesting detail. Until 2007, the topic of the mechanism of profit formation and distribution was practically not covered independently. In the earlier period, even before the establishment of market relations, different formulations were in circulation: they spoke about gross and balance profit, separated net profit, the result of main activity, the results of general economic operations, and profit before tax accrual. In foreign sources, the concepts of distributed and taxable profit and other similar categories were used in parallel. The expression itself, which denotes the profit of an enterprise as an independent term, was enshrined in the Tax Code and in a regulatory document governing the composition of costs, after which it began to be encountered more frequently in publications starting from the late 1990s. At the same time, in tax legislation, profit was primarily considered as an element of the base for calculating mandatory payments. A broader socio-economic approach, linked to the analysis of its essential characteristics, was effectively left aside. Meanwhile, the issues of how the final financial result is formed and its economic content remain relevant and require separate theoretical consideration.

It is logical to begin the consideration with an attempt to understand the nature of profit and its place in the system of internal financial sources that ensure reproduction and the strengthening of market relations. In essence, it is precisely the financial result that becomes the starting point for most economic calculations and serves as the basis for the formation of monetary resources. In the practice of developed countries, enterprise income is considered a key indicator upon which the dynamics of economic activity and the sustainability of socio-economic development largely depend.

Analysis and results. Approaches to explaining the causes of profit generation vary, and based on its analysis, many concepts dedicated to the processes of capital accumulation and expansion have been formed. Nevertheless, despite the diversity of views, there is a common idea: financial results are not an accidental element of economic activity [1, 2]. It is organically

linked to the very essence of the enterprise and serves as an indicator of its sustainable and full functioning.

In the system of market relations, the financial result of an enterprise acquires special significance, as not only the stability of the business itself but also broader socio-economic processes largely depend on it. It is precisely for this reason that this study sets the task of showing how representatives of economic thought in developed countries interpret profit, what goals they link to the functioning of market production, and by what means they propose to achieve them. The generalized approaches presented in Western literature were selected as the basis for the analysis. Such a choice is not accidental: relevant publications, especially in the USA, are distinguished by their wide distribution and are oriented toward a diverse audience - from readers who are just beginning to familiarize themselves with the basics of economics to those preparing to manage large companies [3-5]. Researchers whose works are analyzed reveal the topic of profit primarily through the prism of the market environment. At the center of their attention is the behavior of individual economic entities and mechanisms operating at the firm level, while the issues of the functioning of the economy within the scope of all social production are relegated to the background.

To begin with, it makes sense to follow how the question of the nature of profit and its sources of origin is revealed in these works. The authors of Western publications, guided by the interests of individual economic entities, do not, as a rule, rely on the labor theory of value. In some cases, it remains outside the scope of discussion, while in others, its provisions are interpreted in a simplified or controversial manner. Thus, R. Miller and P. Samuelson, examining this theory through the prism of A. Smith's views, point to its inability to explain the well-known contradiction: why is vital water so expensive, while diamonds, which do not possess such practical significance, are valued excessively. According to their position, the concept of marginal utility allows for the resolution of this issue, according to which the price is determined by a subjective assessment of the additional benefit from consuming a product. R. Miller and P. Samuelson, in essence, bypass the circumstance that the so-called contradiction, which they consider unsolvable within the framework of the labor concept, received an explanation through which, by distinguishing in the product its useful properties and value as an expression of expended labor, their own interpretation of the value formation mechanism was proposed, without resorting to the category of marginal utility. Meanwhile, it is precisely the latter that is more acceptable for a portion of economists in developed market countries, as the issue of the real origin of profit and its sources is not emphasized within its framework.

In the “Economics” textbook, a distinction is made between two forms of profit. The first is designated as economic, it is called pure, the second is treated as normal, sometimes it is described as a zero result. Economic profit is understood as the difference between total revenue and total expenses. These costs include not only direct cash payments, such as labor remuneration or the purchase of resources, but also opportunity costs associated with the use of the firm's own production factors. This refers to the income that an entrepreneur could receive by using their capital, land, or skills in another direction. In their interpretation, normal profit represents the minimum income sufficient for capital not to leave the industry.

In the textbook by R. Lipsey and P. Steiner, somewhat different terminology is used, although the general approach remains close. They distinguish the gross financial result as the difference between total revenue and direct production costs. Next, the net profit obtained after deducting indirect expenses, including depreciation and management expenses, is calculated. Economic profit is defined as the remainder after accounting for the opportunity cost of equity

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and risk compensation, i.e., the most normal profit that is considered a mandatory condition for continuing activities [4].

In the analyzed works, it is noticeable that the main emphasis is shifted toward the quantitative measurement of profit and its treatment exclusively within the framework of market indicators, when attention is primarily focused on the difference between revenue and costs. With such an approach, the essence of the issue is pushed into the background, and the role of labor as a factor in creating a new product and a source of value growth is practically ignored. Moreover, attributing normal profit to the category of implicit costs blurs the boundary between the enterprise's expenses and income, smooths out the differences between the resources invested and the result obtained, and thereby complicates the understanding of the very nature of added value, presenting profit as an element of production costs rather than the result of their excess. The very wording of "normal" or "zero" [3] profit gives a certain semantic emphasis: it creates the impression that we are talking about natural and justified income, which is perceived as a legal payment to the entrepreneur for organizing the business and taking risks. Such designation as if pre-establishes the idea of such income as something self-evident and just, not requiring additional explanation of its origin.

In the studies under consideration, several circumstances are usually identified as factors ensuring the emergence of economic, i.e., net, profit: the introduction of new technical and technological solutions, the presence of uncertainty regarding future economic conditions, deviations from the state of market equilibrium, as well as the restriction of competition to a monopoly position. At the same time, it is emphasized that the additional income generated by reducing costs due to innovations is not of a sustainable nature, as competitors master similar solutions over time and the initial advantage gradually disappears. However, practice shows that with patent protection, large companies are able to maintain a high level of profitability for a very long period, which calls into question the perception of the short-term nature of such benefits. In Western economic thought, entrepreneurial risk is often considered a key source of net profit, which is particularly noticeable in conditions of a volatile economy where cyclical declines and structural shifts become almost a commonplace. By making decisions in such an environment, an entrepreneur may indeed face losses, but at the same time, they gain the opportunity to generate additional income. Proponents of the risk-oriented concept argue that if total losses and winnings are compared, a positive financial result is maintained on average, which is interpreted as a payment for readiness to reduce the probability of failure [5]. It is logical to ask the question of the origin of this so-called reward, that is, by whom and through what mechanisms this additional income is generated. However, in the analyzed works, as in a number of other Western studies, such a presentation of the problem is actually overlooked. The reasons for such silence are quite understandable: the consistent search for an answer inevitably calls into question the interpretation of profit exclusively as compensation for risk and necessitates considering its connection with the process of value creation in the labor sphere.

It appears that a significant portion of the conclusions drawn by Western researchers is aimed at justifying and supporting models of free competition. Explaining the origin of pure profit, including monopoly profit, they usually link it only to external market effects arising from competition restrictions and link the very fact of its existence to the level of demand. Hence the constant emphasis on the fact that in unfavorable market conditions or in cases where the established monopoly price does not cover average costs, additional income may disappear or even be replaced by losses. Such an interpretation, in essence, creates an image of monopoly profit as an unstable and conditional phenomenon that does not fully reflect its real scale and stability in a number of sectors.

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Critical attitudes toward monopoly structures are also evident in the works analyzed. The authors see the main problem in the fact that, striving to maximize income, the monopoly consciously reduces production volumes and maintains prices above the marginal cost level, resulting in society receiving less product than it should. As a possible solution, state intervention is proposed, which involves establishing a regulated price at the level of average costs. It is assumed that such an approach deprives the monopoly of excess income and encourages it to expand production, which formally meets public interests. However, even with such regulation, prices remain above marginal costs, which means the problem of inefficient resource allocation persists. If the price is fixed at the marginal cost level, the enterprise will not be able to cover its average expenses, and then the issue of budget support will inevitably arise. Proponents of this position attribute this discrepancy to the specific functioning of the market system.

Conclusion. The concept of a regulated monopoly, in essence, seeks to explain and partially legitimize the maintenance of elevated price levels, asserting that their reduction is capable of undermining the company's financial stability and preventing it from covering total costs. As a result, the critical analysis of monopoly practice presented in “Economics” is effectively transformed into an argument in favor of its preservation, as attention is mixed with the consequences of price policy and the need to ensure the self-sufficiency of the monopolist.

The consideration of such forms of imperfect competition as oligopoly and monopolistic competition, in essence, does not add fundamentally new nuances to the understanding of the nature of profit. Both models are primarily described as specific market configurations: in the first case, attention is focused on coordinating the price strategy between a few large participants, while in the second case, it is focused on competition through product differentiation, promotion, and other tools to influence demand. Although such approaches capture certain real features of the market environment, they, as a rule, do not link them to the processes of capital concentration and centralization, leaving the question of the deep sources of profit formation in the shadows.

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