



THE ECONOMICS OF CHOICE: BETWEEN FREEDOM AND CONTROL

Khamroyeva Diyora Murodillo kizi

*Tashkent State University of Economics
Faculty of Tax and Budget Accounting,
Department of "Taxation and Tax Policy"
1st-year student*

Introduction:

Lately, I have been thinking — how is the economy structured? It is a multifunctional sphere that encompasses sectors related to money. I have been curious about many things, but one of the most important aspects of the economic field is competition and monopoly: who controls the market and what forces influence it. To understand this, I first recorded a short video about monopoly and competition, provided simple examples, and conducted surveys with people who deal with these issues in real life — tax law professors and students. Afterwards, I decided to write this article based on that research. In this article, we will take a deeper look at the terms “monopoly” and “competition,” and explore examples from everyday life — even the ones we might not notice.

Keywords: market, competition, business, dominance, control, seller, freedom

Competition: A Key Mechanism of the Market Economy

Begin with competition. Competition is the rivalry between participants in a market economy as they pursue their individual economic interests in terms of better conditions for production, buying, and selling of goods. Imagine the clothing market: dozens of brands offer us dresses, shoes, and accessories. Competition drives them to improve — some focus on quality, others on price, and some on unique design. Consider the well-known rivalry between Nike and Adidas. These two brands are constantly competing: Nike launches a shoe with a unique sole, and Adidas responds with its Boost technology. As a result, consumers benefit by gaining more choice and innovation.

The struggle for survival and economic prosperity is a natural law of any market-based economy. Depending on market conditions, competition is classified into perfect and imperfect competition. Perfect competition is a market situation where many sellers offer identical (homogeneous) goods, and no single seller can influence the price because it is determined purely by supply and demand. A classic example of perfect competition is the sugar market. Standard white sugar, especially when sold in bulk or by weight, is a homogeneous product. It hardly differs from seller to seller, so consumers base their choices solely on price. No individual seller can set a price higher than the market rate, or customers will simply go elsewhere. This is the essence of perfect competition — prices are set by the market, not the producer.

In contrast, imperfect competition allows firms to influence the market price of their goods. A good example is PepsiCo, which competes with other beverage companies like Coca-Cola. Although there are many products in the market, each brand maintains its own characteristics, taste, and marketing strategies. These companies are not merely selling flavored water — they are creating value through branding. Under such conditions, competition is not only price-based but also emotional and perceptual. Pepsi can set its own prices and influence demand through brand perception.

Economists categorize imperfect competition into three distinct market structures: monopoly, oligopoly, and monopolistic competition.

What is the most extreme form of imperfect competition? That would be a monopoly, where one organization completely controls the supply of a particular good or service and faces no competition. Such a seller can independently set prices and terms of access. An example is Uzbekistan's unified state portal my.gov.uz, which offers a wide range of electronic government services—from business registration to residence permits and applications. Users cannot choose an alternative platform, as all key functions are centralized and new market entrants face legal and regulatory barriers.

Oligopoly is characterized by the presence of a few large firms in an industry, each holding a significant market share and capable of influencing market conditions. There may be just two or as many as ten to fifteen companies, but the key is the degree of influence each firm has on pricing. Competition among them can be based on price or on non-price factors like customer service, advertising, and promotional offers. For example, the mobile communication market in Uzbekistan is dominated by a few major providers — Beeline, Ucell, and UMS. These companies closely monitor each other's pricing and promotions, which is typical behavior in an interdependent market structure.

The final type of imperfect competition, involving many sellers offering differentiated products, is known as monopolistic competition. This structure is similar to perfect competition in that there are many sellers, none of whom hold a significant market share. However, the key difference is that the products are not identical. Each firm has some market power due to the uniqueness of its product, branding, packaging, or reputation.

Because of these differences, firms can charge different prices for their goods.

A classic example of monopolistic competition is the retail gasoline market. For instance, you may prefer to refuel at an Exxon station on your way to work, even if the prices are slightly higher than at nearby stations. However, if the price difference becomes too large, you may switch to a Merit station, even if it requires a slight detour. This example shows that geographic location is an important factor in product differentiation. People often prefer the closest bank, supermarket, or salon to save time, making location a major competitive advantage. Most small retail businesses operate under conditions of monopolistic competition.

However, this raises a question: is it always bad when a single seller dominates the market? Based on surveys of different population groups, we can conclude that entrepreneurs generally view monopoly negatively, as it restricts free competition, hinders innovation, and limits opportunities for small and medium-sized businesses. However, for the general population, monopoly can sometimes have a positive effect — especially when it comes to natural monopolies providing essential public services like electricity, gas, water supply, or state digital platforms.

At the same time, when people were asked whether variety of choice or low prices are more important, the answers varied. Most low- and middle-income respondents (especially employees, pensioners, and students) prioritized low prices over variety. For them, affordability of essential goods and services is crucial, particularly in times of inflation and price instability. In contrast, entrepreneurs, teachers, and professionals with stable incomes more often chose variety of choice as more important. They emphasized that competition and alternatives improve product quality, drive innovation, and help consumers find options that best meet their needs.

Conclusion

An analysis of modern market structures reveals that different forms of competition — from perfect competition to monopoly — have varied impacts on economic development, entrepreneurship, and living standards. Each has its own characteristics, benefits, and limitations for both producers and consumers.

Therefore, the effective functioning of a market economy requires a balance between free competition and reasonable regulation, especially in strategically important sectors.

“Free competition is more in line with the interests of the national economy than monopoly.”
— L. B. Kafengauz (1885–1940), Russian economist

References

1. Paul A. Samuelson, William D. Nordhaus, Economics, Moscow, 2000. “Laboratory of Basic Knowledge”.
2. L. N. Bogolyubov, A. Yu. Lazebnikova, V. A. Litvinov, Social Science, 11th Grade, Moscow, 2014. “Prosveshchenie”.
3. Robert S. Pindyck, Daniel L. Rubinfeld, Microeconomics, Moscow, 2000. “Delo”.
4. Fouad Sabry, Monopolistic Competition, Hungary, 2024. “One Billion Knowledgeable”.