

THE ESSENCE OF THE PRICE, ITS FORMATION FEATURES AND MONOPOLY

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Annotation: This scientific article discusses in detail the economic content of the price, the mechanisms of its formation in market conditions, the influence of supply and demand factors, the role of production costs, the influence of competition on price stability, and the main features inherent in price determination in economic systems with monopoly structures. During the analysis, the interaction of market mechanisms, price regulation, and the role of monopoly entities in market management are considered based on a scientific approach.

Keywords: Price, demand, supply, value, market mechanism, monopoly, competition, price determination.

Price is one of the most basic concepts of the economic system, which is manifested as a monetary expression of economic relations between the producer and the consumer. Price formation is closely related to the level of production in society, consumer demand and the strength of competition in the market, and it plays an important role in ensuring economic stability. In the current conditions of globalization, price formation has become more complex than before and is becoming the most important component of economic policy. Especially in markets with monopoly structures, the process of price formation does not fully comply with classical market laws and is often formed in the interests of the monopolist.

Price is an economic category that expresses the market value of goods and services in terms of money, and is considered the main tool for managing economic processes in society. To fully understand the essence of the price, it can be explained through several functions, since the price is not only an expression of value, but also a provider of economic balance, a manager of the distribution of resources. The accounting function of the price allows you to analyze the processes of production and consumption, and the comparative function serves to compare the market value of different goods. The regulatory function of the price is an important factor in determining how resources are distributed in the economy, which sectors are developing and in which sectors there is a shortage. Also, the balancing function of the price ensures harmony between supply and demand, since it is through the price that the market approaches a stable state.

Price formation is a complex economic process that occurs under the influence of many factors, in which the interaction of supply and demand plays a primary role. In conditions of increased demand, prices rise because consumers are willing to purchase goods even at a higher price, while when supply increases, manufacturers are forced to reduce prices to make their goods competitive. Production costs also play an important role in price formation, because as the costs of raw materials, energy, labor, logistics, and technology increase, the final price naturally increases. The level of competition directly affects price stability, because in markets with strong competition, prices are not artificially increased, but rather lowered to attract consumers. Conversely, markets with low or limited competition can cause sharp price changes. Also, state price regulation is carried out by controlling the activities of certain strategic products, socially important goods, and monopoly entities.

A monopoly is a situation in which there is only one large producer or service provider in the market, and in such a market structure, the process of setting prices is not fully based on the laws of the free market. Monopoly enterprises have the opportunity to independently set prices, limit the volume of supply, and adjust the market to their own interests, which leads to an artificial

increase in prices, a decrease in product choice, and a restriction of consumer interests. Pricing in a monopoly is often carried out based on a profit-maximizing strategy, that is, the monopolist sets prices based not on the real amount of costs, but on the ability of consumers to pay, the level of market demand, and the availability of alternative products. The lack of competition in the market allows the monopoly enterprise to further increase prices by artificially reducing supply, which leads to a decrease in market efficiency.

The economic consequences of monopoly are multifaceted, including excessive price increases, reduced product quality, reduced incentives for innovation, market dominance by a single entity, and increased economic inequality. For this reason, many countries have enacted laws restricting the activities of monopolies, which are aimed at promoting market competition, ensuring price stability, and protecting consumer interests.

Conclusion: The price is one of the most important regulators of a market economy, its formation is determined by many economic factors, the balance of supply and demand, production costs and state policy. In a monopoly, price setting is carried out in a manner that deviates from free market mechanisms, resulting in higher prices, narrowing consumer choice and reducing market efficiency. In a market economy, the development of competition, limiting monopolistic activities and ensuring fair price formation are important areas of state policy.

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