

# For Reasonably Protected Competition and Economic Regulation by "Atomic Balance"

Revaz Lordkipanidze 

Teaching University Geomedi, Tbilisi, 0114, Georgia

Email: [revaz.lortkipanidze@geomedi.edu.ge](mailto:revaz.lortkipanidze@geomedi.edu.ge)

DOI: [10.56580/GEOMEDI0005](https://doi.org/10.56580/GEOMEDI0005)

## Abstract

The presented research showed, that the US has the best experience in an evaluating and protecting competition, but there is one essential imperfection in the understanding of perfect competition since the time of the classics of economic theory. This is important to have many competitors, but not very or infinitely many, as traditional "classic" specialists and even some official structures and persons think about fineness of really genius competition.

After pandemic and many conflicts period in modern global development, if we again don't correct this understanding, we can finally damage democracy with science-intensive businesses and help to different dictatorial monopolies.

If in the early years of my research, I considered the main obstacle to effective competition - unscrupulous big business, but now I think that an equally serious problem is the artificial fragmentation of honest and talented big producers.

Only with a reasonably protected competitive environment, by our observation of science-intensive areas of Healthcare Economy and Machine-building Industry, it is possible to organize a reasonable combination of state regulation factors and free market self-regulation. The factors of regulation and self-regulation should be in non-monopoly equilibrium, like electrons and protons in an atom. Otherwise, as we know from history, we get different dictatorships or great depressions of surplus.

## Keywords

Perfect competition, state regulation, free market self-regulation

## Introduction

As a scientist-economist, I always feel responsibility to fight for improving of living standard and possible elimination of poverty. We think, that this is possible only with a maximally minimal unfair competition in the world.

For a determination of the most exact understanding about competition, on a base of economic-mathematical analysis, I used [6; 8; 9] even physics and define the natural force of competition according to the well-known law of physics by the strength of electric current ( $I=V/R$ ), makes possible to determine the force of competition and the optimal level of really so needful competition.

Logically, after growth of market competitors number, the force of competition grows, but very large competition participants number, in my opinion, will cause only "short circuit" and "overheating" of economic structures and, as a result, a hyperinflation excess and a great crisis shock.

We noticed, that world economy does not need the competition of only infinitely large number of small business subjects (so called "ants" of economy) and wants a natural competition of really diligent competitors, where all market participants (not only medium and smallest, but also large and biggest) of the competition do own effective businesses.

The intersection of feedback curve of size of the biggest supplier and force of competition with a timetable for linking level of productivity and size of company, can obtain rational level for competition power by each concrete case [7: 103].

## Material and Methods

After the very interesting and, in my opinion, accurate in the dates interpretation of the historical materials and process of a development in economic methods and relations, R. Fogel thought, that the accumulation of retro and present biomedical studies on the trends in longevity, combined with research of animal populations are leading many evolutionary biologists to place increasing attention to good human aging process [2: 9]. By a good influence of this multi-factorial research of human life, I conducted also a logical analysis of neuroeconomic character, which shows us, that a human not so often behaves as better for all.

The investigated simple everyday cases of businessman decisions in critical situations illustrated more instinctive and less expediency reactions, when businessman even goes to aggravate competition, when could do more comfortably. For example, if persons buy tickets to movies and make choices between full and empty halls, the instinct of desire to be more

popular make them go to the full situation. The result is over-tensive competition and problems with air pollution of the full movie-palace. This is fact that in such cases the protection of a reasonable competition is very needful for wise regulation of future healthy processes of the world economy.

Observations on American business showed us too, that even an economically very strong country like America, without a wise international antitrust structure in new conditions of a world economy with only own internet abilities, will not be able to neutralize international dishonest implicit monopolies.

The unfair competition is the main motivator for long wars, poverty and terrorism [11], which demands urgent essential reforms, especially in small developing countries and practice has confirmed that big businessmen able to be wise careful democratic reformers as well.

## **Results**

To main results I must mention, that as an economist, I consider myself like a debtor for developing of conceptually sound opinion on overcoming the very high 80% poverty level in the increasingly rich global economy, morally justified effective form of enriching a human and, logically, the just foundation of a competition.

The role of the United States in the reduction of world poverty is truly invaluable and many of my works are devoted to this.

My country - Georgia, after the collapse of the Soviet Union, by long wars, was in the most backward place in the world by GDP per capita and in conditions of the poorest statistical base, often only international society and professional intuition saved our research and all us.

The main reason for the failure at the start of an economic independence was an erroneous knowing about a competition and role of economic policy, whereas the different models with some combination of a competition and regulation gave the best stable results in as big countries as the US, Germany, China and so on [7: 3, 59, 91, 101].

The first results of my similar combined-network regulation are particularly noticeable in the started as tax warming by new American reform and even state subsidies and orders for the high-tech clusters of this really great democratic country (like Silicon Valley), on the social market of the economically developed EU countries (Germany, Sweden, Benelux countries), in free regional zones (China), with effective implementation of planned market mechanisms (Japan), in the healthcare of Great Britain, etc. We think clearly, that God and invisible hand of competition by genius Smith exist, but we are confident as well, that God doesn't require from persons to live with hands down - optimal regulation is urgently needful.

Since 30s of Great Depression (20th century) and postwar Germany reforms [10], debates between the neoclassical supporters of Adam Smith's competition ("Invisible Hand") and the supporters of Keynesian regulation [5] have become sharper until our time too. Some of them disclaimed Adam Smith's theory in generally and new neoclassical models came like diplomatically binding.

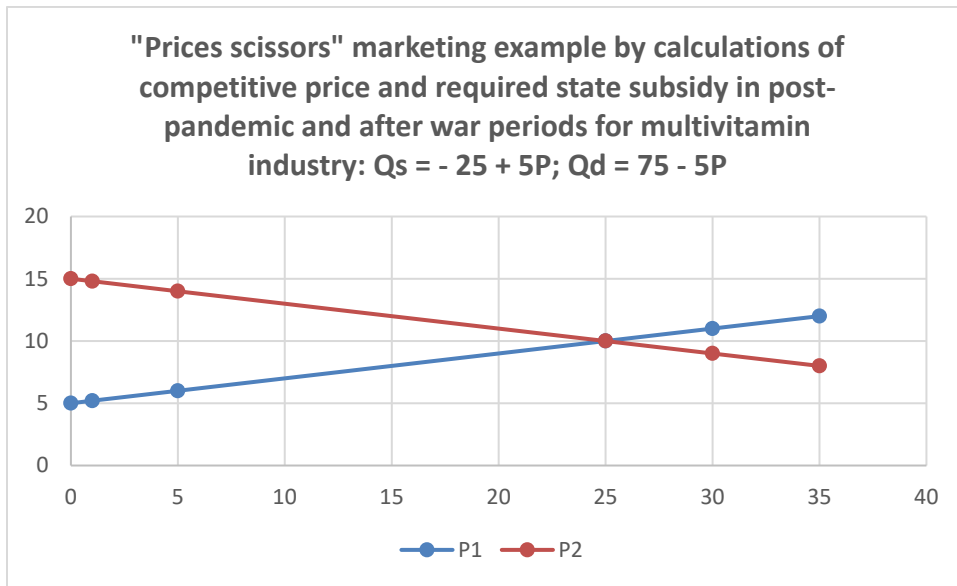
With the sincere respect to Adam Smith and David Ricardo, I must remark, that they genially see the power of the "Invisible Hand" of Competition, but in assessing of a created value by it, more emphasis is placed on the quantity of labor, but not on quality with demand for the needed maximal productivity. As we know, Smith writes about real and nominal price of commodities, that, for example, equal quantities of labor can be purchased for equal quantities of corn in different times [13] and Ricardo labor theory of value determines, that value of commodity or quantity of any other commodity for which this will exchange, depends on relative quantity of labor which is needful for its production and not like greater or less compensations which are paid for different labors [12].

Instead of focusing on quantity, we think, equal importance should be given to quantity and quality criteria and, as in the atom, to regulatory and self-regulatory factors. The "price scissors", which we offered, at this period of economic development, we think, will activate certain regulatory mechanisms and also allow entrepreneurs to reduce prices.

For example, if the minimum possible price of a multivitamin complex after pandemic and military operations is \$5 and for this complex can be paid a maximum of \$15 on average from a human, according to my calculations, it is possible to build the presented supply and demand functions, where a competitive equilibrium is formed by \$10 price for a multivitamin ( $-25+5P=75-5P$ ; accordingly,  $P=10$ ). But if due to increased sickness rate the need for multivitamins is 30 units (which corresponds to the \$ 9 price level), instead of the equilibrium 25 units, the state should use "prices scissors" mechanism and give subsidies to the entrepreneur at \$ 2 per for unit:

$$-25 + 5(9 + S) = 30 \text{ and hence } S = 2.$$

P (price)



Q (quantity)

## Conclusion

I am confident, that the especially respected reader remembers, that I published a lot of monographs and different publications about a competition [6; 7] and in this new research I presented more concrete recommendations on rational competition and regulation. Without my “optimal number” instead famous “large number”, we can divide the effective honest local businesses and create the best conditions for external hidden monopolies.

I think, that my 1019 works have shown [8], that my goal isn't a criticism of Smith - I think He was a genius for his era, but, naturally, with human errors. My strategical goal is again and again to perfect the established understanding from times of Smith until Bork [1] and Herfindahl-Hirschman (HHI) [4] visions, that the very large number of generator competitors (buyers or sellers as well) first of all determines the fineness of competition. As we know, HHI takes into account sizes of firms and logically quantity in markets and reaches maximum of 10 000 points when a single firm controls all market [4].

The definition of market competitiveness only according with Herfindahl-Hirschman's methodology, can create a false impression, that the market is doing well. And false impressions about the markets can lead to false ideas about the most important demographic and political-defensive abilities of all country.

For elimination of threats from artificial "race" (for a large number of competitors) of some „antimonopoly authorities” to new progressive small, middle and big businesses with

innovation technologies, we recommend 5 main principles for estimates of market competitiveness:

1) economic effectiveness; 2) honesty of businesses; 3) level of the biggest supplier; 4) standard of unrealized (mostly substandard) production and services; 5) optimal number of competitors. Only different estimations with integral indexes will have now so needful for global economy results.

Sincere gratitude to science-minded democratic America that recently ended the above-mentioned longest war in the history of this great country [11], but it's too bad that after the pandemic, when people want more rest, recuperation and normal prices for living, a very dangerous war began in Europe.

In addition, after a severe pandemic crisis in the global economy, for example, bankrupt farmers are trying to get rich quick by raising prices. As a result, their products are not sold for a long time and spoiled. To this end, the poor and hunger are growing. I think, that the state in such extreme conditions should use my "prices scissors" mechanism with operative and competently substantiated subsidies to the starving population and entrepreneurs.

We must learn to think economically and cannot wait before times, when the market to do everything for us.

## References

1. Bork, Robert H. 1993. The Antitrust Paradox (second edition). New York: Free Press, also about it [https://en.wikipedia.org/wiki/Perfect\\_competition](https://en.wikipedia.org/wiki/Perfect_competition)
2. Fogel, Robert, W. 1999. "Catching Up with the Economy." American Economic Review, 89 (1): 1-21, <https://pubs.aeaweb.org/doi/pdfplus/10.1257/aer.89.1.1>
3. Herszenhorn, David M. 2013. Georgia Elects New President, but Real Power Will Rest with Next Premier. New York Times, <https://www.nytimes.com/2013/10/28/world/europe/georgia-elects-new-president-but-real-power-will-rest-with-next-premier.html?hp&r=0>
4. Herfindahl-Hirschman Index. Updated July 29, 2015. <https://www.justice.gov/atr/herfindahl-hirschman-index>
5. Keynes, J. M. 1936. The General Theory of Employment, Interest and Money. Palgrave Macmillan.
6. Lordkipanidze, Revaz. 2017. The Force of International Competition (For the Fundamentals of Business and Law). Nationally Parliamentary Library of Georgia. In English.

<http://dspace.nplg.gov.ge/bitstream/1234/193397/1/TheForceOfInternationalCompetition.pdf>

7. Lordkipanidze, Revaz. 2018. Competition theory's "sensational" implicit defects and urgent regulations. Nationally Parliamentary Library of Georgia. In Georgian. <http://dspace.nplg.gov.ge/handle/1234/247873>
8. Lordkipanidze, Revaz. 2022. "General Issues for Economic Development and Theory of Competition in New Electronic World". - With invitation by Lambert Academic Publishing: 2022: 75, ISBN: 978-620-4-95546-9. DOI: [10.13140/RG.2.2.14232.88323](https://doi.org/10.13140/RG.2.2.14232.88323)
9. Lordkipanidze, Revaz. 2022. Urgent recommendations for economic independence and raising living standards based on generalization of 1000 works. DOI: [10.13140/RG.2.2.16826.47048](https://doi.org/10.13140/RG.2.2.16826.47048) <https://dspace.nplg.gov.ge/handle/1234/378598>
10. Mierzejewski, Alfred C. 2004, About Ludwig Erhard, Essays in Economic and Business History, 22: 17–27, ISSN 0896-226X <http://www.ebhsoc.org/journal/index.php/journal/article/view/70/66>
11. Remarks by President Biden on the End of the War in Afghanistan. <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/08/31/remarks-by-president-biden-on-the-end-of-the-war-in-afghanistan/>
12. Ricardo, David. 1817. On the Principles of Political Economy and Taxation. Complete, fully searchable text at the Library of Economics and Liberty. <http://www.econlib.org/library/Ricardo/ricP.html>
13. Smith, Adam. 1776. An inquiry into the nature and causes of the wealth of nations. Complete, fully searchable text at the Library of Economics and Liberty. <http://www.econlib.org/library/Smith/smWN.html>
14. Snower, Dennis J., and Steven J. Bosworth. 2016. "Identity-Driven Cooperation versus Competition." American Economic Review, 106 (5): 420-424.