USE OF PRICE ELASTICITY OF DEMAND FOR DETERMINATION OF MARKET VOLUME IN ANTIMONOPOLOGY LEGISLATION

Sergii Kuzminov, Alfred Nobel University, Dnipro (Ukraine). E-mail: kuzminov@duan.edu.ua
Elvina Limonova, Alfred Nobel University, Dnipro (Ukraine). E-mail: dh.ier@duan.edu.ua
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The article examines the problem of establishing real market boundaries for antitrust regulation.

Based on the analysis of the antimonopoly legislation of Ukraine and the activities of the Antimonopoly Committee of Ukraine, the authors claim that currently the method of establishing real market boundaries and the presence of monopoly power of the seller have no theoretical justification. The established market shares to determine the seller as having a monopoly position are arbitrary and do not take into account the specifics of demand in the markets of various goods.

The authors argue that the concept of price elasticity of demand should be used for the theoretically justified application of sanctions against firms suspected of abusing monopoly position. According to the authors, the high elasticity of demand prevents the realization of market power by the firm, even if it has a significant market share. At the same time, the low elasticity of demand makes it possible to abuse market power, even a firm whose market share is not so large.

The article analyzes the problem of establishing adequate market boundaries under study. If a firm holds a large market share of a particular product, it can avoid sanctions by declaring in court that the market in which it operates is in fact larger than determined by the Antimonopoly Committee. The Antimonopoly Committee often fails to refute such allegations in court and sanctions are lifted in court.

To avoid such situations, the authors propose to change the procedure for defining market boundaries. Instead of the Antimonopoly Committee defining the boundaries of the market, it is proposed to do so to the firm itself, which is under antitrust prosecution. This will avoid conflicts with the lifting of sanctions against this company in court.

The application of such a technique raises the problem of the excessive desire of the antitrust firm to artificially expand the boundaries of the market. It is proposed to solve this problem by comparing the price elasticities of demand for this firm and for the market defined by the monopolist as a whole. If it turns out that the price elasticity of demand for the product of the antitrust firm is less than or equal to the price elasticity in the market defined by the same firm, it means that the market volume is defined incorrectly. It should be reduced to determine the real share of the firm.

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