

Efficiency of Focusing on Own Advantages and Business Concentration

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Abstract

Note to the reader, this research continues the application of Physics in Economics towards improvement the understanding of own advantages and business concentration by perfect competition. For the research methods, statistical grouping of data and an approximate analogy of the law of electric current in economic processes were used. The work substantiates the importance of focusing modern competitive management on improving the use of its own advantages and supporting large businesses, which maximize the innovative components of modernity and provide significant and obvious economies of scale, contribute to the expansion of knowledge-intensive clusters with the participation of local authorities, banks and universities, the creation of zones for substitution of growing unwanted imports and peaceful bilateral “economic oases” of medical services in places of militarized conflicts.

Keywords

Perfect Competition, Economic Policy, Efficiency, Physics in Economics

JEL Classification

A11, A12, A32

1. Introduction

The modern world is tired from hidden monopolies that destroy local businesses and create various conflicts and even pandemics for own benefits. By my opinion, the main mechanism against them is open and free perfect competition with focusing on own zonal advantages and business concentration.

At determining the maximal and optimal efficiency of political-economic competition, I use the approximate analogy of Atomic model and Ohm's law of

electric current $I = V/R$ (Lordkipanidze, 2022, 2023), where under “I” meant by me the force of competition, “V”—the market capacity and “R”—the resistance of the largest supplier. For calculation of competition efficiency not only by proportion of market core, I used my formula: Competition Level = Market efficiency/Weighted average share of companies in the market by $\sum (S_i V_i) / V$, where S_i —market share of i company in %, V_i — i company volume in \$, V —total market volume in \$. My formula complements the famous Herfindahl-Hirschman Index (Bromberg, 2023) with the necessary connection of market efficiency.

For maximally free and peaceful economic relations, in modern America, free port zones with maximally perfect competition are effectively supported, in Europe—warehouses at airports, in China—regional spaces with minimal tax on profit. I am developing a theory according to which micro-regional priorities are more stringent and necessary criteria for assessing a perfect—mature equilibrium economic structure than micro-sectoral ones. My arguments are based on my assumption that if we properly—naturally arrange territorial clusters with the active participation of local authorities, banks and universities, we will get an effective sectoral structure of the economy too. In the opposite approach, we do not always get the desired effect. “Optimally Warm”—greenhouse conditions of traditionally successful pin-point zones in the economy are able to overcome the crisis “cooling” in backward regions and branches.

Research problem and objective. Based on the above, the misunderstanding of perfect competition has caused the problem of misunderstanding about big business. Accordingly, the research set a goal to rehabilitate the necessary conscientious large-size business in the eyes of the relevant regulatory authorities and the general public.

2. Ways to Solve the Problem of Hidden Monopolies

Our main ways to solve the problem seem to us to be “General equilibrium competition” and “Zonal-sectorial management”. In addition to this, it is worth noting that the application of laws in physics is a novelty of our scientific platform and therefore there is no scientific literature about this—only my “innovations” (Lordkipanidze, 2022) create the new theoretical basis of this approach. For the specific article presented, we have generalized the research methods of grouping and reasonable market tension—“voltage” by analogy of physics.

General equilibrium competition:

For general equilibrium competition, we consider it appropriate to especially emphasize the importance of protecting competition through universal—international efforts of scientific achievements (McNulty, 1967; Novshek and Sonnenschein, 1987; Petri, 2004; Porter, 2008, 2019; Porter and Heppelmann, 2017; Roberts, 1987; Roger, 1982; Sickles and Zelenyu, 2019; Stigler, 1987; Stiglitz and Atkinson, 1980). Even the economically strongest countries are not able to withstand the pressure from hidden monopolies, which often have universal roots. We began publishing a series of theses on researchgate.net to support INTERPOL and

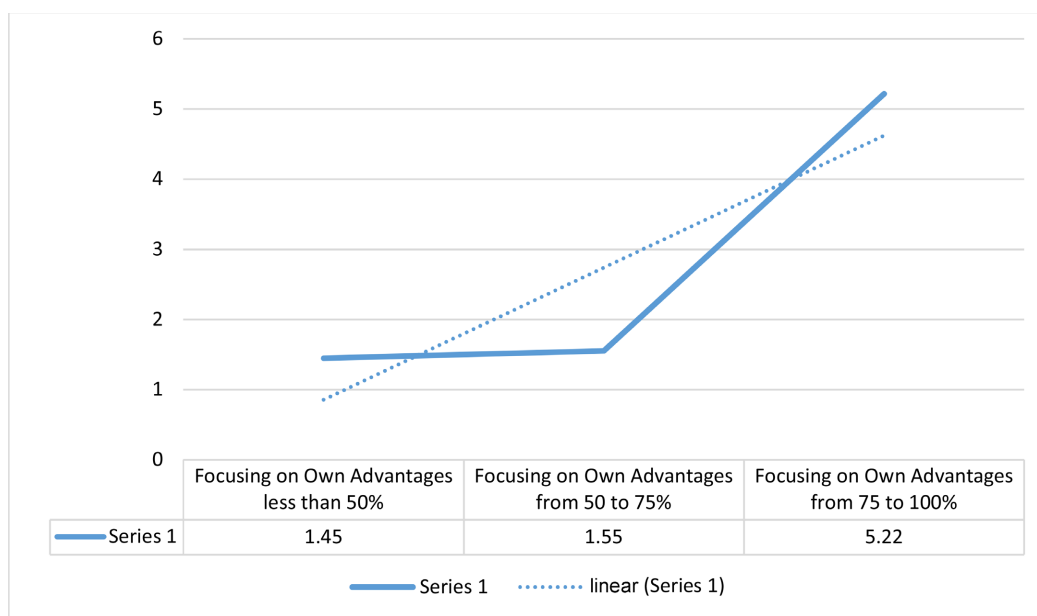
the creation under its wing of an international antitrust agency with the participation of at least 5 major scientists from each country who will specialize in protecting perfect competition and local and global markets. In addition, international monitoring services must have sufficient financial and military resources to quickly resolve local conflicts. I am confident that such common mutually beneficial interests of all countries will stop as well increasingly frequent conflicts.

Zonal-sectorial management vs utopian managerial goals.

I also suggest that the international scientific community concentrate on competitive zonal-sectorial management approaches rather than on utopian managerial goals. Having goals and striving to achieve them is not a bad thing, but unreasonable goals are often not fulfilled and can cause complications of a depressive nature and long-term economic cold. It is better to know own advantages (Figure 1) well than to try to remake yourself in order to comfortably achieve an unrealistic goal.

Our priority “focusing on our own advantages” should be the basis of future management—we need to listen to ourselves and be where we are, and not “fly” in the clouds.

As an example that is easy to understand, I would like to note that if a talented promising basketball player suddenly wants to become a football player or boxer due to high income, if he does not have the corresponding talents, he will lose entire future, including basketball prospects. We need the most beautiful long-range basketball hits and jumps in the innovation economy to quickly solve the demographic problems of some economically “cooled” regions after



Source: Approximate estimates of the world economy 2554 cases by 1993–2023 according to the author’s approach (Lordkipanidze, 2022).

Figure 1. Efficiency of focusing on own advantages.

political-military conflicts.

3. Conclusion

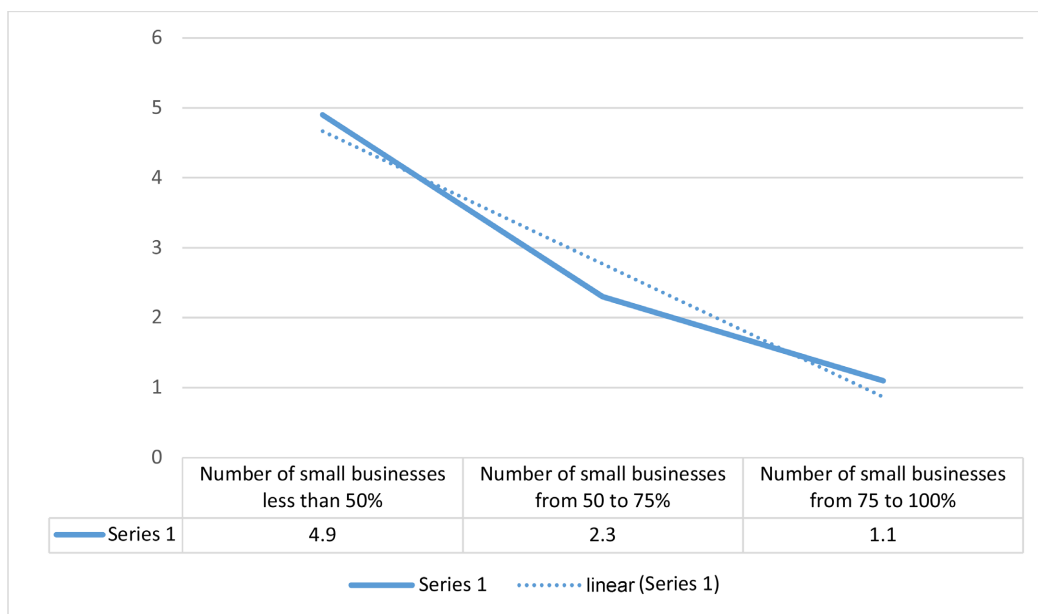
As a general unwritten rule, stimulating own advantages leads to some consolidation of the business and there is no way to interfere with such a move to a large scale. Naturally, this does not apply to unscrupulous monopolies.

The conducted research (Figure 2) convinced once again us, that the use of physics in economics has shown that focusing on the great number of small competitors (from 75% to 100%) can lead to blocking the local bona fide large sector, which can lead to call by me “ant economy” with a short circuit and overheating of the economy, which opens the way for hidden external predatory monopolies as well.

While stimulating large knowledge-intensive businesses, we must not forget about the necessary balance of the economy.

The concentration efficiency trend clearly shows the prospect of a balanced economic structure. Logical reasoning led me to the natural necessity of both small and larger enterprises, which is also confirmed by the statistics of their actual equivalence in the productivity of productions and services. The same can be said about the importance of large countries with known economies of scale, and small countries are particularly distinguished by their high efficiency and ability to quickly change economic policy priorities in the crises of natural cycles of economic downturns.

I am very busy with scientific works and will be very grateful for highly valuable recommendations from readers of my presented article.



Source: Approximate estimates of the world economy 2554 cases by 1993-2023 according to the author’s approach (Lordkipanidze, 2022).

Figure 2. Efficiency of business concentration.

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Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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