The Role of Large Competitive Countries Versus Political Rent on Business

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Abstract

Using the methodology of laws of physics, article has developed an understanding of perfect competition and according to the new integral index of the force of economic competition, it turns out that homogeneous markets of large countries, if all other factors are eliminated, are more competitive. One of the factors of the integral index of the force of economic competition is directly expressed in the growth of the force of competition with the growth of market capacity, by analogy with the voltage of an electric current. Based on the above, hidden monopolies operate more easily in small countries and political dictatorships are more often expressed in small countries. Political dictatorships create such preconditions for the so-called political rent that without political power and or mafia connections with political leaders, success in business or any other field of human activity is impossible to achieve. Since large scales are more resistant to the evil of hidden monopolies, we must strengthen global anti-monopoly structures and fight crime together.

JEL Classification: *A10, P10, P17.*

Keywords: *Perfect Competition, Hidden Monopoly, Political Rent.*

INTRODUCTION

As we know, economies of scale (Arrow 1979, Hanoch 1975, Kenton 2022, Lee 1998, Sickles and Zelenyu 2019) are a very easily tangible benefit from expansion or synergy of enterprises, which is also associated with negative consequences, but it is necessary to use this benefit of scale wisely.
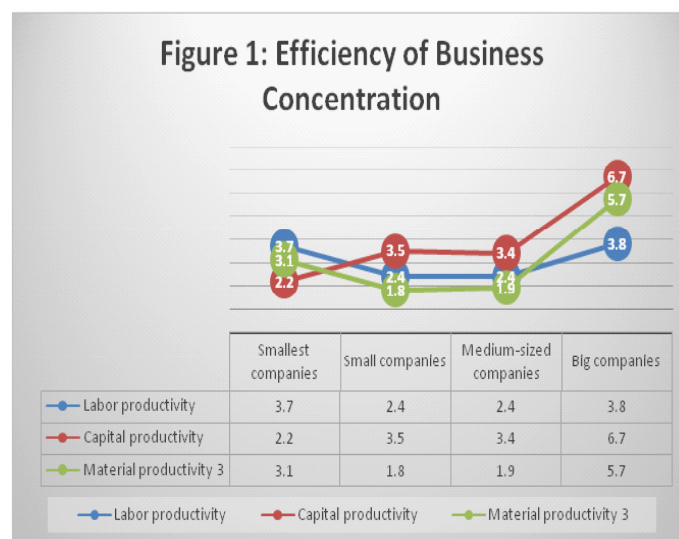
In the new Integral Competition Index (ICI), I propose an expanded calculation of the force of competition using the formula by significance of factors: ICI=Scale factor x Efficiency factor x Quality factor x Quantity factor. Our attentive reader of my works (Lordkipanidze 2022 and 2023) remembers, that, by Atomic balance analogy and Ohm's Law of electric current I=V/R, "I" meansindividual force of scale factor, "V" - voltage capacity of the market (naturally, larger markets have more capacity) and "R" - Resistance of the largest firm.

When reviewing the competitiveness of markets and free zones (Marynchak 2019, McNulty 1967, Porter and Heppelmann 2017, Stigler 1987, Stiglitz and Atkinson 1980), as well as applying this experience in problematic practice of hidden monopolies, the formation of already known with long-term natural efficiencyNAFTA - North American Free Trade Agreement signed by America, Canada and Mexico, one of the best examples of the positive effect of market consolidation, which should be useful to construct the necessary new global antitrust structures.

RESULTS: SOLVING THE PROBLEM

Naturally, in large countries there are also tendencies towards mafia cooperation with hidden monopolies and dictatorial rule, which manifests in political influence (political rent) on business, but according to our calculations using the laws of physics, this becomes clear that small countries are more prone to monopolism and various political rents. Approximately similar results were obtained when companies were grouped by the size of their human personal (Figure 1) – big companies showed significantly better indicators of labor productivity, capital productivity and material productivity.Some lag in labor productivity indicators was caused only by the large number of employees.

Figure 1: Efficiency of Business Concentration

	Smallest companies	Small companies	Medium-sized companies	Big companies
Labor productivity	3.7	2.4	2.4	3.8
Capital productivity	2.2	3.5	3.4	6.7
Material productivity 3	3.1	1.8	1.9	5.7

Source: Author's approximateestimates of the world economy 1250 cases (1998-2023).

The interest in observing large market spaces was aggravated by the result of observing the world economy, which is not the subject of regulation by anyone, but has the best maturity of the economic structure (Figure 2). That is, in the global economy all sectors of the economy are naturally evenly distributed.
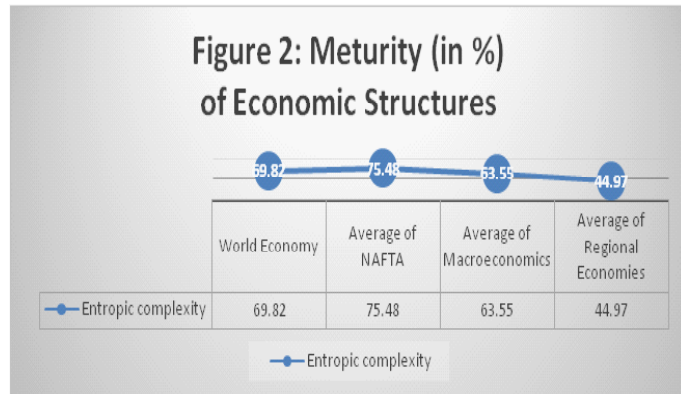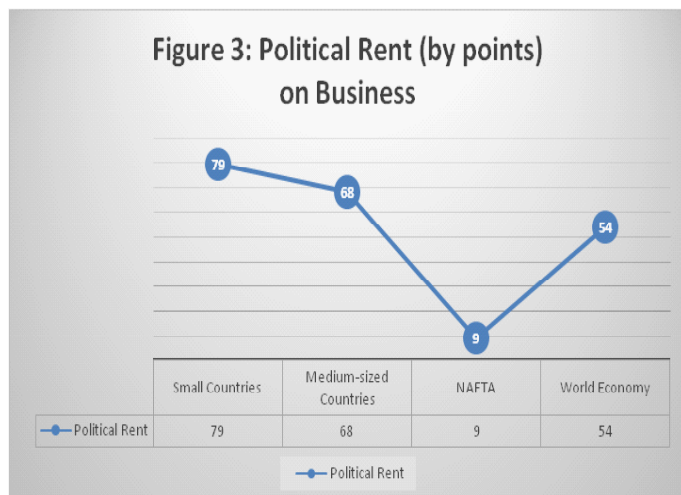

Source: Author's approximateestimates of the world economy 2474 cases (1998-2023) by entropy method:Plastino A., and others,(2022), Entropy Optimization, Generalized Logarithms,and Duality Relations.

The best result of maturity was shown by NAFTA, which far surpassed even the European Union, which at the beginning of the current millennium was in the lead, but due to the increasing frequency of conflicts and the entry of Great Britain from the EU, lagged behind and it was not possible to generalize even statistically the indicators.

CONCLUSION

Particularly surprising was the final result of the significantly lower propensity to different political rents in NAFTA (Figure 3), which leads to the conclusion that in the modern world it is necessary to create such free global zonal space and in every possible way to act against hidden monopolies by freedom conditions. Even progressive states should not interfere in economic processes and into an electronic and more transparent future, we should understand under regulation the better protection of human life and free competition.

Source: Author's approximate estimates of the world economy 168 cases (1998-2023).

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