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ETHICS BETWEEN COMPETITION AND MONOPOLY

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Summary

The existing ethical principles have developed in different parts of the world under different political, cultural, social and economic preconditions. Therefore, there is no unified set of ethical principles. As a result of these differences, legal principles that apply to ethics, social conditions and the production environment differ substantially from one country to another. At the same time, principles of global trade and competition, which are being largely adopted, bring products and services from these different cultures to the same markets. There they compete under the rules of antitrust laws and unfair competition laws. Discrimination, which can be understood as an advantage or disadvantage, depending on the point of view, is thus unavoidable. There is no short-term solution. Therefore, the price that is to be paid for globalization and universal competition is, in a way, expected and normal.

Keywords: *antimonopoly policy, competition, constitutional rights, dominant position, ethical standards, horizontal restraints, predatory pricing, vertical restraints.*

Introduction

It is doubtless that in the globalised world today, numerous are those who think about the connection between the ethics on the one, and the antimonopoly right on the other hand. All the available literature, however, shows that only few publications or articles compare traditional and legal rights of antimonopoly to ethical principles.

The reason for that is clear: the laws on antimonopoly policy are not adopted by governments in order for them to follow the basic ethical principles, but to develop and control the process, or, as it is sometimes said, the institution of competition that should fulfil its role in the market economy of the globalised world that becomes more and more integrated.

Another important initial premise related to this connection is that one cannot make any kind of a theoretical analysis without referring to the connection between competition and ethics in a wider sense.

Otherwise, logic would be of no use, since a cruel market policy rules where there is no ethics. Where there is ethics, the price is paid by a competitor that is more successful economically. And the third initial premise is that the more one explores this topic, it seems more difficult to give adequate answers to some important questions.

Traditional opinions and classical theories sometimes become their own opposites, and the modern concept about the relationship of ethics on the one, and interdependence of free competition and the monopoly position, on the other hand, reaches the sphere of a psychological paradigm in which individualism[1] is imminent in economy and used to be dominant in the mid-19th century.

1. Ethics and Economy

For understanding the relationship between ethics and economy, we should first answer an important question: "What is ethics?" A general definition could be that ethics[2] is "a set of principles and rules of moral conduct". Another definition[3] says that it is any codex of conduct, regardless of moral standards.

[1] In that sense, it is useful to refer to the ideas and principles of the so-called "school of psychology and economy" of Böhm-Bawerk, List and Wengner. It would also be useful to revise scientific studies of the founders of " the marginalistic school" (Walras and his followers).

[2] Google Glossary: Online Ethics Center: Glossary of Ethical Terms, www.online/ethics/org/glossary.html.

[3] Andrei Schleifer made an analysis of four censores acitivities: a) child labour, b) corruption, c) overpaying the executive staff, d) participation of state univiersities in commerical activities. In all these cases, the competiton pressures resulted in increasing the number of censored activities. (Andrei Schleifer: Carnegie Endowment for International Peace, Worksheet No. 51, January 2004).

However, such definitions automatically lead to another question. Who decides about the content and direction of "the moral", or, what is right and what is wrong? Here, we are not going to try and compete with philosophers or theologians that have developed a series of different standards, where the terms "ethical" and "moral" are understood as synonyms.

One thing is clear and obvious: the standards developed for ethical (or moral) contents are not universal. Moral contents are changed according to the attitudes of social groups that define their ethical/moral standards.

For instance, from a religious point of view, both Islam and Christianity developed their own moral standards that are very different from each other. In a certain, simplified way, these standards have been developed based on certain political, democratic, economic and social conditions in a particular cultural environment.

If we observe more carefully the ethical standards developed in the sphere of professional and/or business ethics, we will notice significant deviations across the world, depending on the social development of the country, as well as to the economic and religious background.

This means that certain standards and rules are acceptable or even necessary in one economic region, but unacceptable or even not allowed, in other regions of the world. A typical example that includes both the ethics and competition is child labour.

In some less developed countries in the world, child labour is not only tolerated, but also necessary for the survival under social and economic pressures. For the families that struggle to survive on a daily basis, child labour does not come as an ethical problem.

That is a question of life and death. And what is necessary for one family becomes a rule for all the families in the neighbourhood. At the same time, for other societies, that has no sense and is completely excluded from the economic reality. Therefore, this is where ethics determines economy using the method of restriction and/or prohibition.

Another aspect in this context is related to the rights on intellectual property. Well-defined legal systems, in accordance with strict antimonopoly policies about the rights on intellectual property, regulate the protection of patents and practical skills, thus enabling exclusive representation and monopolistic pricing in order to encourage innovations, research and development.

At the same time, in some other parts of the world there are people (in case of AIDS in South Africa) who cannot afford the necessary medications since they are not protected by the antimonopoly laws. Should they die only because they are poor? How to solve such ethical conflicts?

Should there be an umbrella institution for the whole world in order to solve these kinds of conflicts? As it is now, the conflict of ethical principles is often manifested in legal and commercial disputes within the WTO (World Trade Organisation).

A typical example for this one can find the range of rules that regulate anti-dumping. The export of goods from a country with low expenses of labour force into an industrialized country with high expenses of labour force may result in an ethical conflict with sound arguments on both sides.

A country with low export costs is forced to maintain such an export in order to ensure enough income for a higher standard of its citizens. There could be some weakening of the production capacities in the industrialized country of import due to the competition caused by the cheap imported goods.

Anti-dumping rules, if interpreted in simple terms, claim that low costs are not possible. In this way, they try to prevent the import of cheaper products applying counter-measures in forms of customs or tariffs in order to make the price of the imported product equal to that of the local goods. Although the country that enforces counter-measures denies it, there is a certain form of direct or indirect political and economic protectionism that is included[4] in such politics.

These examples show that in the world of globalisation and cruel competition, the ethical principles of one region can be in conflict with

[4] A recent example is related to anti-dumping measures of the EU against the import of Asian footwear especially China and Vietnam. Both the countries claim that the arguments the EU used were insufficient to prove dumping. It was assumed that as a result of this decision 500.000 workers in the local footwear industry of Vietnam lost their jobs, and there was a possibility that job loss could occur in similar industries. Under the pressure of the Italian government, the EU decision was adopted by a small number of members. For more details see:

"Vietnam's Footwear Industry Workers Face Loss of Jobs", Financial Times, October 9th, 2006, p. 12.

Also see: "EU Faces Double Court Threat on Shoe Tariffs", Financial Times, October 6th, 2006, p. 2.

the ethical principles of another region. The globalisation of products, information, technology and services is bound to lead to conflicts in almost every field of economy and ordinary life. The conflicts of ethical principles and market regulations is growing parallel with the increase in labour productivity on the one hand, and on the other, by making the paradigm of democracy and humanism stronger. It would be good, and we should hope, that the second paradigm will overrule the first one (the market).

2. Laws Against Monopoly

It is necessary here to define[5] the term "antimonopoly policy". This term is more precise for the competition rules whose aim is to protect competition as a process, or as an institution, which is contrary to the rules of a disloyal competition whose aim is to protect competitors and consumers.

The question about ethics can be reformulated into a question about whether *certain behaviour or certain structural changes (when companies merge or unite) are acceptable to the ethical principles of the society that applies the rules of antimonopoly.*

In order to be more precise in answering this question, the antimonopoly rules should be divided into different components, and specific actions and behaviours that belong to these components have to be analysed.

From a traditional point of view, the main categories of antimonopoly rules refer to both horizontal and vertical restrictions, misusing the dominant position as well as the broad sphere of companies' incorporations and unions. All of these concepts are related to ethics, whether as a result of a behaviour that disrupts rules and regulations of competition, or as a result of the consequences of all these cases in the long run.

Besides that, there is another problem related to the definition and approach to this question. Namely, the antimonopoly rules were not enforced in order to protect the ethical principles. They serve to set fair

[5] The term "antimonopoly policy" is of American origin. It was first mentioned in The Sherman Law from 1890, but its definition is not precise since the American Antimonopoly Law includes a number of disloyal or non-competitive structural effects that resulted from the behaviour. Its real origin comes from the reaction of the public to *trusts* that, by the end of the 19th century, were the monopolies that dominated the American production and mining industry.

rules of a "competition game". That does not mean that the disruption of antimonopoly rules should automatically be classified as "non-ethical" or "immoral".

Therefore, incorporating companies and creating a dominant position on the market, which can reduce competition significantly, is not non-ethical by definition. That is only a type of concentration that has the *potential* to limit the competition in the future and is therefore forbidden. There is no negative ethical judgement that can be related to this prohibition, but there are some other forms of behaviour that include ethical elements in a clear way.

Namely, in a simplified way, the term "unfair" could be understood as non-ethical. There are some examples in the antimonopoly law, where the category of horizontal restrictions of competition is most interesting and most prominent.

Therefore, as an introduction to the next topic, there are some useful remarks related to the antimonopoly policy and ethics.

2.1. Historical approach on the antimonopoly struggle

First, we could refer back to business organizations from the middle ages (the guilds) that were the basis of business activity of the city and the village. In fact, they were composed of trusts of all kinds of businesses in terms of production, services, and trade, thus controlling the access to the market (both import and export), the quality, the prices, the system of services in education, as well as the overall business development.

Competition was completely non-existent, thus putting the development of guilds in a privileged position. The very view on the area around the Grand Place in Brussels, with the most beautiful houses of the richest guildsmen, is a good example of the good old times of the guild system. From the point of view of the urban or any other administrative authority at the time, or the profession itself, there was no feeling there was something non-ethical in that system since it was a source of richness and the basis of the whole economy.

That system created the income necessary for improving the infrastructure and to pay the soldiers to defend the possessions from constant attacks from the outside for different reasons. From today's social and ethical point of view, one could be suspicious about the real effects when it comes to the advantages of competition and consumers' bliss.

Secondly, let us refer to the second half of the 19th century, or the beginning of the industrial revolution in the USA. Here, we actually refer to the period of D. Rockefeller and J.P. Morgan. Those were the times of the "Wild West" business in monopoly and cartels that made a few business "oligarchs" rich, thus making the big groups of consumers, small and mid-size companies poor.

The Sherman Law from 1890, that prohibited the creation of cartels and monopolies, was the first answer of the largely dissatisfied American society and the USA Congress. The Sherman Law was at the same time the first business ethical codex, as well as a law for protecting consumers from unfair business activities. However, the misuses continued that, together with inadequate legal interpretations, created new pressures on the Congress that, in 1914, adopted the Clayton Law and The Federal Trade Commission Act.

The most important legal question in the context of ethical principles was the degree to which the constitutional regulations that guaranteed for the right of private property and ownership would or should have to be restrictive in order to maintain the existence of competition in trade economy.

For instance, why wouldn't a certain producer be able to determine the retail price of his product (the prohibition to keep the retail price), or why wouldn't the producer and, at the same time, the owner of the product be able to decide who to sell the product to?

If an owner of a patent, that is his intellectual property, decides not to use the patent in order to continue work with the equipment he already has, why would this be considered a misuse of dominant position? The questions above are important for maintaining the existence of competition in market economy as well.

Ethically speaking, these questions are related to an alienation of certain ownership rights in favour of the principles of functional competition and consumers' welfare. However, besides the clear cases of fraud, felony, or health damage of the other people, there are some effects antimonopoly on some types of behaviour that are difficult to define.

One could say that, in many cases, in order to reach certain conclusions, we need to have personal attitudes. In fact, after more than one hundred years after The Sherman Law, the antimonopoly philosophies that deal with certain effects of competition behaviour have changed in the manner the pendulum moves.

Today we live in the period in which the traditional premises are being applied in a less-formal way, and we can say that the new direction of development in this field is more turned towards[6] economic effects of competition.

2.2. *Horizontal restrictions of competition*

In this category of violating the antimonopoly policy we find the so-called group of 'severe restrictions of competition'. They contain regulations about determining the price, territorial division of the market among competitors, or determining the allocation of products, as well as the quota among competitors. These restrictions of oligarchic origin are still widespread in the world, in the West especially.

Such cartels can be classified as a form of disloyal competition, fraud, felony, or disruption of economic values of the market. Therefore, they are universally prohibited in all the laws of competition within the market economy.

One of the crucial questions that should be answered from the ethical point of view is whether such a behaviour should be *charged with a misdemeanour* (a kind of administrative procedure that results in penalty), or should (for the reason of putting it on an equal basis with other legal issues) it be considered a *felony*, with a potential prison sentence for the responsible individuals.

There were also discussions about bringing criminal charges against legal subjects for the reasons of being principled and practical. Therefore, some laws on competition include such qualifications that the responsible people in those companies could be charged on the basis of criminal law.

The USA was the first in favour of criminal charges for breaking the antimonopoly policy in case of cartels. There was also a possibility for the damaged party to be compensated with triple the amount of the loss.

The EU and the majority of its members have chosen criminal or administrative procedures that result in penalty. The American legal system assumed that a suitable effect of criminal trials, that would result in paying triple the amount of the loss, lead to fewer cases of law-breaking.

[6] A great review of different opinions was given by William E. Kovacic and Carl Shapiro ("Antitrust Policy: A Century of Economic and Legal Thinking", Journal of Economic Perspectives, Vol. 14, No. 1, Winter 2000, p. 43 ff.)

However, this theory was not proved statistically. The authorised body for competition within EU tried to introduce prevention not by criminal trials, but threats of severe penalties that could go up to 10% of the overall trade of the companies involved. However, this policy did not result in a significant reduction of cartels.

Despite the legal procedure against non-ethical conduct, the fact is that there is still a severe discrimination. In cases where the formation of cartels was based on laws or decisions of governments, the members of cartels were not charged whether the cartels were perceived as non-ethical or not. The best example is the oil cartel (OPEC) that breaks almost all the competition rules. It misuses its dominant position and the position of similar companies that co-ordinate with it to break the regulations on setting fixed prices and the cartel on the determining the quota, thus definitely causing damage to both the consumers and business across the world. It also violates some other valid principles of market economy. However, this cartel was established by the governments of joined states. It is rather difficult to find positive arguments that give ethically valid foundation for this cartel. The argument that the money received through cartels is used for the welfare of citizens living in the countries that are members of the cartel is not valid, and neither is the claim that high prices encourage us to spend less precious sources of energy

The income from the cartel is useful only for smaller groups of ruling families in numerous OPEC countries in the Middle East, and it seems that not even their prices affected the overall consumption of oil and gas. We must also add that the governments numerous industrialized countries, especially EU, overburdened the price of the imported oil and gas with taxes double the price of the oil produced within the cartel.

If the OPEC cartel were composed of private companies, they would be penalised with highest possible fees. And if these companies had made profit on oil and gas products gained from the taxes the governments took for the raw materials, the companies would have been additionally charged on the basis of misusing the dominant position (misuse of exploitation).

Does that mean that the cartels set up by different governments are less harmful, or in this case, more ethically acceptable because they are created and implemented by the governments? The answer to this complex question is to yet to be found and, based on that, efficiently intervene on the global level.

2.3. *The misuse of the dominant position on the market*

In the sphere of applying the antimonopoly law, the courts had to make a stand about two major questions related to ethics. The first question is about establishing and justifying monopoly and the dominant position on the market, and the second one relates to the conditions and circumstances in which the misuse of the dominant position occurred

There were many discussions during the 1960s and 1970s about establishing and justifying monopoly or dominant position. The fact that economic power can eventually turn into the political one, with the risk of destroying or, at least, disturbing democracy, proved to be alarming for maintaining democracy.

Especially the power of banks, that is caused not only by the value of money, but also by the necessity to control other companies, is now a subject of endless disputes, reports, investigations. The goal is to eliminate or, at least, diminish the huge power of banks.

The systems that control incorporation of companies around the world monitor the concentration of economic power that results from incorporation and purchases and sees it as a real threat for the proper functioning of the market competition. Therefore, the concentrations that result in the market share of companies even below 15-20% got prohibited.

It was because of the Chicago School from the 1970s and 1980s that this attitude changed in the USA in the way that it emphasised the goal of the antimonopoly policy that was to ensure efficiency and welfare of consumers. The very scope and power were not a problem, but their misuse.

The new approach held that the function of institutions for the protection of competition was to protect the processes of competition by keeping the market open. This goal had to be ensured by preserving the small obstacles for the entrance of new competitors to the market. According to this approach, even the market shares lower than 50% do not represent a threat for competition or democracy if all the markets are open for new participants. [7]

[7] The strong criticism of the Chicago School representatives (such as Robert Bork and Richard Posner, and later, Frank Easterbrook and Ernest Gellhorn) was a reaction to the strict enforcement or rules done by the authorities and The American Supreme Court in the 1950s and 1960s. Particular prohibitions in implementing the

At some point of intersection between the two millenniums, there was again a discussion about the excessive economic influence in terms of the fast development of the so-called *hedge funds* of risk control that control more than billions of American dollars. This recent development of financial institutions that act and "protect from risk" in the world's financial markets is becoming very risky, but at the same time, those institutions have a chance to achieve great profits from the invested capital. The daily traffic of those institutions sometimes reaches 50% of the common daily profit of the New York and London stock market.

In the autumn of 2006 *The US Funds Amaranth* with the total effective of nine billion dollars lost almost six billion dollars in a few days, thus making the liquidation possible[8]. There are greater risks that losing these funds could lead to a financial crisis in the world.

On the other hand, many advocates of the free market are opposing the more strict control. Namely, there is definitely an ethical problem when one group of rather speculative financial institutions can be in a position to manipulate the markets and endanger the financial system of the world.

To which degree should we allow the possibility of a guaranteed right on the "freedom to act" in the world market? The antimonopoly laws in the USA, as well as in the EU and its members, clearly say that achieving the monopoly position in the market (as a result of successful and legal business) does not threaten the competition.

Neither domination nor monopoly is dangerous on their own. What is dangerous is their misuse. Therefore, the discussion on the ethics and antimonopoly should be started with a question whether, for example, achieving monopoly on an important (world) market through successful business and in accordance with competition laws should, nevertheless,

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antimonolpy law faced challenges and encouraged the development of a rational attitude on the part of the American courts, especially when it comes to the vertical restrictions. (Richardo A. Posner, *The Antimonopoly Law, The European Perspective*, The University of Chicago Press, Chicago, 1976).

[8] The international press openly commented every step of the downward trend of the Amaranth funds for protection against risk in September and October 2006. The analysis of the causes that could lead to such crises as a result of an over-aggressive marketing and harassing investitors. (James J. Cramer, *After Amaranth*, The New York Magazine, October 9th, 2006).

be observed as an ethical problem due to the possibility of misusing the power? It seems here that the ethical principle should aspire to supremacy!

An important issue related to this topic is misusing the ethics. Most often, there are three categories of potential cases. The first category is related to unjustifiably high prices of the market-dominant company, which implies the exploitation of consumers, business partners or competitors. The second category is related to unjustifiably low prices, the so-called 'predatory prices' whose aim is to destroy the competitors. The third category is related to all kinds of acts whose aim is to disturb the competitors. It is clear that the aim of this paper is not to describe each one of them in detail. However, the relationship among these misuses and ethical principles can be clarified using the following examples.

First, let us start with the above-mentioned 'predatory prices'. Conceptually speaking, the strategy of selling products or services for lower prices is there to eliminate the competitors that are not in a financial position to compete and, therefore, have to leave the market. Achieving the dominant position or even monopoly can in that way later lead to increase in prices above the competition level in order to compensate for the losses from the period the prices were lower. In that way, extra profit is gained. From the ethical point of view, such behaviour towards competitors can be classified as unfair, and the subsequent increase in prices above the competition levels can be considered as exploitation of consumers.

In terms of the protective purpose of antimonopoly policy, such behaviour certainly violates the basic principles of competition. However, if observed more carefully, such behaviour may lead to another conclusion: the consumers definitely profit during the phase of selling products and services for lower prices. They can buy products and services for the prices even lower than production prices, which gives them extra profit.

However, later, when the prices increase above the competition level, it is not clear whether they can stay there. It is more probable that the competitors that left the market earlier will come back, unless the conditions created obstacles that are impossible to overcome in order to enter the market again. If the competitors show up again, the whole strategy of 'predatory prices' is of no use since the company that initiated the process would not be able to compensate for the previous losses. Therefore, this strategy can be classified as irrational and non-profitable.

The only winner is the consumer who had the chance to buy products for a price lower than the production price. Such an attitude is opposing the estimation of the negative value that was mentioned earlier when referring to ethics. The 'predatory prices' are a result of rather thoughtless decisions in making business decisions[9].

Another good example of misusing the dominant position is the strategy of selling goods for unjustifiably high prices, where the seller enjoys a very dominant monopolistic position on its relevant market.

In most laws on competition, the high prices of dominant companies are precisely defined as a misuse although, in strict terms, the laws on competition do not have the role to protect the consumer, but to protect competitions as the "market" institutions.

Besides the fact that the authorities for protecting the competition face difficulties when solving the cases in this field for procedural reasons, the ethical arguments that support the prohibition of misuse can be contradictory.

Take, for example, the case of The *Chiquita* Banana Company. The Commission of Europe opened the case because of unjustifiably high prices of bananas in some EU countries. The *Chiquita* Banana Company followed the strategy to increase the profit to the maximum based on consumers' behaviour in different EU countries.

The Company determined different prices depending on the demand for bananas. The question is whether this is about exploiting the consumers who paid a higher price in one EU country compared to the others?

As far as The *Chiquita* Banana Company is concerned, the maximum increase in profit is the ultimate goal of a company in the market economy. Are bananas in competition with other types of fruit? The Commission of Europe decided this was for a special market, and that The *Chiquita* Banana Company violated Article 82 of the EU Foundation Agreement since it

[9] There are several schools of throught, especially in America, when it comes to deciding whether to apply the strategy of 'predatory prices'. The prevailing trend is scepticism. The American Supreme Court in the case "Matsushita Electric Industrial Co. Vs. Zenith Radio Corp" (1986) claims that '' the methods of applying 'predatory prices' are rarely tried out, and prove to be successful even more rarely''. For more details about different schools of thought and results of American court cases see: Ernest Gellhom and William Kovacic, *Antitrust Law and Economics in a Nutshell*, West Publishing Co., St. Paul/Minn, 1994, p. 137 ff.

delivered bananas of a similar quality to Rotterdam and Bremerhaven for almost the same delivery price, and it later sold them to the other consumers from EU for different prices. One can also say that bananas are not a special-market products compared to the other available fruit and that the *Chiquita* company was not non-ethical in applying its strategy of prices in accordance with the demand of the market and the consumers' preference.

Technically speaking, The Commission of Europe wondered whether the discrimination of prices represents an obstacle for the free movement of goods, and that view was adopted[10]. In this case, it is even more difficult to answer the ethical question. The Commission of Europe made a decision for a similar case referring to Microsoft Company.

Namely, on March 24th 2004, The Commission of Europe adopted the decision about the Microsoft case and thus ended its longest and most intensive research in history. One of the two charges referred to connecting the Microsoft Windows System to the Windows Media Player (WMP) which is a multi-media program for reproducing sound.

Since anyone who buys the Microsoft operating system automatically gets the multi-media player for that price, the competitors in the branch of multi-media players are discriminated and thus lose the purpose of developing new technologies in this field. For that reason, The Commission of Europe asked Microsoft to "within 90 days offers to the producers a PC version of its Windows operating system without the Windows Media Player".

The total fee that Microsoft had to pay (that also included other breaches of Article 82 of the Foundation Agreement) was nearly 500 million Euros.

From the ethical point of view, the following should be taken into consideration in this dispute: The Microsoft Company claims that the programs for showing movies and playing music (WMP) are free for the consumers, and the price of the multi-media player that is a composing part of the operating system is very convenient for the consumers.

[10] For more comments on different issues related to this case see: Bellamy & Child: *European Law of Competition*, Fifth Edition, edited by: P. M. Roth, Sweet & Maxwell, London, 2001, Articles 9-032 ff.

This was confirmed by the consumers. The Commission of Europe uses the argument that the automatic offer of the multi-media player when purchasing the Windows operating system eliminates the competitors that offer the multi-media player only, and that it also prevents the research and development of new technologies for the multi-media player since there is no profitable future for the competitors.

As in the banana case, it is difficult to give an answer from the ethical point of view depending on different points of view of the different parties involved in this conflict.

Instead of conclusion: Some aspects of the antimonopoly policy and ethics in Bosnia and Herzegovina

As it is known, Bosnia and Herzegovina is now undergoing an intensive process of creating the market economy with the help of The Competition Law enforced in July 2005. The number of cases under The B&H Competition Board is still small, and the public awareness on the importance of The Competition Law is developing slowly. Therefore, ethical problems have not occurred in applying The B&H Competition Law yet. Only recently, here have only been some indications of certain problems in this field.

However, there is one field in which there is a potential conflict of ethical principles. That is the area of state monopolies. As in many other countries in transition, B&H still has state monopolies in the fields such as the so-called 'natural monopolies'. In this case, traditionally, *one* company is the cheapest alternative in the market in terms of production and distribution expenses of, for instance, electricity, gas, telecommunication services, railway traffic and air traffic.

However, there is no justification for the existence of many of these 'natural monopolies'. The fact is that in many industrialised countries, the production and distribution of electric energy, gas, or telecommunications, has been privatised.

A typical example of that is BH Telecom, one of the state monopolies in the telecommunication market with extremely high prices (compared to those in the EU where there is full competition), especially for international calls.

It is a loss to the users that there is no antimonopoly control of the price policy of this company that would be under supervision of some other authority. Whereas such prices are unimaginable in the countries that apply competition principles on telecommunication companies, in B&H these extremely high prices are there to serve other political intentions.

It is justified to ask these questions: Is such a policy unfair? Is it non-ethical? Should it be accepted since it is not about a private company under the pressure of competition, but about a state monopoly that had set the monopolistic prices?

Answering these questions to give an optimum explication requires more analysis and more space than this paper allows.

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