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ESSENCE OF THE COMPANY'S PROFIT

Alieva S. Susanna*

*PhD. Associate Professor,
Samarkand and Institute of Economics and Service,
UZBEKISTAN

Email id: susanna2003@rambler.ru,

ABSTRACT

In the paper presents various points of view regarding the essence of profit. In particular, special attention is paid to the sources of its formation, according to various scientists. The essence of profit in the context of various types of competition is stated. The theory of the essence of profit is considered from the point of view of the Theory of monopolistic competition by E. Chamberlin. The point of view is expressed that the modern Western theory of profit is characterized by electivity, the presence of very different ideas about its economic content. Integrity is noted only in relation to the interpretation of the social essence of profit –in denying its exploitative nature and recognizing it as a legitimate, “natural” form of income.

KEYWORDS: Profit, Essence Of Profit, Sources Of Profit, Competition, Prices.

INTRODUCTION

The enterprise independently plans its activities and determines development prospects based on the demand for manufactured products and the need to ensure production and social development. Profit has become an independently planned indicator, among others. In a market economy, the basis of economic development is profit – the most important indicator of the efficiency of the enterprise, the source of its life. However, it cannot be assumed that the planning and formation of profits remained exclusively in the sphere of interests of only the enterprise. The state (budget), commercial banks, investment structures, shareholders and other holders of securities are equally interested in this. The formation of a tough competition mechanism, the volatility of the market situation make it necessary for the enterprise to effectively use the available material, labor and financial resources, on the one hand, and on the other, to respond in a timely manner to changing external conditions, which include: the financial and credit system, tax policy of the state, pricing mechanism, market conditions, relationships

with suppliers and buyers. Due to the listed reasons, the directions of analytical activity are also changing.

The work of an enterprise in the context of the transition to a market economy is associated with an increase in the stimulating role of profit. The use of profit as the main estimated indicator contributes to an increase in the volume of production and sales of products, an increase in its quality, and an improvement in the use of available production resources. The strengthening of the profit's role is also due to the current system of its distribution, in accordance with which the interest of enterprises in increasing not only the total amount of profit, but also especially that part of it that remains at the disposal of enterprises and is used as the main source of funds allocated to production and social development, as well as material incentives for employees in accordance with the quality of labor expended.

To ensure high economic efficiency of production, a flexible state economic policy is always necessary, which would contribute to the formation of an environment favorable for economic activity and would orient enterprises to maximize profit (income). Since it is the state that determines most of the conditions for the successful functioning of an enterprise, the problems of profit and profitability are currently very relevant.

Optimization of profit distribution, i.e. the financial policy of the formation and distribution of profits carried out at the enterprise should ensure an increase in turnover, an increase in equity capital, and the achievement of an optimal capital structure.

LITERATURE REVIEW

Profit, as a rule, occupies a special place in the market economy. All types of human activity are subordinated to the formation of profit, wherever it occurs.

The motive of profit is introduced into the consciousness of a person from the moment of his work. Scientific works on economic theory are called upon to play a special role in the formation of profits. Let us turn, first of all, to the consideration of the problem of the essence of profit and its sources. Defending the interests of society, a number of authors who have studied profit either pass by the labour theory of value, as if not noticing its existence, and, accordingly, by the created truly scientific theory of profit, or they do not sufficiently reasonably interpret the provisions of this theory. Thus, in the opinion of R. Miller and P. Samuelson, the labour theory of value, interpreted by them from the standpoint of A. Smith, cannot solve the paradox of the low price of some goods (for example, water), which are of primary vital importance, and the high price of other goods (for example, diamonds) with their relative uselessness. Only the determination of the price of a commodity in accordance with its marginal utility can, according to these authors, solve the problem. R. Miller and P. Samuelson simply ignore the fact that the paradox, insoluble, from their point of view, within the framework of the labour theory of value, was completely resolved by K. Marx, who, highlighting two of its properties in a commodity - use value and value, solved the problem of the price of a commodity without any reference to marginal utility. The latter suits economists, first of all, by hiding the real source of profit.

Of course, the American authors of the book "Economics" point out that there are two types of profit: economic, or net, and normal, or zero profit. According to them, economic profit is the difference between total income and economic (total, full competitive) costs. In turn, the latter consist of explicit costs (cash costs of wages to workers, purchase of raw materials, materials,

etc.) and implicit, which include income from factors of production owned and used by the owner of the company (implicit wages, implicit rent, and implicit interest). Normal, or zero, profit is what is needed to retain capital in a given industry. The text of the textbook by R. Lipsi and P. Steiner is distinguished by some peculiarity in terminological terms, but not by the essence of the matter. They allocate gross profit as the difference between gross income and direct costs (costs of raw materials and materials, wages, electricity, etc.), net profit as the difference between gross profit and indirect costs (depreciation, overhead costs, administration salaries, etc.); economic profit – as the difference between net profit and the imputed costs of equity and risk bearing, which are equal to normal profit. For at the same time, they focus on the quantitative aspect of determining profit, its analysis from the purely market side. With such a focus on superficial manifestations of profit (the difference between income and costs), the role of labour and production in general in creating profit is almost completely denied. In addition, the inclusion of normal profit in the composition of implicit costs obscures the difference between costs and income, masks the existence of incremental value and shows profit as an element of production costs. The very designation of profit as “normal” or “zero” insists on the idea that it serves as a “fair” reward for the entrepreneur for his entrepreneurial activity and the associated risk.

The authors of this book present the following sources of economic or net profit: 1) innovations in technology and technology; 2) uncertainty of the future; 3) violation of market equilibrium; 4) the existence of imperfect competition and monopoly. It is stipulated that the net profit associated with the introduction of technical improvements that cause a decrease in production costs is temporary, since the “innovator” is catching up with competitors. Real policy certainly shows that with a patent monopoly, corporations can generate significant profits over the long term. Western economists see the real source of net profit as technical and technological innovations.

In the view of these economists, another source of net profit is the risk of entrepreneurial operations, which increases in a modern dynamic market economy subject to cyclical fluctuations and structural changes. A businessman, risking, can suffer losses, but he can also win. “When we average losses and gains, we find that there is, on average, positive economic gains. According to the risk theory of profit, the reason for its existence is to reward entrepreneurs for taking on the risk of failure” [10, P.551]. A real question arises: by whom and how this “reward” is created, in other words, where does it come from. These authors, like other economists, do not “see” this issue. And this is understandable, because the answer to it forces us to abandon the “risky” theory of profit and move towards its recognition as a result of labour.

The mechanism of profit formation is interpreted differently from the methodological point of view. For, relying on neoclassical theory, they see their task in determining the conditions for achieving a state of equilibrium by the firm, i.e. such conditions, the fulfilment of which makes it possible to maximize profits, or minimize losses. The equilibrium state is analysed by them in relation to the so-called “perfect competition”, and then the data obtained is applied to other types of “market structures”.

Competition “perfect”, or pure, is characterized by the presence of a large number of independent producers in a given industry, and each of them has so little production volumes in comparison with the industry-wide that they cannot have any effect on the price level. The latter takes shape, entirely under the influence of supply and demand, and in turn determines the

volume of production for each commodity producer. In conditions of “perfect competition” there are no barriers to the penetration of new capital into the industry, firms produce completely identical goods and, therefore, fight among themselves only through prices.

A firm can achieve a state of equilibrium over different time intervals: 1) instantly - so that it does not have time to respond to changes in demand by changing supply and prices; 2) for a short time, during which the production capacity of the firm remains constant, but it can vary the volume of output, using these capacities with greater or lesser intensity; 3) over a long period of time, during which the firm is able to change the amount of resources it uses, new firms can enter the industry, and some of the old ones can leave it¹.

The current state of equilibrium of the firm is given in this economic literature from two sides: first, through the ratio of the manufactured goods prices and the costs of its production (external equilibrium) and, secondly, through the optimal combination of factors of production used by the firm (internal equilibrium).

In the first case, over a long-term period, a state of equilibrium under conditions of “perfect competition” is achieved at such a volume of production when the price of the manufactured goods is equal to the average and marginal costs of its production².

This argumentation is based on examples of combining easily perceived superficial manifestations of economic processes. For example, it is beneficial to expand production until the associated increase in total income no longer exceeds the decrease in the share of net income in the price of output. This reasoning is illustrated with the help of graphic images and mathematical formulas. Here, the essential dependencies underlying the formation of profits by them are given with the help of mathematical interpretation, using the provisions of the theory of marginalism [6, P. 80].

Of course, this approach suffers from serious theoretical shortcomings. The definition of the equilibrium state of a firm is based on the axiom that the curves of average and marginal costs are U-shaped, i.e. with an increase in production, costs first decrease and then begin to increase. First, with this approach, the dynamics of costs appears to depend only on changes in the volume of production. Other factors affecting costs, and first of all, scientific and technological progress, are virtually eliminated. Secondly, this axiom can be realized in conditions of full involvement of resources, when they become scarce. For it is real in industries in which limited natural resources play a significant role, such as mining and agriculture. But in the economic literature there is no answer to the question of why this dependence is carried out, say, in knowledge-intensive industries, for example, in production, where the limited resources do not play a significant role. In our opinion, studies carried out on the basis of various industries indicators do not confirm the assumption regarding the U-shaped curve of average costs [7, P. 65].

If the condition for such dynamics of average and marginal costs is not met, the above aspect of the equilibrium theory does not even have an elementary theoretical foundation. The equilibrium state of a firm in perfect competition, on the other hand, is achieved with a combination of production factors such that the price of each factor of production equals the income from its marginal product. Otherwise, the firm will stop acquiring one or another factor of production if the income from its marginal product becomes less than the price of this factor.

Of course, it should be noted that the theory of production factors, according to which value is created by all factors of production, including material ones, and not exclusively by the labor of workers, suffers from serious theoretical shortcomings.

In this case, one has to proceed from the assumption that the variation of factors is the only way to maximize the firm's income, because it ignores the possibility of increasing output as a result of scientific and technological progress, ignores the presence of technological limitations when replacing one factor with another.

As shown in the book "Economics", in conditions of "perfect" competition over a long period of time, net or economic profit is zero and the firm only recovers costs (remember that economists include "normal" or zero profit in costs). This happens due to the fact that if the demand for the products of a given industry increases (the demand curve shifts upward) and the price exceeds average costs (firms begin to receive net profit), competitors will invade the industry, supply will increase (the supply curve will move down), the price will decrease and equilibrium for a long period will be established with a different volume of production, but again at the point where the price is equal to the average cost, and the net profit is equal to zero.

A similar result will be obtained in the case of a decrease in demand and a decrease in prices below the level of average costs. In this case, the source of the net profit emergence is depicted as a violation of the market equilibrium's. Miller and P. Samuelson see the reason for capital migration in the increase or decrease in demand for the products of this industry. In our opinion, this reason is in the sphere of circulation, not production. The rate of return for capital invested in any branch of production should be equal to the rate of return for capital already functioning in this branch of production [10, P. 390].

But why in this industry has developed exactly this, and not a different rate of return? This question is not given attention in their books. In addition, while portraying the flow of capital in the form of a freely and unimpeded process, they also do not respond to the existence of disproportionality in the economy and, as a consequence, to economic crises. Market imbalance may be a reason for some firms to receive additional profits, but not a source of it.

The "perfect competition" laid down in the basis of the reasoning of the authors under consideration does not correspond to the real state of the market economy. These economists are looking for the reasons for this inconsistency and the transition to "imperfect competition". One of these reasons, in their opinion, is the decline in the firm's marginal cost curve. In this case, the firm begins to expand its production, because the price of each additional unit of production will exceed the marginal cost. The first company to expand production will gain an advantage over its competitors, and this advantage will increase all the time, because, by capturing the market, it will force competitors to reduce production and the marginal costs of the latter will increase. This statement suggests that "perfect competition" aims to ensure the most efficient allocation of resources. The progress of science and technology is precisely what leads to a decrease in marginal costs. But this opinion is not directly expressed in their writings.

At the same time, the authors distinguish three types of market structures associated with "imperfect competition": 1) monopoly; 2) monopolistic competition; 3) oligopoly. Each of them is determined using the following characteristics: 1) the number of sellers in a given industry; 2) the degree of product differentiation; 3) the possibility of price control by individual firms; 4)

obstacles to the penetration of competitors into the industry; 5) conditions for price and non-price competition.

K. McConnell identifies four factors that determine the penetration and existence of these types of markets in the structure of the capitalist economy: “1) legislation and government policy; 2) policies and practices of firms; 3) technological considerations; 4) natural laws and features of capitalist ideology ...” [10, P. 470].

Hence, the structure of the economy is determined by them primarily by factors, either in the sphere of circulation, or generally external in relation to economic processes (legislation, ideology).

At the same time, deep changes in the basis, first of all, the strengthening of concentration and centralization of capital, which leads to the emergence of a monopoly that grows out of free competition and suppresses it, remain outside the analysis. In addition, it should be borne in mind that in reality, the above models of markets practically do not exist in their pure form. Economists, reducing “imperfect competition” to the confrontation of equal opponents (or monopolies, or oligopolies, or monopolistic competitors), ignore the presence of other types of competition (in particular, between monopolies and non-monopolies) and do not study their influence on the process of formation and distribution of profits.

It follows from this that, considering various models of markets that combine monopoly and competition, they do not see the existence of objective foundations for the emergence of a monopoly structure in the conditions of modern market relations.

For, the monopoly is interpreted by them as a company that is the only seller of products in a given industry, and products that cannot be replaced by products of another industry. The monopoly has complete control over the price of the goods it produces, and its existence depends on the strength of the obstacles to the entry of competitors into the industry. Linking the existence of a monopoly with such severe restrictions has a clear ideological purpose: to create the impression of the exceptional rarity of a monopoly, which facilitates its apology³.

The authors reduce the source of net (monopoly) profit to superficial manifestations the monopoly in the market, and the very existence of profit is made dependent on demand. They constantly emphasize the possibility of the net profits disappearance and even losses in the event that the monopoly price does not cover average costs. This creates an idea of the true size of the monopoly profit.

So, in the works of the above economists, there is also an element of monopolies criticism. They see the main disadvantage of the latter in the fact that the monopoly, in order to maximize profits, keeps the monopoly price at a level exceeding marginal costs by limiting production. At the same time, the society does not receive the products it needs. It should be noted that in order to eliminate this lack of monopolies, it is proposed to introduce state regulation of monopoly prices and set the regulated price at the level of average monopoly costs. This will eliminate net profit and force the monopoly to increase production, which is beneficial to society. But even in this case, the regulated price exceeds the marginal cost, therefore, the allocation of resources will continue to be ineffective.

Setting the price at the level of the monopolies marginal costs means that it will not reimburse its costs, therefore, the allocation of resources will continue to be ineffective. Setting the price at the level of the monopolies marginal costs will lead to the fact that it will not reimburse its costs and the monopolies will need government subsidies to maintain the price at this level.

The reason that a price equal to marginal costs does not cover average costs, according to economists, lies in the specifics of production. Since the monopoly keeps a significant portion of its equipment unloaded in order to be able to quickly increase production if necessary, the cost of producing a unit of output is lowered.

In our opinion, the theory of regulated monopoly is based on the existence of monopoly high prices, since a decrease in prices will lead to the fact that the monopoly will not recover its costs. So the attempt to criticize monopoly in the book "Economics" did not find its sufficient development and justification.

The analysis of two other cases of "imperfect competition" - oligopoly and monopolistic competition, does not introduce significantly new aspects into the consideration of the problem of the formation of financial resources, in particular, profit. Both oligopoly and monopoly competition are now treated as purely market situations. If in the study of oligopoly the emphasis is on the problem of coordinating policy in the field of pricing, then in the theory of monopolistic competition – on the struggle between monopolies in the field of product differentiation, advertising, etc. And here, reflecting some phenomena of the market economy, the problems under consideration do not connect them with the process of concentration and centralization of capital, they mask the actual source of profit.

The statement of the problem does not reveal the true nature of profit. At the same time, the analysis of modern views on the nature of profit shows that in market conditions, the economic literature does not substantiate the nature of financial resources at a sufficient level, but focuses on making a profit and thereby survival in a competitive environment.

RESULTS AND DISCUSSION

1. In the economic literature of developed countries, the development of the theory of profit is often determined by the rejection of the classical ideas about the pre-established harmony between general and private interests in an economy driven by the incentive for profit. "It was this regime that opened up the possibility of the formation of large monopolies and led to the capitalism of large corporations ... Competition and freedom are not coinciding concepts, and it would be necessary to banish the vicious term "free competition" from the economic vocabulary, which for a long time has been a source of errors and can give rise to them again". [14, P. 136-137]. John Gelbraith writes that "The notion of a competitive market has evaporated; it is preserved today only in textbooks to describe exceptional cases" [4, P. 49]. Under these conditions, it is revealed that the theoretical explanation of profit on the basis of the pure competition model is inconsistent, which, as it turned out, does not reflect reality and is now recognized only as a particular case of a more general model of monopolistic competition. The latter is associated with the names D. Robinson and E. Chamberlin, whose profit theory is presented in the following form.

E. Chamberlin notes that "When determining the economic equilibrium in conditions of monopoly, competition or in any combination of these principles, one should certainly proceed

from the assumption that each individual seeks - decisively and soberly strives - to achieve the maximum economic benefit" [2, P. 55]. It is further noted that "the axiom from which economic theory usually proceeds, namely, that producers strive for maximum profit" [2, P. 262-263]. At the same time, he shows that the conditions for the formation of maximum profit, on the one hand, and in pure competition, on the other, are completely different.

These differences, according to E. Chamberlin, are that monopoly means control over supply and thus over price, while pure competition presupposes that there is no such control. The conditions for maximum profit for the perfect competitor and monopolist are shown in Fig. 1, which is a modified graph from the book of E. Chamberlin [2, P. 46].

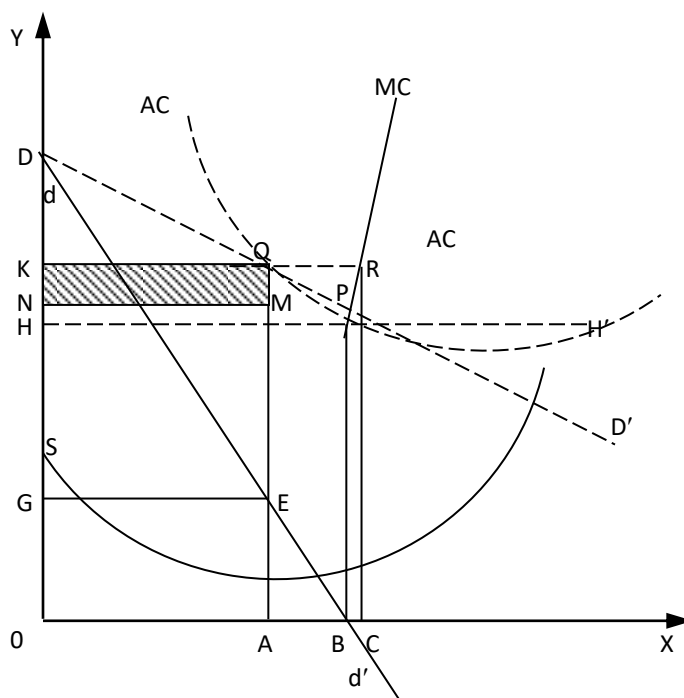


Fig.1. Conditions for maximum profit for perfect

As seen in Fig. 1, the point of intersection of the supply and demand curves determines the price at which supply and demand will be equalized. But these curves, in Chamberlin's book, do not explain why the price should settle at a given level. They only show the quantity of the product that will be purchased and offered if a certain price is set. To explain what the price will be and why, it is necessary, first of all, to distinguish between the equilibrium price and the equating price. In most cases, they diverge, and their coincidence takes place only in conditions of pure competition. So, in Fig. 1, BP price is equalizing. The monopolist sets the price AQ at which his profit reaches its maximum. And although at the same time supply and demand are not equalized (the first is equal to OA, and the second is equal to OS), it is AQ that is the price of equilibrium, "the equilibrium of opposite - in the sense of gain and loss - forces, which maximizes the total profit". "The balance of economic forces," it goes on to say, "has been mistakenly interpreted as being identical with the balance of supply and demand. The latter is only a special case of the former" [2, P. 47, 49].

The equilibrium price is set in the case of pure competition at one level, and in the case of monopoly at another level. In our opinion, in both cases it provides the manufacturer with the maximum profit. The condition for such a maximum in both cases is the equality of marginal income to marginal costs; in the first case, it is achieved at point P, where the price line HH' (aka the line of marginal income) of a perfect competitor intersects with the supply curve (marginal costs) MC, in the second case, at point E, where the marginal income curve (no longer equal to the price) monopolist dd' intersects with the same marginal cost (supply) curve, and this point corresponds to the price AQ, which is higher than the price BP. The monopolist's marginal income is below the price; for example, a unit that brings total sales to A is sold at AQ, but only increases gross income by AE. That is why, in order to fulfil the condition of maximum profit - equality of marginal costs to marginal revenue - the monopolist keeps the price at a level higher than marginal costs. To do this, he limits the volume of production to level A, which allows him to sell goods at a price AQ, although in reality, given the cost of their production, society needs volume C.

Monopoly profit in Fig. 1. expressed by the shaded area of the rectangle KQMN, it is the difference between the price AQ and the average production costs AM, multiplied by the number of units of the product sold. Normal profit (payment for the entrepreneur's services) is included in production costs. For a perfect competitor, only this profit exists, since his marginal income is equal to the price, and the equality of marginal costs and marginal income is achieved at point P, and only the price BP is compatible with the maximum profit; therefore, the optimal sales volume for him is B.

In this case, the source of monopoly profit is the difference between the monopoly price and the price that equalizes supply and demand. Concerning this, Chamberlin emphasizes that there can be no question of any kind of exploitation of labour, since monopoly profit is distributed among all factors of production. He considers a great discovery to be the marginal revenue curve (in Fig. 1. the dd' curve), the oblique form of which shows that the factor is paid below the value of its marginal product.

The value of the marginal product is then equal to the marginal revenue or marginal value of the product. In a competitive environment, the demand curve deviates from the horizontal, so the marginal income of the product turns out to be less than the value of the marginal product, and all factors (not just labour) are paid below the value of their marginal products. "Here, all factors are necessarily used in the indicated sense, without this it is impossible to fit the entire mass of payments within the limits of the amounts intended for the production of these payments. The search for an employer is a senseless search, generated by the fact that the competitive criterion is extended to an area for which, due to the existence of a monopoly, it does not fit". Hence the conclusion that if the monopoly profit were used to raise wages, then "the hired factors would benefit from the share that forms the profit, the "entrepreneurship" factor would now receive not only less than its marginal product, but even less than its marginal product income. To avoid the employer's charge, entrepreneurs would have to go for bankruptcy".

The nature of the theory of profit is obvious, and it was properly assessed before moving to the market. For the purposes of our interest, however, we note the following two circumstances. These are, firstly, the observed deviations from the state of equilibrium under conditions of even pure competition. The concept of pure competition, which implies "just the absence of a

monopoly, when there are many buyers and many sellers of the same (fully standardized) product” and the concept of perfect competition, associated in addition with other phenomena: resource mobility, perfect awareness, etc. The real, though not monopolized, market is a different matter; here “the naive conclusion that actual results tend to “strive” for equilibrium has no basis”. First of all, price fluctuations lead to the fact that the sales volume exceeds, as a rule, the volume corresponding to the equilibrium state, which is prescribed by the supply and demand curves, because those sellers who cannot afford to sell at the equilibrium price receive at all prices exceeding the equilibrium price, the known opportunity to sell their goods. Likewise, those buyers who, at the equilibrium price, are not able to buy, can get such an opportunity when fluctuations entail a fall below the equilibrium price. Undoubtedly, in this case, the total volume of goods sold must exceed the volume that would equalize supply and demand.

E.H. Chamberlin, drawing attention to this, refutes the widespread opinion about speculative activity as a factor contributing to the establishment of equilibrium. He notes that “although speculation could indeed stabilize prices, the writer of these lines does not find any a priori explanation as to why she should do so ... The speculator's business is to make money on price fluctuations ... frequent and sharper fluctuations ... Each fluctuation is inevitably amplified by the fact that speculators seek to benefit from it ... Speculation leads to the establishment of prices higher than those that would have existed in its absence” [2, P. 67-68].

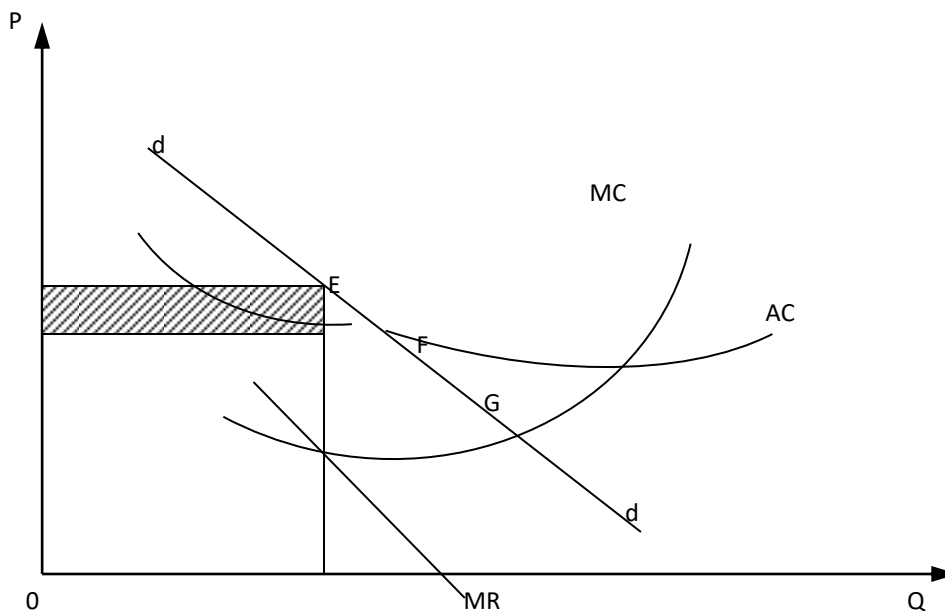


Figure. 2.

This is a circumstance associated with the definition of the social evil that monopoly represents, even if we accept the initial premises of E. Chamberlin himself. In fig. 2. the monopoly price at the point of maximum profit E exceeds the average costs of the AU. And so the monopoly gains excess profits, represented by the area of the shaded rectangle. The damage that society bears is not only that it is forced to buy a given product at a high price, but also that the monopoly, in order to maintain the specified price, limits the production of this product. “The difference

between the price at which things cost society, and the marginal cost of their production means that public resources are not distributed in the best way” [11, P. 192].

So, if price control is established in order to deprive the monopoly of excess profits, then the optimal use of resources is still achieved. The regulated price withdrawing monopoly profit will be the price at point F, which, although lower than the price E, is still higher than the optimal price at the point of intersection of the marginal cost MC and demand curves dd– the price G. However, when the price is established at point G, production becomes unprofitable, since this price is below the level of average costs.

All the theories discussed above, regardless of the differences in the explanation of the sources of the origin of profit, from the classics to the modern period, include the concept of profit maximization, considering the latter as the driving incentive and the ultimate goal of the firm. This concept serves as the main content of the mathematical theory problematic of the firm.

The use of these methods in the field of profit theory did not lead to the receipt of fundamentally new results, they were not to be expected: “mathematics simply leads from premises to conclusions, but these premises themselves can be any joint system of axioms formulated by someone” [1, P. 19]. Since the axiomatic of the mathematical theory of the firm does not, of course, go beyond the general economic theory of the West, it is not surprising that the results obtained are in general only more rigorously formulated propositions that were known before.

After the appearance of the fundamental work of R. Dorfman, P. Samuelson and R.M. Solow [3], there is no doubt that mathematical programming gives only a clearer definition of, in general, known concepts and more elegant methods of proof. Concerning this, Seligman comes to the conclusion that “linear programming has rehabilitated the theory of economic equilibrium in a competitive environment ... As for economic theory, programming has brought, perhaps, nothing new, except for the clarification of general concepts” [12, P. 530]⁴.

On the whole, attempts to formulate an alternative criterion for profit and firm behavior cannot be considered successful. First, the supporters of the concept of “alternative criterion” fail to formulate any definite concept of “satisfactory” level of profit. Secondly, the reasoning about the choice of the criterion is entirely based on the traditional marginal concept of the known functions of costs and income. Meanwhile, the initial assumption of uncertainty, in which firms make decisions and which serves as a source of profit, deprives the sought criteria of meaningful meaning. Thirdly, in the dynamic aspect, when assessing the long-term policy of the firm, one cannot fail to see the close connection of all the assumed criteria with the same profit. Ultimately, the possibility of solving all the problems facing the company, one way or another, is determined by the size of the profit it receives –It determines the volume of investments, creditworthiness, and thereby the prospects for increasing both the volume of production and the amount of controlled assets. At the same time, such an increase is not an end in itself, it serves as a means of obtaining greater profits in the future – due to the very nature of the market mode of production. The receipt of part of the profit in a given period cannot have any other explanation than the desire to obtain even greater profit in the subsequent, and the distribution of the total mass of profit dictated by this incentive between individual periods not only does not deny, but only confirms the operation of this law.

So, the modern Western theory of profit is characterized by eclectic, a combination of very different ideas about the economic content of this category. Unity is noted only in relation to the interpretation of the social nature of profit - in denying its exploitative nature and recognizing it as a legitimate, "natural" form of income.

In conclusion, we note that recently many authors have expressed dissatisfaction with the state of the development of the theory of profit. It is noted that it is based on outdated concepts that do not take into account the factors of the organizational structure of the company and the information available to it. D. Lamberton writes that the traditional theory of the firm is rather a theory of a perfect competitive market, and not a theory of the behavior of a firm in reality, which alone could explain the phenomenon of profit. The theory of the firm considers the latter as an economic unit that makes decisions in strict accordance with marginal ideas about the operation of the market mechanism, but it does not examine its internal structure, goals and methods of decision-making. Meanwhile, a firm is a complex organization, and "if it is unsatisfactory to assume that organizations such as labor associations and cartels do nothing ... other than reacting to the market mechanism, then it is equally unsatisfactory for an organization called a firm" [13, P. 298].

The principles of organizational behavior, Bent-Hansen says, are not like the principles of individual behavior described by existing economic theory; there is no reason to believe that these social units behave in the same way as individuals. Organizations have political goals and commitments, and their motives vary with the balance of power within the organization itself; their logic is different from the logic of the market. "Economic theory does not have a general theory of the behavior of individual farms and firms. Whether such a general theory will be created remains to be expected; perhaps this is a sociological problem" [5, P. 211].

This criticism, however, is not systematic and is only a negative reaction to the modern theory of profit; modern literature contains no radical alternative to this theory.

In conclusion, it should be noted that the extremely important problem of the relationship between economic growth, social development and the modernization of society's life has been raised in the world literature of recent years. Awareness of the need for an interconnected, holistic solution to these issues shows more and more reasonable doubts about the legitimacy of using existing value indicators – gross domestic product and others – as indicators of the effectiveness of economic, and even more so-social development. The uncontrolled modernization of the life of society in a market economy leads to an imbalance between nature and society, giving rise to a whole group of very acute global problems – environmental, energy, etc. Profit-oriented growth of production and the introduction of innovative products is accompanied by such negative results as environmental pollution, undermining potential natural resources, massive unemployment.

Therefore, the traditional strategy of unlimited economic growth is being revised, more and more it is recognized that it is impossible to reliably assess the final efficiency of production on the basis of monetary indicators adopted in statistical practice. These new trends have received clear expression, for example, in a sharp increase in attention to forecasts of the socio-economic consequences of scientific and technological progress, with special emphasis on identifying precisely its negative consequences.

The theoretical development of the problems associated with the consequences of uncontrolled technical development and economic growth is directly related to the issue of the previously assumed optimizing functions of the profit regulator. She has not yet found reflection in the theories of profit, but it is quite obvious that sooner or later this must happen. And if we do not assume the dubious possibility of monetary expression of the “social costs” of technical and economic growth in the conditions of a private property economy, then the final collapse of the traditional thesis about profit as an engine of economic growth is also obvious.

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