ISSN : 2466-0744

MULTIDISCIPLINE PROCEEDINGS OF

DIGITAL FASHION CONFERENCE

KOREA, REPUBLIC OF

Multidiscipline Proceedings of

DIGITAL FASHION CONFERENCE

September 2025 *(Volume 5, No.5)*

Available at digitalfashionsociety.org
Published:
서울 합정역
파주출판도시
ISSN 2466-0744
Seoul
Rebuplic of Korea (ROK),

EDITORIAL BOARD

THE PRICING MECHANISM IN THE MODERN MARKET ECONOMY

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Abstract. This article examines the pricing mechanism within a market economy, focusing on its structure, functions, and role in economic regulation. It outlines the key responsibilities of the state in managing and supporting market processes, emphasizing the importance of maintaining economic stability, promoting fair competition, and protecting consumer interests. The paper also discusses the methods through which these objectives can be achieved-such as the implementation of monetary and fiscal policies, the establishment of an effective legal framework for pricing regulation, and the creation of conditions that foster transparent and efficient market relations.
Keywords: Pricing

Introduction

Pricing is a complex and multi-stage process that requires thorough research, assessment, and analysis of markets, products, costs, competition, and pricing strategies. Setting the final price serves as a key component of any company's pricing policy, regardless of its ownershi p structure, and has adirect influence on sales performance.The level and ratio of prices for various types of products-especially for competing goods-play a decisive role in determining the volume of consumer purchases. Prices are closely interlinked with all aspects of marketing and the overall production and economic operations of an enterprise. The accuracy of price determination largely affects real commercial outcomes, while an effective or misguided pricing policy can have a lasting impact on a company's market position [3].

Under current economic conditions, one of the foremost objectives of Russian society is the advancement and improvement of the economic mechanism. This process involves both partial enhancements of certain components-representing minor internal adjustments-and comprehensive transformations affecting the entire structure. In the latter case, the process can be viewed as an economic mechanism reform, which is a highly complex challenge. Therefore, one of the key tasks of modern economic science is to understand and interpret the changes taking place within the economy as a whole and its individual components in order to design a model for a new economic management system [2].

It should also be noted that many foreign experts regard the reform of the pricing system-the central element of the economic mechanism-as one of the most difficult aspects of restructuring post-socialist economies. According to their view, the greatest challenges lie precisely in this area. Consequently, it is necessary not merely to make partial improvements to the pricing system but to implement a radical reform of pricing that involves a comprehensive restructuring of the entire "price economy."

In developing this approach, it becomes necessary to specify the essence of the pricing mechanism within a transforming economy. To achieve this goal, it is first essential to determine the place and role of pricing within the overall structure of the modern economic mechanism.

The economic mechanism represents a set of specially designed, scientifically grounded, and legally regulated forms and methods through which the state influences the socio-economic development of society at the micro, meso, and macro levels. Its purpose is to ensure the realization of the interests of all economic agents, taking into account available resources and the prevailing historical context. The core of the economic mechanism in a transitional economy is indicative (recommendatory) planning and commercial calculation, while its main components include the system of economic incentives, pricing, the financial and credit mechanism, the system of material and technical support, and economic management [3].

An analysis of economic literature on pricing makes it possible to identify three main approaches to interpreting the essence of the pricing mechanism [2]. Proponents of the first approach equate the process of price formation with the mechanism of pricing. In doing so, they merge two different levels of concepts: the process-a sequence of operations for determining prices for various goods, works, and services-and the mechanism-a system or structure for managing the process of price calculation [2].

The second approach argues that "the interaction of management and self-regulation of prices forms the price mechanism, or more precisely, an organism." Supporters of this view emphasize the importance of an organic combination of market and administrative principles of economic management, as well as the balance between centralized and decentralized control. This approach seems reasonable, though it requires further specification of the subject, object, and agents of pricing at the micro, meso, and macro levels [2].

According to the third approach, within a socially oriented market economy, it is not entirely appropriate to speak of a "pricing mechanism." Instead, scholars suggest conceptually defining the foundations of the state regulation of price-forming factors. From their perspective, the state should not directly control prices themselves but rather regulate the macroeconomic conditions under which they are formed. This, in turn, encourages the functioning of a self-regulating price mechanism based on objective economic laws-such as the laws of supply and demand, value (price), and monetary circulation.From our point of view, the pricing mechanism should be understood as a complex system that includes legal norms, organizational structures, principles, and methods for managing the pricing of goods, works, and services produced within a socio-economic system. The foundation of pricing lies in socio-economic relations, which determine its goals, and organizational-economic relations, which describe how pricing relations are structured and regulated.

During the period of the command-administrative economy, prices were set by the state through a specialized institution-the State Committee on Prices-which had its own branches in the republics and regional divisions.

This body exercised control over compliance with established prices by all economic entities, applying economic sanctions against violators. Within the pricing mechanism, both direct and indirect management methods may be applied, based on administrative-command or economic (market) principles of management.

At the same time, in accordance with the general principles of economic governance, it is appropriate to highlight the following principles of pricing:

1.The principle of scientific justification of prices - this principle emphasizes the necessity of understanding and reflecting in the price the influence of objective economic laws and price-forming factors.

2.The principle of goal orientation - it involves defining the key economic and social objectives that should be achieved through pricing.

3.The principle of continuity in the pricing process - prices should be adjusted and revised continuously depending on the stage of a product's movement from the producer to the consumer and in response to economic changes.

4.The principle of unity between pricing and price control - this principle implies that the state and/or public institutions should monitor prices, especially for products of strategic or socially significant enterprises, as well as monopolistic firms [2].

The purpose of such control is to verify the correctness of applying the legally established general rules of pricing.

In the structure of the pricing mechanism, it is reasonable to distinguish two main components:

- the process of pricing, and
- the regulation of the pricing process.

The first component includes the processes of price determination and price formation, while the second involves the regulation and adjustment of the factors influencing prices. Here, a price can be understood as the monetary expression of a complex of price-forming factors that affect its determination, formation, and correction at a given moment [1].

Accordingly, all price-related factors can be divided into four groups:

1. Price-determining,
2. Price-forming,
3. Price-regulating, and
4. Price-adjusting [1].

Within the first component of the pricing mechanism, economic actors (consumers, producers, the state, and regional authorities) determine and form prices, while within the second, they regulate and adjust the obtained results [1].

The function of the first component of the pricing mechanism is to define the upper and lower price boundaries - the upper limit being the consumers' ability and willingness to pay for the required goods, and the lower limit being the producers' ability and willingness to supply them.

In determining prices, such factors must be considered as the population's income and savings level, consumer needs and satisfaction levels, market capacity, production potential, available technologies, and productive resources.

The function of the second component is the formation of prices for goods and services produced in the economy. When forming prices, it is essential to consider non-market (basic), labor-based (objective), and controllable factors such as production cost, profit, product quality, and others.

Through conscious regulation of pricing at the micro, meso, and macro levels, prices can reflect the interests of the state and regions, protect vulnerable social groups, and limit monopoly power and unfair competition [1].

When determining prices, it is advisable to apply a combination of value-based and market methods; when forming prices - modern versions of cost-based and parametric methods; and when regulating prices - modified cost and parameter-based pricing techniques.

Thus, the proposed approach helps to clarify the essence and structure of the pricing mechanism within the context of the Russian market economy [1].

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