

## COMPETITIVE MARKET AND ITS CONJUNCTURE

Maria VĂDUVA<sup>1</sup>

**ABSTRACT:** *THE ECONOMIC AND SOCIAL ENVIRONMENT OF THE COMPETITIVE MARKET IS IN A CERTAIN EQUILIBRIUM STATUS, EXPRESSION OF THE CHANGES OF ENVIRONMENT AND THE MANNER IN WHICH ARE REFLECTED ON THE ECONOMIC ACTIVITY APPRECIATED BY THE EVALUATION OF MARKET CONJUNCTION. THE MARKET VIEWED AS A WHOLE IS IN A CERTAIN APPARENT EQUILIBRIUM WHICH REFLECTS A REPORT CONSIDERED CORRESPONDING BETWEEN THE DEMAND AND THE OFFER AS AN EXPRESSION OF THE SALES AND PURCHASE DOCUMENTS EXPRESSING POSSIBLE COMBINATIONS OF THE DEMAND AND OFFER.*

*THE CONJUNCTURE HAS TO BE ANALYZED BY TAKING INTO ACCOUNT THE PHENOMENA EXPRESSING A UNIT OVERALL VISION OF THE MARKET, BEING IMPOSED THE CONCOMITANT OBSERVATION OF THE PRODUCTION, INVESTMENT, WORK FORCE, SALARIES, DEMAND AND OFFER, CURRENCY, PRICE, COMMERCIAL BALANCE.*

*THE PRIMARY OBJECTIVE OF THE CONJUNCTURE STUDIES IS TO CLOSELY MONITOR THE RELATIONS BETWEEN THESE COMPONENTS, TO IDENTIFY AND ANTICIPATE CHANGES THAT MAY OCCUR.*

*TAKING INTO ACCOUNT THE DIVERSITY OF THE INDIVIDUAL ACTS THAT MAKE UP THE MARKET, THE CONJUNCTURE ULTIMATELY REPRESENTS THE MARKET AT A CERTAIN MOMENT. IN SUCH AN APPROACH, THE CONJUNCTURE IS THE EXPRESSION OF THE DIFFERENT FORMS THAT THE MARKET TAKES IN ITS EVOLUTION, UNDER THE ACTION OF THE ENVIRONMENTAL FACTORS. REFLECTING A MOMENTARY REPORT BETWEEN DEMAND AND OFFER, THE CONJUNCTURE ALSO EXPRESSES A CERTAIN RELATION BETWEEN DIFFERENT PARTNERS WITHIN THE MARKET, FROM THE SELLERS' OR BUYERS' POSITION; THE CONJUNCTURE MAY BE FAVORABLE TO THE ONE WHO SELLS, NAMELY WHEN THE DEMAND EXCEEDS THE OFFER, AND UNFAVORABLE FOR THE ONE WHO BUYS, IN THE REVERSE SITUATION.*

**KEY WORDS:** MARKET, CONJUNCTURE, OBJECTIVE, ANTICIPATE CHANGES, DEMAND AND OFFER.

### Introduction

In the analysis of the conjuncture it must start from the fact that in a certain period, the action of the factors is conjugated, the effect depending on the intensity and direction each one acts, the links that are established in every moment between them. This effect expresses the overall state of an economy of a country or area at a given time. The state of the economy over a period of time, as a whole, is the *economic conjuncture* as a result of the interaction between the constituent elements and which provide the set of information necessary to understand the future trends. The economic conjuncture, by its content and structure, implies both present and

---

<sup>1</sup> PhD Lecturer - “Constantin Brâncuși” University of Tg Jiu

foreseeable status. It is not only confined to the factors and the conditions of duration that define the trend of the economic phenomena and processes, but also includes factors, with cyclic and accidental action, which would cause the conjunctural movements, namely the increase, decrease or stagnation of an economy. Viewed through this prism, the market conjuncture appears to be a reflection of the economic conjuncture. Such a link is important because the study of the economic conjuncture is a valuable tool for knowing the market conjuncture. The evolution of the conjuncture over a given period of time is the effect of the combined action of market influence factors.

In the process of market conjuncture analysis, the market factors are grouped according to their intensity and action over time. Starting from this criterion, we distinguish: a) *long-term factors* - those who act on long-term and very long term, determining the overall evolution of the market, being also known as trending factors. These factors have a permanent effect, conjugating in certain periods with seasonal and cyclical factors<sup>2</sup>; b) *factors with cyclic action* - occur at regular intervals, being the consequence of the evolution mode of the economy, characterized by an alternation of the economic cyclic phases (revival, momentum, depression and crisis); c) *seasonal factors* - determine the periodic, usually annual, fluctuations in demand and offer, changing the market conjuncture accordingly, showing different intensity from one period to another in each season, which makes the conjuncture conditions to be different; and d) *incidental or accidental factors* that cause temporary market deviation from trends.

The market conjuncture can be assessed over a period of time, and its trends can be traced with the help of a system of *indicators*. The choice of the indicators depends on a number of aspects, including: the objectives of the conjuncture study; the field under analysis; the used sources of information; the used study methods. We distinguish as follows:

**1. The indicators of the conjuncture of world economy**, by areas and countries, express the whole of the phenomena taking place at a given moment, the interdependencies between them and the way they are reflected in the market physiognomy. Among these indicators, we consider to be the most representative the following: a) *the gross national product* - highlights the overall tendency of the conjuncture, representing a synthesis of all factors of economic influence, because it allows the evaluation of the cumulated effect of the processes in the economy; b) *the industrial production* - explains the evolution of the gross national product, highlighting important aspects of the market. Looking from the market perspective, this indicator allows assessments on the offer, being even more suggestive when it is cumulated with the level and evolution of stocks. Their increase means an inappropriate relation to demand and consumption. This indicator has particular

---

<sup>2</sup> In principal, the long-term factors cause unpredictable market changes, thus their negligence and non-alignment to the trends expressed by them lead to the continuous increase of the agent-environment discrepancies and to placing them in an unfavorable conjuncture. In analyzing conjuncture, except certain factors of maximum generality contained in this group, a very important role have the long-term economic policy measures adopted by different states; also, it presents a great interest under this aspect by taking into account the implications on the market that the programs adopted by the governments of the West-European countries have in regard with the transaction at the market economy, and also the objectives from the government programs of the political forces in power, the force relations, etc.

practical value when analyzed by branches, geographical areas and groups of goods; c) *the degree of utilization of the production capacities* - it captures those phases in the economic cycle of a country's economy at a given moment; d) *the investments in fixed capital* - indicates the structural trends of the economy; e) *the consumption* - represents the main factor of economic growth; f) *the internal trade* - reflects the main processes that take place in the consumer goods market, reflecting the state of the production as a whole and within different sectors of activity; g) *the external economic flows* - reflects the exchange relations that took place in the global market, highlighting the main mutations and trends taking place between different countries regarding their position in the international trade; h) *the indicators of monetary - financial activity* - complete the image of the conjuncture by providing valuable insights on the course of the economic activity.

**2. Indicators of the conjuncture for the main goods markets** - reflect the consequences of the economic conjuncture on the market, which is why the evolution of the phenomena expressed by them is explained by the analysis of the interdependence between the components of the economic and social environment and the constitutive elements of the market. Based on these considerations, the study of conjuncture for the main goods markets commences from the situation of the production and offer, consumption and demand, import, export and prices, the main objective of the analysis being the evaluation of the demand-offer ratio and the resulting prices of this report. Among them we mention<sup>3</sup>: a) *the production and offer* - are pursued by highlighting the volume and studying them in a certain period; b) *the consumption and demand* - are assessed in terms of the changes in volume and structure, location and way of manifestation, taking into account the relations with production and offer, the possibilities of coverage in a foreseeable period; c) *the import and export* - highlight the possibilities of increasing or restricting the offer on the market; d) *the prices* - express the essence of the state of the conjuncture of a particular market; they are analyzed from the perspective of the demand-offer ratio, following the extent to which this report correctly reflects the deviations and causes that determine them, their tendencies and their sustainability.

**3. Indicators of the conjuncture of monetary-financial market** - reflect the specific fluctuations registered by the capital demand and offer, the trends manifested in their relations and the effects they generate in the economy, in general, and in the plan of goods market in particular. These indicators express the capital demand and offer, the interest rates, the external debts volume and the situation of their payment, the balance of payments situation, the national budget deficit, the evolution of the exchange rate, the national currency purchasing power, the applied monetary restrictions and the saving trends. The research of the conjuncture of monetary-financial market aims at identifying the possibilities of providing the financial resources necessary for the development of the economic activities, determining the results of this activity, assessing the risks and chances of manifesting the initiative.

---

<sup>3</sup> V. Rîndaru, “Consumption and consumer in the globalization”, Miron Publishing House, Timișoara, 2016

**4. Indicators of the conjuncture of the maritime transport market** - refers to an important sector of the economic activity, with a high share in its development. Important indicators are the ones that refer to the international maritime transport market. The conjuncture of the maritime transport is assessed by investigating the interdependence links with the conjuncture of the goods market and by closely monitoring of the demand-offer ratio within this market. The main used indicators are: the volume of demand and offer of transport capacities, the freight level, the capacity over-offer, the exits from the fleet, the geographic position of bidders and beneficiaries.

Besides the mentioned aspects, the analysis of the conjuncture is of particular importance for their delimitation *depending on the placement in time of the evolution of processes and phenomena* expressed by the listed indicators. Depending on this criterion, the indicators are grouped into: *advanced indicators*, which characterize the faster evolution of some sectors of the economy than its overall dynamics and precede some events<sup>4</sup>; *the concomitant indicators*, which express the dynamics of some sectors that are evolving at the same time and rhythm with the overall pace of economy<sup>5</sup>; *the indicators of delay*, which characterizes phenomena preceded by certain manifestations in the economy<sup>6</sup>.

When the hypotheses of the perfect competition are met, the free markets lead to an efficient allocation of the resources. If one of the hypothesis of perfect competition is not present, the free markets generate resource allocations that no longer meet the efficiency criteria. The reality has shown, however, that there are no economies with a perfect market. A society in which all the prices in the economy should be correct at all times and should be a carrier of accurate information did not exist and will never exist. This leads to the idea that the real economy existing in the developed countries is based on a market economy and imperfect competition. The cases in which the free markets do not lead to an optimal allocation of the resources generate both corrective state intervention and the creation of a market, of the individual rights to fill the market gap. All these aspects are what specialists call the *failure of the markets*. *The cases of market failure*, traditionally approached, have led to the formulation of more or less exhaustive typologies. Thus, the most well-known market failure situations are the following:

**A. Monopoly.** In this situation, the existence of a single producer determines a level of the production below the socially efficient one and the price is higher. The producers and consumers do not make a mutually beneficial agreement on the distribution of the social earnings, which would result from the increase of the production. Consequently, the existence of monopolies in

---

<sup>4</sup> In their category, the pace of construction, employment in the manufacturing industry, orders and contracts for investment objectives, rail transport volumes, bank payments or bank credits, electricity production, others indicators, such as: coal production level, the level of automotive production, agricultural production, bankruptcy number, profits.

<sup>5</sup> We can mention here the gross national product, the index of industrial production, the size of the big stores, the utilization degree of the productive capacities, the unemployment rate.

<sup>6</sup> Examples of such indicators: interest rate, exchange rate, inflation rate, long-term unemployment rate, factories and equipment investments, factory and trade business inventory, unit labor cost, industrial and commercial loans, non-agricultural productivity change, business losses.

production causes prices not to correctly reflect the relative rarity, which means that free market functions cannot be exercised in increasing the economic efficiency. Such imperfections of the market represent a reason for state intervention in the economy, either by creating real conditions in order to open up access to the emergence of new companies or for the import of products, both with favorable consequences in terms of the emergence and development of competition.

**B. Externalities.** The common feature of all market failure situations is the discrepancy between the private costs and benefits, on the one hand, or between the social costs and benefits, on the other. The benefit is the value expression of utility of the consumption<sup>7</sup>. Correspondingly, the marginal benefit is a value expression of the marginal utility of consumption. The marginal benefit is the one that defines the demand curve, being the analogue of the marginal cost that defines the offer curve. Therefore, the externalities are represented by the situations where market prices do not reflect some costs or benefits associated with production or consumption. In the case of externalities, the production or consumption of a good by an economic agent changes the function of production or the utility function of another economic agent or more. As a rule, the externalities arise due to the fact that property rights on economic resources are insufficiently defined. *The externalities are negative*, when they affect users through the *net costs* they involve, and *positive*, when it puts them in advantage, giving them *net benefits*. In the case of activities generating positive externalities, the private benefits are lower than the social ones, the latter also including the external benefits of a third party. This type of externality materializes in the production and consumption levels below those corresponding to the efficient resource allocation. Among the areas producing positive externalities, we mention education, scientific research, technological development and other creative sectors. In the case of activities generating *negative externalities*, the private costs are lower than social ones, the latter including the external costs incurred by third parties. This type of externalities materializes in the production and consumption levels above those corresponding to the efficient allocation of resources. The most enlightening *external costs* are those in the sphere of environmental pollution. The fundamental solution of removing the inefficiency caused by negative externalities is their internalization. The internalization of the negative externalities means incorporating the external costs into the market price. With this solution, the marginal private cost increases at the marginal social cost, so producers are obliged to take into account the external costs of their activity. In practice, the internalization of the negative externalities is difficult due to difficulties in measuring the external costs.

The failure of the market is the object of the concerns of some reputable specialists. Thus, Jacques Genereux appreciates that, in the presence of the external effects, the competitive market mechanism does not allow for the paretian optimum, because in their decisions, individuals only take into account the personal advantages and costs, not the benefits and social costs that are associated so that the individual choices lead to an overproduction of goods that have negative external effects and a subproduction of the goods that have positive external effects in relation to

---

<sup>7</sup>V. Balaure, “Marketing”, Uranus Publishing House, Bucharest, 2010

optimal production for the community. For this reason, the state intervenes through regulations that internalize the external effects, namely to reintegrate the social costs and benefits into the individual economic calculation. A.C. Pigou pointed out that there are several ways of internalizing the negative externalities related to the intervention with corrective role of governments on the free markets, among which: granting subsidies to those economic agents that produce positive externalities; the introduction of taxes and duties.

### **BIBLIOGRAPHY**

1. Băbăiță I., Illegible Gr., Duta A., “Microeconomics”, Mirton Publishing House, Timișoara, 2015.
2. Illegible M., Băcescu-Cărbunaru A., “The macroeconomic analysis and Macroeconomic politics”, All Back Publishing House, Bucharest, 2010.
3. Balaure V, “Marketing”, Uranus Publishing House, Bucharest, 2010.
4. Illegible Gh., Comescu V., Bucur I., “Economy”, All Back Publishing House, Bucharest, 2009
5. Rîndaru V., “Consumption and consumer in the globalization”, Miron Publishing House, Timișoara, 2016.