COMPETITION IN CONTEMPORARY ECONOMIES

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ABSTRACT: *THE PRINCIPLE OF THE FREEDOM OF COMPETITION IS PROMOTED BY THE MODERN MARKET ECONOMIES BETWEEN THOSE THAT EXERCISE THE SAME ACTIVITY, FOLLOW THE SAME PURPOSE BEING A CONDITION AND A WARRANTY OF THE ECONOMIC AND SOCIAL PROGRESS. THE CONSUMER IS THE MAIN BENEFICIARY OF COMPETITION, HE/ SHE RECEIVES THE BENEFIC EFFECT OF THESE BY MORE REDUCED COSTS, BY THE QUANTITY, QUALITY AND DIVERSITY OF GOODS. THUS, ALL COUNTRIES LOOK TO MAINTAIN AND STIMULATE THE EFFECTS OF COMPETITION BY ADOPTING CORRESPONDING PROTECTION LAWS. COMPETITION REPRESENTS A STRONG DRIVING FORCE OF THE DEVELOPMENT AND IMPROVEMENT OF PRODUCTION AND OF THE OTHER ECONOMIC ACTIVITIES WITH FAVORABLE EFFECTS FOR PRODUCERS AND CONSUMERS. TAKING INTO ACCOUNT THESE EFFECTS OF COMPETITION, ALL COUNTRIES HAVE SOUGHT AND SEEK TO MAINTAIN AND STIMULATE THEM BY ADOPTING APPROPRIATE PROTECTION LAWS. COMPETITION IS CONSIDERED THE ESSENTIAL FACTOR OF SUCCESS OR FAILURE ON THE MARKET BECAUSE, THROUGH COMPETITIVE STRATEGIES, IT DETERMINES THE OPPORTUNITY OF THE ACTIVITIES THAT CAN CONTRIBUTE TO PERFORMANCE BY PURSUING A FAVORABLE, PROFITABLE AND SUSTAINABLE POSITION. M. PORTER STATES THAT IN ANY ECONOMY, WHETHER IT IS NATIONAL OR INTERNATIONAL, THE COMPETITIVE FORCES THAT DETERMINE PROFITABILITY ARE: THE THREAT FROM NEW COMPETITORS ENTERED ON THE MARKET; THE THREAT OF SUBSTITUTION PRODUCTS AND SERVICES; THE NEGOTIATING POWER OF THE BUYERS AND SUPPLIERS; RIVALRY BETWEEN AGENTS OPERATING ON THE MARKET. AT PRESENT, COMPETITION AND COMPETITIVENESS ARE TAKING PLACE UNDER THE GLOBALIZATION PROCESS.*

KEY WORDS: *COMPETITION, MARKET, ECONOMIES, ACTIVITY, PROGRESS, STRATEGY.*

Introduction

The competition can be defined, taking into account the above, *as an open confrontation, a cooperation or rivalry between the seller economic agents - bidders as a result of their specific behavior, interested in attracting the buyers, in order to achieve safe and very high incomes*. Competition is, in fact, a competition between the economic agents, of which the best are winners. It takes different forms depending on the field of activity and the historical conditions of the respective stage. The economic interests of each participant to the market activity have the precedence in this tough and sometimes hard fight. A premise of the functioning of competition is the freedom to form market prices. From an economic point of view, competition is always linked to the market, demand and supply, and the exchange process. Specifically, we say that there is economic competition when the consumer has the possibility to choose between several alternatives and therefore can opt for the most convenient alternative to his or her preferences. We

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formulate the main beneficial effects of competition as follows: a) satisfying the consumers' demand; b) promoting innovation: c) efficient allocation of resources; d) the limitation of economic power and, implicitly, of the political power; e) the fair distribution of revenue. In the market economy, the competition, through the functions it performs, plays a particularly important role, being also considered as an economic principle, which contributes to the performance of the economic and social progress. The competition fight tools have evolved and diversified with the market and the development of the environment and, at the same time, they have been structured in two large categories, i.e. economic tools and extra-economic instruments. In relation to the tools used in the fight, competition has been separated in loyal and disloyal competition.

1. The forms of competition

The loyal competition means the non-discriminatory use by some economic agent bidders of some of the mentioned instruments, under the terms of the access on the free market and compliance with legality.

The disloyal competition means the use of illegal means of extra-economic nature to conquer and strengthen the positions held on certain markets, or discriminatory practices to grant certain incentives to particular categories of consumers. The legislation of the countries with market economy provides for strict measures to discourage and even eliminate most of the disloyal competition acts[2].

Taking into account factors of influence and taking into account the possibilities of combining them, it was concluded that there are the following types of competition between producers (sellers): *perfect and imperfect competition*, with its forms: monopoly, oligopoly and monopolistic competition. The manifestation of the two types of competition also determines the existence of the specific markets, namely the market with perfect competition and the market with imperfect competition.

The perfect or pure competition involves market relations in which, on the one hand, all sellers (producers) are in a position to sell in full the manufactured products at the market price, which, individually or collectively, are not capable of influencing it, and on the other hand, all buyers can buy the goods and the quantities they need at the same market price, which they cannot

[2] The forms of competition are very varied and diversified. In principle, the forms of competition are delimited as follows: a) *the number and economic power of the participants to the transaction* - when many economic agents of approximately equal on the market participate in transactions, a perfect form of competition appears on the market, and when the participants are very few or only one, either on the bid side, or on the demand side, monopoly or monopson situations appear, when only the producers or the buyers are advantaged; b) *the degree of differentiation of the goods that satisfy a certain need* - when the traded goods are homogenous, the consumers do not care too much where they supply with, while the differentiation of the goods leads to the increase of competition between the producers, each of them wanting to attract as many customers as possible; c) *the granted facilities or the restrictions for those who intend to enter a branch* - the easier the access of the economic agent to a particular branch of the economy or a certain market, the more increases the degree of competitiveness in the respective branch or market, creating the conditions to satisfy the customers' needs to a high standard; d) *the degree of transparency of the market* - refers to the possibilities of access to information resulting from the functioning of the market (the requested or offered products, the prices, the quantities, the trading conditions), access that may be free for all participants on the market or may be restricted by one of them in order to increase own advantages; e) *other factors and other conditions of differentiation*, such as: the report between the demand and the offer of goods; the internal and international political conjuncture, the complexity and functionality of the market network in a country o another.

also modify by their will[3]. The perfect competition is defined by a series of *peculiarities* that are at the same time, *conditions for existence* of this type of competition: a) *the atomicity of the participants in the transactions*, i.e. the existence of a large number of commercial agent sellers and buyers of approximately equal competition power, so that none can influence the quantities offered or requested or the price levels; (b) *the homogeneity of the goods*, ensured by the production of the same goods by all the producers, with absolutely identical characteristics and uses, so that the seller's choice is indifferent to the buyers; c) *the entry and exit to and from a certain market are free*, i.e. there are no judicial, institutional or other barriers restricting either the access of some producers or the leaving of the market by others, the only arguments grounding such decisions are those specific to the market economy, respectively the profitability of the carried out activities; d) *the perfect transparency of the market*, i.e. all economic agents equally receive the same information on the nature of the traded products, their quality, the level of demand and bid, the charged prices; e) *the perfect mobility of the productive factors*, i.e. their orientation towards the most efficient destinations. The economic significance of the accumulation of the above conditions highlights the existence of two main aspects: the first perfect elasticity of the demand and the second the individual position on the market of the economic agent , respectively the "price taker", subject to the imposed market price, and the "quantity adjuster" obliged to dimension its own production in relation to the same price and the need to maximize the profit, to which other objectives may also be added, but without this aspect to become relevant. We remember that although the perfect or pure competition has never existed and can never exist, studying it as a theoretical model of analysis of the "ideal" competitive mechanism is extremely useful precisely in explaining the economic behaviors in the concrete real conditions of the markets with imperfect competition.

In a branch (industry), there is imperfect competition if economic agents - sellers and buyers can unilaterally influence the relation between the demand and the bid of goods but, above all, the level and the dynamics of prices in the intention to achieve their own objectives. In this type of competition, one or more of the conditions of perfect competition are violated. In general, the imperfect competition is characterized by the following: a) the existence of a higher or lower degree of price control; b) the variation in the number of buyers and sellers; c) the accentuation of the difference between goods; d) the existence of difficulties, barriers to entry into a branch; e) the manifestation of rivalry between companies. In the economic reality, this type of competition can take on various forms.

The monopolistic competition presents the characteristics of the perfect competition, except the homogeneity of the goods. The offer comes from a very large number of economic agents with low economic power, but producing differentiated goods with elements of originality or specified within a given group. This offer is confronted with the atomized demand of a large

[3] The market with perfect competition is just a theoretical model, which aims to highlight the virtues of the free market and the so-called "invisible hands", considered to be the most efficient natural mechanism of functioning and regulation of the economy. In this situation, the demand is equal to the offer, the price being an equilibrium point between these as result of the sale and purchase of a equilibrium quantity.

number of buyers, having in turn a reduced economic power, but the sellers have the possibility, within the limits of the offered differentiations, to influence the price, and, in some situations, even the quantity of traded goods. The entry and exit to the market with monopolistic competition are free because the restrictions of any kind are reduced or even non-existent. The offered goods on the market are of the same type, for which reason the profits can only be increased by influencing the market demand through advertising expenses, which have a dual function: to inform the buyers of the offered good and to exert some psychological pressure to persuade them, to shift their attention to a certain merchandise. There is also in for an agent to behave in the short term as a monopoly the monopolistic market. Hence the impossibility of a strict delimitation between the notions of imperfect and monopolistic competition.

Oligopoly is the market structure most frequently encountered in economically developed countries. It designates that form of the imperfect competition in which there is a limited number of producers with a relatively large share of the market as well as difficulties in entering the branch and general price control. The main trait that fundamentally separates this market structure from other forms of the imperfect competition is the *interdependence of the actions of the different producers*. In the case of oligopoly, each producer can determine the quantity he/ she offers on the market, but the sales price and the profit of each depends on the decisions of the other producers. The main characteristics of oligopolistic competition are the following: difficulties in entering the branch; product differentiation or not; the existence of a small number of producers - sellers, who hold a significant part of the market; a certain degree of price control. The existence of the specific models and particular situations determines that the actions of the economic agents on this type of market take different forms, their choice being determined by the type of behavior they have chosen. Depending on the number of producers found in competition on a given market, there is *duopoly*, when there are two producers, and the olig*opoly itself*, when there are a larger but narrower number of producers. There are depending on the homogeneity degree: *differentiated oligopoly* acting on the market of the non-homogeneous products and *undifferentiated oligopolies* acting on the market of homogeneous products.

The relations between the economic operators operating on the oligopoly market can be classified as one of the following two extreme categories: a) *non-cooperative* relations, in the form of competition opened through “price war”, behavior less commonly encountered in the modern economies, and b) *cooperative* relations, concretized in the conclusion of certain confidential arrangements on matters of common interest, or in the formation of coordinated oligopolies or mixed oligopolies. Oligopolistic structures such as the cartel, trust, concern and conglomerate type are created within the coordinated oligopolies. The interest of any competitive market is to recreate the conditions of the monopoly market by the agreement between the producers so that, in order to protect consumers, the agreements between producers are sanctioned by law and prohibited; but this does not constitute an obstacle to the cartel activities. No meeting is prohibited in any state. Therefore, the *cartels do not proliferate because of the high transaction and supervision costs that they impose to the companies*. The competition between duopolies is usually carried out based on the “mini-max and maxi-min principle”, principal which implies that each agent to take into account his/ her own strategy of the worst possible thing that may come from the rival, and this, in turn, expects a similar behavior from his/ her competitor, each seeking to maximize his/ her minimum possible gain and minimizing the maximum possible losses, based on the theory of games.

The monopoly is the market structure characterized by the existence of a good that cannot be quickly and to a large extent replaced and a large number of buyers[4]. Compared to the perfect competition, the monopoly is at the opposite extreme; the agent found in this market situation can determine both the price and the quantity of goods to be produced and marketed. In general, however, the existence of the monopoly is not confused with the absolute dominance over the market, due to the fact that in the long term, no agent is protected from the internal and external competition and does not fall under the incidence of the law of demand, according to which the market demand for a good is in reverse relation with the price level. The implications of the monopoly are not only unfavorable; there are also some possible "favorable effects" that it can generate, such as: allocation of greater resources for scientific research and introduction of the technical progress, which leads to the cost reduction and productivity increase; provides greater stability to an unfavorable economic conjuncture and in competition with the external partners, giving more stability to the jobs, the investment programs and the economic efficiency due to the economic strength at its disposal; the organization of large series production so that the monopoly can benefit from the scale economies that appear.

In a modern economy, beyond its type and forms, *the competition is a powerful driving force for the development and improvement of production and the other economic activities, with favorable effects for both producers and consumers*.

The market structure means all types and market segments or consumers with specific wishes and specific motivations for consumption and is particularly complex. The market has the image of a conglomerate of subdivisions due to the diversity of the goods that are the subject of the sale-purchase documents, the different nature of the market participants, the specific conditions in which demand and supply are manifested and confronted, the elements that interact simultaneously in various combinations and different degrees of aggregation. The structure of the market goes in successive steps to an infinite number of segments, delimited by certain criteria.

The most important criterion for structuring the market is the *object of transactions*. In this respect, the market is subdivided into two major components: the objectual material goods and the services market. In relation to the productive or non-productive destination of the goods and services, the two components of the global (total) market are also structured into: the production good market and the consumer good market; the production service market and the consumer service market. The components of the material good market have particularities depending on: the destination of consumer goods; the nature of the bidder or the petitioner; the sale and purchase regime, the mode of matching the demand with the offer. The structure of each of the four subdivisions of the market consists of a relatively high number of particular markets specific to

[4] Gh. Illegible, V. Comescu, I. Bucur, *Economy*, All Back Publishing House, Bucharest, 2009

each individual product or service. There are few cases where the market of a product or service is homogeneous; as a rule, the market of the product or service has its internal structure consisting of *market segments*. The division of the market in segments is based on certain peculiarities in the affirmation and manifestation of demand, in the frequency and the average size of the purchases, in the level of exigencies to the quality and structure of the offer.

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