STATE AND COMPETITION IN A MARKET ECONOMY

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Abstract:

In first part of this paper will be presented the concept of competition, we will define and point the main objective of competition, all stages through the competition may be emphasized, the main purpose of competition and also the function of this. Also we present the characteristics of market with perfect competition.

A major theme, including from the perspective of economic integration steps, is represented by the position of state versus the major problems from competion of bussiness enviromental.

The competitonal behaivior derive from the nature of economic system based on the market rules; rationality considerations require from each company not only traking the abstract and unilateral interest, but an concret and continuos interest, consisting in obtaining of competitional advantages compared with the competitors, as: market quota, thechnologoival development, offered services.

The competition este the active form of free initiative, this free initiative generated by private property, who forms at this turn the essential feature of the market economy, whose mechanism is the competition. The competition represents the open confrontation, the rivalry beetwen economic agents, sellers for attracting the customer on thier side.

In the second part of this paper will be presented the regulating role of the state in competition mechanism, the importance of this role of the state.

Current economic theory has shown that the state role in regulating of the economy is based on two considerations: the absence of perfect competitions and absence of “invisible hands” self-regulating of market in real economy

The regulation role of state is dublu: regulator of competition and regulator of equilibrum.

The regulation role of state is based on market malfunctions.

JEL classification: D40, D41

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1. Introduction

The concept of competition

The concepts and theoretical models of perspective and factual realities of the competition is associated organic market economic system. The two criteria by which nature is appreciated as a market economy are, on the one hand, there is competition in that economy, and, on the other hand, pricing by supply and demand confrontation. As the economic science has evolved from an end to application-explanatory predominant transformers in relation to reality, competition approach showed a progressive refinement and nuance. The convergence of political economy with purchases of more recent date, the management sciences, it was concluded that not only the market itself, but also intra-organizational space of the company are liable to occasional manifestations of competition, it generates performance standards, distinguishes success and failure, and makes differences between economic agents. Paradoxically, although it is present and active on a scale so extensive socio-human systems, competition is the most moving times, only theorized traditional economics default in the absence of a consensual definition, competition is referred to as a typological representation the different market structures - the ideal market with perfect competition in the market reality of various forms of imperfect competition. The contribution of management sciences at the request of the operationalization of the concept of competition has led, especially in the last two decades, the full assimilation of management thinking and practice. Professor Michael Porter of Harvard Business School based in this respect, the concepts of competitive strategy and competitive advantage (* Porter, 1985), which is added the competitive management of French terminology[1].Polyvalent meanings of the concept of competition can be revealed by highlighting its following ways:

- Competition, that type of relationship between businesses;
- Competition, as an attribute of an economic basic behavior (competitive behavior);
- Competition, for specific circumstances of the business (competitive environment); That type of relationship between concrete businesses, competition has a tensional nature of competition, agencies involved face to occupy, maintain or expand market position, which ultimately will be accessible to only some of them. Therefore, firm-level strategic analysis, classical methodology based on strengths, weaknesses, opportunities and threats (SWOT), places the origin of rival firms significant threats to the success of any strategy adopted.

In terms of market behavior, competition is determining each trader only to promote his own interest. A topic of major interest, including economic integration in the financial steps, is the state's position in relation to the issue of competitive business

[1] Michael Eugene Porter (born 1947) - professor at Harvard Business School, specializing in academic management and economics, the founder of a nonprofit organization called "Initiative for a Competitive Inner City" and one of the founders of "The Monitor Group". His main academic objectives focus on how a firm or a region can build competitive advantage and develop competitive strategies.

environment. It is worth noting that, in principle, the state is put in a position to promote two types of actions associated with a seemingly paradoxical manner:

• On the one hand, the state, acting under the public interest as to operate under market consumers, not producers bidders domination, is committed to promoting and protecting competition;

• On the other hand, higher economic reasons, but also social, political or strategic cause, the special conditions or the adoption of protectionist policies to limit competition in certain sectors, for example, by setting up public monopolies.

Competitive behavior derives from the nature of market based economic system, considerations of rationality implies that the individual companies, not just the pursuit of abstract and unilateral self-interest, but a concrete interest and continually redefined, consisting in obtaining competitive advantages in relation to rivals, relating to: market share, technological advances, cost-domination, loyalty to a particular clientele, a reputation for excellence of products or services. Experience shows that competitive advantage is volatile, difficult to obtain at a time and still more difficult to maintain and consolidated.

Ultimately, consumers themselves are those who, by polarization of individual options, performance recognition and awards confirm competitive advantage, leading company's competitive hierarchy implicitly present in a particular market. Metaphor "vote of confidence" model provided by customers, so the evolutionary context of the presence of firms in competitive business environment. In such a perspective, a genuine competitive behavior requires from any companies that adopt it, not only a stand-business environment, but also confronting its own limits of performance in its efforts to overcome them through proactive mobilization their organizational skills.

2. OBJECTIVES

Definition and objectives of economic competition

The view is almost unanimous that the most important regulatory power of the market economy is competition, is always linked to market transactions, supply and demand and the exchange process. More specifically, one can say that there is competition if one can choose between alternatives and can thus choose the most convenient alternative to its preferences. Thus, competition is closely linked to freedom of choice. But choice is differentiated according to degrees of existence of effective competition.

Competition is very active form of free enterprise, free enterprise, private property caused by it being, in turn, an essential feature of the market economy, whose mechanism is competitive. It is open confrontation, economic rivalry between bidder's sellers to attract customers on their side. However, competition expresses the specific behavior of all subjects of property interest, behavior is done differently depending on the environment and particularities of the various competitive markets.

Autonomous and specialized producers aimed at profit, while consumers of their options to show their goods and services offered by manufacturers regarding their usefulness.

The fact that economic agents to focus on the production of what is desired and demanded by consumers as lower costs in the circumstances, competition ensures prices and profits expected producer and consumer needs.

*"Competition leads to continuous improvement and production efficiency. It causes the manufacturer to eliminate waste and reduce costs in order to sell at a lower price than others. We eliminate those whose costs remain high and be designed to concentrate production in the hands of those whose costs are lower. "(*Claire Wilcox)

Competition occurs when there is freedom to enter the market and when, at the same time, there are several vendors that market alternatives.

Competition can take place between large and small firms, rival firms can compete in local markets, regional, national or even global markets.

The most important goals of the competition are:

- To meet consumer demand;
- Promoting innovation;
- Efficient allocation of resources;
- Limiting the economic and political power;
- Just income distribution.

"Competition expresses a position in a market in which firms or sellers independently struggling to win customers buyers, in order to achieve an economic objective, such as profits, sales and / or market share. In this context, competition is often equivalent to the rivalry. This rivalry may relate to price, quality, service or combinations of these or other factors that customers appreciate it[2]*. "*

The market is the best innovation in the organization of supply and demand and the strengthening and establishment of different preferences of economic agents - without the use of competition. Competition is necessary means to prevent and / or reduce the economic power concentrated in the hands of state and private persons and enterprises. Therefore, competition is an important means for organizing society.

Competition becomes stronger when prices are lower and increase demand for goods.

Competition is materialized by the behavior of economic agents in the same industry, aimed at maximizing profits at the expense of capital use. Each economic agent acting on the free market is concerned about its business activities so as to be the most competitive of all, and the net gain is the best.

In a market economy with free competition, it is part of free enterprise or freedom of action, which means that economic agents act to achieve their own interests and the economy as a whole is the result of this action. The origin is in the interests of each competitive economic environment in which the centrality of property and market returns. Thus, freedom of competition expresses freedom to act in the economy which takes the form of market operation. You can speak such and such a freedom where businesses can decide independently, provided that this possibility is preserved for all, without any prejudice. Any solution taken by a trader wishes to realize interests to take place so that, by what he does, does not affect in any way the discretion of others. It follows that free competition is a general feature applicable to all companies and that any initiative is considered normal only in compliance with this condition.

Competition has a significant impact on both market and entities acting on the market. Due to profound changes in the dynamics of competition arise value system of consumers, are expected in this context, changes in the behavior of all carriers demand:

[2] R.S. Khemani, D.M. Shapiro, *Glossaire d'economie industrielle et de droit de la concurrence*, Paris, 1995, p.23

manufacturers, suppliers, institutions, and especially that of consumers, the result of changes in values, the options for new lifestyles.

Society is afraid of the consequences of competition generally because people can lose jobs and unemployment is seen as a consequence of competition.

Economist Alfred Marshall raised a problem that was widely discussed by scholars, namely, the definition of "pure competition" and the "perfect competition". Thus, if the first concept refers to a large number of producers in the market analyzed, the second implies the additional condition of a free market entry.

An alternative to perfect competition was "competition practice or operator" (workable competition), concept belongs to JM Clark and trying to objectively reflect the real situation in the economy. Thus, competition policy must aim to produce a competition made, practical, conducted in a normal competitive environment, to stimulate economic initiative.

This type of competition is deemed settled conditions expresses itself in the European Economic Community Treaty of Rome in 1957, and the term operator is used in competition today both in the economic field and in the legal conditions are described when existing market within the European Union.

3. METHODOLOGY

Competition functions

It can be said that competition functions are:

1. Facilitates autonomous adjustment of supply and demand in all areas of economic activity. Stimulate competition concerns for growth, diversification, improve the supply of goods, to adapt them to the dynamics of demand requirements.

2. Itself stimulates progress in its general sense, especially economic and technical progress. Competition gives firms a strong reason to products developed at the performance and find ways to produce a lower cost. For an economic agent producer provided to succeed in a competitive market is the anticipation, identification and rapid adaptation of innovative ideas.

3. Prevent achieving monopoly profits by businesses, ensuring rational allocation of resources between their uses required variants market and established a division of profits in proportion to actual economic contribution in the production and distribution of goods.

4. Competitive mechanism will make sure the actual price levels, favoring streamlining costs as a means to increase profits, in other words, competition contributes greatly to reduce the sales price. In market economy conditions, relations that are established between the quantities sold and sales prices charged shows that higher profit resulting from increased sales, higher prices and less established. A reasonable price attracts a large mass of customers, thus leading to a larger volume of dissolution; sales will lead to a profit equal to what would have been achieved by the event of rising prices, prices that can lead to removal of costs. Low price, low, accessible to the many, increasing demand, create conditions for large series production.

5. Competition has a direct role on economic psychology, fueling their optimism, their creativity stimulating, causing them to constantly worry about the efficiency, maximize profits and meet in good condition default consumer needs.

According to the Explanatory Dictionary of Romanian competition is "a commercial rivalry, struggle waged with economic means between industrialists, traders, monopolies, etc. countries. to monopolize the market, selling products, customers and to obtain as large gains[3]. "

American specialist in marketing, Philip Kotler, distinguished existence of four other levels of competition based on the degree of product substitution, namely:

- brand competition, which refers to companies that offer products (services) similar, at similar prices, the same categories of consumers;
- industry-wide competition that occurs between companies offering the same product or class of products;
- formal competition that occurs between businesses that offer products designed to satisfy the same consumer need;
- generic competition that occurs between firms that share the same income consumers.

Brand competition and the industry level are considered as forms of direct competition in terms of the manufacturer, and generic competition is formal and indirect forms of competition in terms of the market.

4. ANALYSES

Perfectly competitive market

Perfect competition is a paradigm whose meaning makes any analysis required for the market and thus the formation of prices.

Company acting on such a market has been likened to a black box whose sole purpose is to use homogeneous quality inputs given market price, to turn them into homogeneous outputs.

Perfectly competitive market is defined as that where economic agents (sellers and buyers) have a competitive or competitive behavior.

Competitive behavior is essential feature of the trader believes that the market price is given and that its actions do not affect this. This implies that their actions (quantity produced) will not affect the market price. So crucial to characterize the behavior of economic agents is the image they have about the consequences of their actions. The hypothesis of this type of behavior is independent of the number of agents on the market. The combination of competitive behavior hypothesis and the large number of agents stems from two reasons:

- The assumption that the price determines the conduct (behavior) seems more reasonable when the number of firms is large and each company traded a relatively small amount of the total;
- The solution equilibrium price for some imperfect competitive market structure is close to price competitive when the number of firms increases.

In a market such firms face a demand curve or horizontal payment.

In a perfect market competition, no company has a major influence on the price and the market in general, firms are "acceptable price". In such situations there is no need for advertising.

For horizontal shape to be a plausible description of the demand curve facing the firm, the market must have the following characteristics:

[3] Explanatory Dictionary of Romanian language, Academy, Bucharest, 1975, p.182

- Large numbers of firms in the market, each with a small part of the market;
- The product is relatively standard or uniform;
- All companies require same price for the product - buyers have perfect information on the characteristics of quasi goods sold, and sellers always get the same price, regardless of the quantity sold. For companies concerned, the cost of organizing a structure in which to understand the price is prohibitive. However, if the demand curve for the product is inelastic, then total revenue growth potential due to such an understanding is enormous - a show of Petroleum Exporting Countries Organization (OPEC) in the glory years of the block;
- Entry and exit of firms in the industry is free. If existing firms in industry were held to raise price by restricting the total supply would reach attracting new firms in industry due to increased revenue and profits. This would increase the total supply, which will result in lower prices. When existing business losses, some will cease activity leading to lower total supply and, consequently, the price increase.

Efficiency of competitive markets and hence the price of this kind is valued in economic terms, at least in three aspects of the production cost of a branch is obtained, resource allocation and social welfare.

4.1 Critical

The role of the state regulator. Need and regulating role of the state limits

Current economic theory has shown that the regulator's role in the economy based on two main reasons: lack of perfect competition and no "invisible hand" of self-regulating market economy.

Regulating role of the state determined by these considerations is twofold: competition regulator and regulator of the balance.

As the regulator of competition, the state intervenes in the mechanism of competition, allocate outside its role as "creator of rules" and "referee" of compliance. The instrument used for this purpose is the regulation.

As the regulator of the balance, adjusting economic imbalances state action aimed at serious, setting the economy and growth.

State acts in this case as a "conductor" or "stabilization" of the economy and uses instrument provided by the economic policies and even the planning programming or economic.

A first appeal that brings the role of the state regulator that limits freedom of action of economic actors by imposing mandatory regulations and ensures that it is unable to regulate the economy by economic policies, dirigisme orientation. This is the view of liberal economists. In their opinion, how the role of the state regulator and is given increasing importance to both the State tends to become absolute master of society and lead to totalitarianism.

A second challenge is the fact that government regulatory action serves private interests rather than public interest. P. Heyne shows that antitrust laws, for example, although driven by the desire to protect competition, often come to protect competitors, which is not the same. J.K. Galbraith probably expresses best what this view by showing that we can not expect the State to serve the public interest, serve large companies, as "nobody can call with confidence to the local doctor for vital treatment, if he function meets and sometimes even more zealous, the undertaker. "

A third complaint brought the role of the state regulator is the fact that regulatory action causes hypertrophy bureaucratic, costly and generating phenomenon in economic inefficiency and bureaucracy tend to increase the functions assume a political role.

Related to this appeal occurred just a "theory of bureaucracy" founded by Weber (theory of rational bureaucrat) and continues Niskanen and Breton (economic analysis of bureaucracy). Disadvantages of bureaucracy refers both to increase the tax burden that its maintenance involves, but also the subordination of civil servants who can pay better and allocation of public resources in their favor and not the public interest.

The role of the state regulator is based on market failure. In the category of market control malfunctions are changes in the evolution of macroeconomic variables (global demand, global supply, demand and money supply), causing a deviation of output, price level or rate.

5. CONCLUSIONS

As conclusions we can say that competition has a crucial role in market econmy, is the engine of this, competition makes the competitors to have a constantly worry about the efficiency and whithout competition the technical development would not have the same rithm.

Also we need to see that the role of state is very important, because state assure the rules for competitors, create rules that must be respected by the competitors.

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