CONSIDERATIONS ON THE CONCEPT OF COMPETITION

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The economically viable mechanism is the latter. He does not exclude the present regulatory elements which operate not imperatively, decisional, but in a free formula, indicative, of organization and management of economic life. In this mechanism, the prices are a component part and characteristic functions. In the market economy is functioning the freedom to choose both entrepreneurs as well as those that could sustain them. Competition aware the entrepreneurs and investors that they have to take responsibility to bring to market those products to give them the fundamental price (offer), in relation to the real requirements of the market.

Cuvinte cheie: *competition, prices level, strategies, market, monopsony*

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1.Introduction:

Competition represents open confrontation, rivalry or cooperation between sellers-bidders economic agents, as a result of their specific behavior interested to attract the consumers, to ensure high and secure profits.

Competition policy has always been a special concern throughout the European Union, the aim being to establish a regime to ensure that, within the framework of the single market, competition is not distorted in order to promote the interests of consumers. In order to achieve the purpose stated, concern was to establish means to combat anti-competitive behaviour.

E.U. competition policy has as its primary objective the maintenance and insurance of solidity and undistorted competition, the character as a means for ensuring the competitiveness of the markets and the proper functioning of the internal market. The objective mentioned above would be impossible to achieve the dominant firms would resort to restriction of competition by their actions.

From this definition can be learned several key elements for understanding the content of the competition:

- involves at the same time the rivalry, but also the cooperation between different economic agents *in order to achieve the best conditions* for production, sale, purchase of consumer goods, making cash transactions, foreign exchange, financial, a.s.o. In other words the competition represents a racing that is aimed at *getting some significant advantages* (or, in certain circumstances, just to reduce risks and/or losses);

- *self-interest* is the major element that dictates the behavior of each economic agent that operates in a competitive environment. Thus, buyers try to find sellers with the most convenient prices, best quality, delivery conditions for consumer goods and factors of production the most favorable, and sellers to attract buyers with high economic strength, stable in acquisitions, receptive to price, a.s.o.;

- *assumption of the existence of competition is the freedom of price formation*;

The condition of exercising the competition refers to[1]:

➢ existence of several specialized manufacturers in the production and supply of a particular good;
➢ meeting the requirements of competitiveness of the product in the same market;
➢ individualization of interest in efficient exploitation of the production capacity and rational use of material resources, financial and human;
➢ empowering leadership and management through the free price;
➢ compliance with trade and fiscal legal discipline;
➢ loyal behavior towards fellows and partners;
➢ outrunning or at least balance the demand of the supply;

In absence of competition, any company, single on market, would set its price freely without dealing with other producers and without regard for customer options.

When in economy, a good is produced by many manufacturers, none of them can influence the market in an isolated way. All are influencing the market. As a result, they have to adjust prices to the market prices level.

In order to attract more customers, manufacturers can proceed to lowering the price level.

The phenomenon is transmitted, and lowering the price as a result of competition, can reach the lowest level to the survival one, in which the profit margin is very, very small.

Therefore, competition between producers exerts a constant pressure on reducing selling prices.

Moreover, competition between producers contributes to enlarging the market in terms of quantity demanded by consumers, which is even higher when the price is lower.

Since price plays an important role in the buyer's decision, it is considered that the market balances for the price that allows equality between quantity demanded by consumers and the quantity supplied by the manufacturer.

Thus price is a pole of attraction to converge all market forces, it is "a little north of economic compass", as Michel Didier says.

Knowing the competition by the manufacturing enterprises led to the identification of some types of strategies to attract market interest.

Among these strategies, some are widespread. These are particularly the following[2]:

2. focused effort strategy for attracting particular clients for particular items for which it is offered the best service;

3. differentiation strategy of goods in a superior range for winning customer interest in products that gain unique features by overall correlation product-brand-look-serving;

4. global domination strategy through costs with which they ensure unbeatable price competition, without excluding, of course, product quality and customer service.

2. **Competition functions:**

Competition functions are the following[3]:

1. Facilitate autonomous adjustment of supply and demand in all areas of economic activity. The competition stimulates concerns for the growth, diversification, and quality improvement supply of goods, to adapt it to dynamic market requirements. On offer dominated markets ("sellers market"), the competitive strategy and lead firms to particularize from rivals. On demand dominated markets ("buyers market"), in dealing with potential customers, it is aimed the specialization in an individual sector of demand. Competition regulates the market through the price mechanism, directing flows of factors of production and private initiative to those industries and economic sectors that produce social recognized utilities.

2. Stimulates to achieve progress as such, in its general acceptance, but especially economic and technical progress. The competition provides a strong reason to develop advanced products and discover ways to produce at a lower cost. It can not be known precisely what will be the new consumer desires or manufacturing technology that will lead to minimizing the cost per unit of product. Entrepreneurs are free to introduce into production a new product or to use a manufacturing technology more promising than those used so far, but need the support of investors who wish to make available the necessary funds.

For a manufacturing economic trader, the condition to succeed in a competitive market is the anticipation, identification and rapid adaptation of innovative ideas. By continuous competition between economic agents, competition opens perspectives for profits for all participants in the game market, favoring the good ones and very skilful and isolating the weak, those who fail to adapt to market demands.

3. Prevent the accomplishment of monopoly profit by the economic agents providing a rational allocation of resources between social uses variations on the market and abiding a profit sharing contribution proportional to actual economic agents in the production and distribution of goods process. Also, through the competition are revealed optimal size and structure of the activity carried out by an economic agent, *size and structure that can most easily keep the cost per unit of product or service at a level as low as possible*. Unlike other economic systems, market economy does not mandate and does not limit the types of companies who are allowed to compete. It is allowed any legal form of organization of economic activity, the condition of success for any company is cost-efficient.

4. The competitive mechanism ensures the placing of prices at real levels, favoring rationing costs as a means of increasing profits, in other words, ***competition contributes greatly to reduce the selling prices, in parallel with the cost reductions and even differentiation and diversification of the offer*** through pressure which have on producers in terms of satisfying at the highest level of consumer exigencies.

5. Competition acts directly on the psychology of economic agents, fueling their optimism, stimulating their creativity, making them to constantly worry about efficiency, profit maximization and thus in good condition satisfying the consumer needs.

Although they evolved and diversified along with the market and competitive mechanism development, the ***competition fight tools*** can be classified in two categories: economic and extraeconomic. Of ***economic instruments*** is mentioned: reducing costs of goods under those of competitors, reducing selling prices, quality improvement, renewal of assortment, advertising, providing customer facilities, a.s.o. The most common ***extraeconomic instruments*** are: obtaining information on competitors' activities, sponsorship of social and cultural activities of local or national interest, economic espionage, and in some cases circumventing the law, corruption, unemployment, boycott or open violence.

In relation to the tools used in the competitive struggle, it was distinguished in fair and unfair.

Fair competition requires indiscriminate use by economic agents of some of the tools mentioned, under free market access and respect for legality.

Unfair competition is the use of unlawful means, the extraeconomic nature for conquest and consolidation of positions in certain markets, or discriminatory practices by providing incentives to specific groups of consumers, etc.. Legislation of the countries with market economy provides strict measures to discourage and even eliminate most of the acts of unfair competition.

Competition forms are very varied and diverse. One of the factors that contribute to the differentiation of competition is the *number and economic power of the transaction participants*. When participants in the transaction are in large numbers and power approximately equal, the market is forming the shape of perfect competition. When there are very few or only one, either on the supply side or the demand side, there are situations of monopoly or monopsony, when they are advantaged only the producers or buyers.

Another factor is the *degree of competition tiebreaker differentiation of goods that satisfies a human need*. When goods are homogeneous, consumers find it almost regardless of where they are supplying. Product differentiation however has the effect of increasing competition between manufacturers, each of them wanting to attract a large number of clients.

Thirdly, *the facilities granted or restrictions on those who intend to enter a branch*, on a given market, influences the achievement of competition. The more the access to some branch of the economy or a particular market is accomplished by an economic agent easier the more the competitiveness increases in this industry or the market, creating conditions to meet the needs of consumers at a high standard.

Another factor is the *degree of transparency of the market, which refers to the possibility of access to information resulting from the operation of the market*: products required or offered, prices, quantities, trading conditions, access that can be free for all market participants or may be restricted by some of them in order to increase their own benefits.

Taking into account the factors outlined above and considering the options for combining them the economic theory of competition has concluded that there are the following types of competition between manufacturers (sellers): *the perfect competition*, *imperfect competition*, with the forms: monopoly, oligopoly, and monopolistic competition. The manifestation of the two types of competition determines the existence of specific markets, namely the market with perfect competition and imperfect competitive market.

Perfect or pure competition implies the establishment of such market relations which within, on the one hand, all vendors (manufacturers) are able to fully sell the products made at market price which, individually or collectively, are not able to influence it and, on the other hand, buyers can purchase goods and quantities they need at the same market price, which also they can not change at will.

The existence of perfectly competitive markets based on the following **assumptions**[4]:

- ***the atomicity of the participants in transactions*** characterized by having a large number of economic agents sellers and buyers, with approximately equal competitive power, without having the opportunity to influence in any way the amounts offered or requested or the price level;

- ***homogeneity of goods*** ensures through the production of the same goods by all manufacturers with features and uses absolutely identical, so choosing the vendor from which the supply is made is indifferent to buyers;

- ***entry and exit from a given market are free***, namely there are no such legal barriers, institutional or otherwise to restrict either the access of some manufacturers or leaving the market for others, the only arguments that fundaments such decisions are the ones specific to the market economy, namely the profitability of the activities;

- ***perfect transparency of the market***, which means that all economic agents receive equally the same information on the nature of the products traded, their quality, supply and demand, prices, a.s.o.;

- ***perfect mobility of factors of production***, which are oriented towards the most effective of use destinations.

Although the market with perfect competition does not exist as such in economic reality, studying it as a theoretical model for analyzing the competitive mechanism "ideal" is extremely useful just to explain the behavior of economic agents in real conditions, real, of markets with imperfect competition.

In a branch (industry) there is imperfect competition if economic agents - sellers and buyers - are able to influence unilaterally the ratio between supply and demand of goods, but mostly the level and dynamics of prices, the intention to realize their own objectives.

This type of competition can dress different shapes in the economic reality; main characteristics analyzed compared with the theoretical model of perfect competition are presented:

Monopolistic competitive market conserves perfect market characteristics, except the homogeneity of goods. The offer originates from a large number of agents with low economic power, but they produce differentiated goods with original elements or specified in a set group.

This offer is facing atomized application of a large number of buyers, providing in their turn a low economic power, but sellers have the option to limit the differentiation offered to influence price, and in some cases, even the quantity of goods sold.

Oligopoly market structure is the most common in developed countries. This designates that form of imperfect competition, characterized by having a small number of bidding companies of similar products (homogeneous oligopoly) or differentiated (inhomogeneous oligopoly) that due to significant share owned in total supply fail to influence the formation of prices and quantities of products offered . The main feature that separates this fundamental market structure from other forms of imperfect competition is the interdependency of firms' branch. Relations established between firms that act on oligopolistic market can be classified in one of two extreme categories:

The monopoly is the market structure characterized by having a single vendor (seller) that provides the entire production of a good (which can not be substituted quickly and in large measure) and a number of buyers. Unlike perfect competition, monopoly is at the opposite extreme, the firm in this market situation being able to determine both the price and quantity of goods to be produced and marketed. In general, however, the existence of the monopoly should not be confused with absolute dominance on the market, on the one hand because on the long term, no company is safe from internal and external competition, on the other hand because the monopoly firm does not exit from under the law of demand (based in which the demand of the market of a good is inversely related to the price).

There is the possibility of influencing the market by the buyers, in situations where sellers are numerous and there are only a few carriers of the demand, in which case the market structure that arises is called **oligopson**, or even a single customer, in case of **monopsony**. In both cases, buyers can control, within certain limits, the price, because it represents a significant share of demand (or even the entire request) on the respective markets.

If a single manufacturer enters into exchange relationships with a single buyer, the market dresses the specific form of **bilateral monopoly**; in a similar way the confrontation between a small number of sellers, respectively, buyers called **bilateral oligopoly**.

In a comprehensive acceptation, the economic mechanism includes all elements of regulation and self-regulation of economic life.

Depending on the preponderance of the elements that compose it and the nature of them, ***the economic mechanism*** can be[5]:

- ***administrative***, in which the economic organization is accomplished by actions of the consciously leadership factor, basic tool being the imperative plan, and characteristic for centralized economies;

- if the self-regulation elements from the market operation are preponderant, then the economic mechanism is ***spontaneous***, of market, its forces ensuring the proportions and independent economic balance.

3. Conclusions:

Competition has a dual nature: it is both a state and behavior. The meaning of ,,classical" argues that this competition is a behavior, a behavior permanently combative, a battle that, like any other battle ends with invingători and invinşi. This is the argument for that is essential for a merchant to know both the structure and the intensity of competition, to decopere and explain the reasons for the success of key competitors, and then to use that knowledge and assimilation to evaluate the chances of survival and the "key to success".

The entry of new firms foster competition on the market, encourages initiative in business, rewards those good, efficient and punishes the weak, inefficient. In an ideal market economy companies react quickly to changes in the structure of demand and new entries on the market, adapting and adjusting strategies and market position. It is clear therefore that only allows the existence of competition of a good business environment and that's why it's essential to be maintained within the limits of the game properly.

As the market evolved, the competition has evolved and it always depends on the policies adopted, and from this point of view, or on the contrary, constrained.

Price formation in competitive economy is governed by the following regularities:

<u>The first regularity</u> ***shows the influence of the supply and demand on the price***: the price is the effect of changing the ratio between of supply and demand of a good. Based on the given prices if demand grows and offers remain unchanged when prices rise. If demand increases, demand remains unchanged, prices will drop. In conclusion, ***the evolution of demand in one way or another determine the level of prices, a trend in the same direction, while the evolution of supply leads to a reverse movement in the price: demand increases, price decreases, demand decreases, the price increases.***

<u>The second regularity</u> shows ***the influence of prices on supply and demand:*** *the change of prices of a good becomes the cause of modification of the change of supply and demand of that good*. When price increases, demand, like the tendency narrows, meaning there will be fewer people willing to buy and vice versa, to a price increase, demand tends to increase. In the opposite situation, if prices fall, demand for goods and services will increase, in turn the demand reduces, being few people who will want to sell at a low price. The action form of this regularity that is opposite of the other. In this case, the shape of action of this regularity is opposite of the other. In this case, ***the price influences the demand and offer and has the following progress: a change in the price level in one way or another, the demand acts inversely proportional. The offer tendency is quite different that evolves in the same direction as price.***

The third regularity ***shows that the exchange of sale and purchase of goods and services occurs when the supply and demand at a given good.***

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