COMPETITION-ZERO-GROWTH

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SUMMARY

After the second world-war there have been theoretically realized the synthesis between the macro-economic and dynamic approaches, in the first place at the neo-Keynesian economists.

In this context, a growth-theory have been separated from the development theory, like a part of the contemporary economic science, in contact with other connected sciences, and also with the practice of elaborating measures and their planned and institutionalized implementation, in the sense of economic growth and development.

Growth means the global increase of the net domestic product, including structural modifications too.

The economic growth expresses those modifications occurring during a certain horizon of time, within a certain area, involving the augmentation of the macro-economic results, closely connected to their determinant factors. Zero-growth is the situation of equal augmentation rhythms of macroeconomic absolutely results and total population, having as effect a constant evolution of macroeconomic results per capita.

The theoretical analysis of price-based competition is classic, where firms are able to react to opponents pricing changes before customers arrive, and the intensity of competition in an industry depends on the distribution of firms/farms costs. In a branch of activity where one firm is significantly more efficient than the rest, it may pay them to price aggressively, since they do not have reduce their price very much to drive all other firms out of the market. In an industry where firms have similar costs, on the other hand, a firm would have to price much lower to force its competitors out of the market, and it may be more profitable for firms to accommodate each other rather than price aggressively. This leads to the counter-intuitive result that new entry by a relatively efficient firm may lead to higher prices by reducing the incentive of the most efficient firm to price aggressively. If firms have similar cost levels they may price more like monopolists than competitors. In practice, a price leader, that is the most efficient firm and prices aggressively would fall foul of competition authorities that are often concerned about the possible anti-competitive effects if less efficient firms were forced out of the market. A further avenue available to firms with similar cost levels was to try to reduce costs by innovating aggressively and thereby perhaps capture the whole market.

BIBLIOGRAPHY