Concepts of competition


Table 1.1 Competition as rivalry


Competition, in a large sense, means a struggle of conflicting interest.

… competition is on a level and practically synonymous with terms such as ‘struggle’, ‘contest’, ‘rivalry’.


To most of us layman, competition means struggle, contest, rivalry, matching of wits or strength. … To the non-economist, competition in business is but one manifest of this spirit of conflict and rivalry of ideas.


‘Competition’ entered economics from common discourse, and for long it connoted only the independent rivalry of two or more persons.
Table 1.2  Competition as the absence of barriers to entry and exit


Competition … is then not merely the presence of several sellers in the market. One might define it as the possibility of the free movement of labor and capital. Competition, latent at least, is present as long as the appearance of a new seller in a branch of industry is not precluded.


In the succeeding discussion … the expression perfect competition … will exclusively denote free and easy entry into the industry.


It seems preferable, therefore, to adapt the concept of competition to changing conditions by another method: to insist only upon the absence of barriers to entry and exit from an industry in the long-run normal period; that is, in the period long enough to allow substantial changes in the quantities of even the most durable and specialized resources.


The essential characteristic of an industry which is in open competition … is nothing more than that such an industry is formally open to the entry of new competition. … it will follow from my later argument that an industry with only one firm in it might well have to be analysed as though it were competitive.
Table 1.3  Competition as a selection mechanism


Competition is the chief selective process in modern economic society, and through it we have the survival of the fit.

Competition, in the sense in which the word is still used in many economic works, is merely a special case of the struggle for survival. … Competition, in the Darwinian sense, is characteristic, not only of modern industrial states, but of all living organisms.
Table 1.4  Competition as price-taking behavior

Monopoly ordinarily means control over the supply, and therefore over the price. A sole prerequisite to pure competition is indicated – that no one have any degree of such control.

… the monopolist is confronted with a falling demand curve for his product … while the seller in a purely competitive market has a horizontal demand curve …

If we were free to redefine competition at this late date, a persuasive case could be made that it should be restricted to meaning the absence of monopoly power in a market.

