Topic Page: Competition (Economics)

Definition: **competition** from *QFinance: The Ultimate Resource*

struggle between firms to win business rivalry between companies to achieve greater *market share*. Competition between companies for customers will lead to product innovation and improvement and, ultimately, lower prices. The opposite of market competition is either a *monopoly* or a *controlled economy*, where production is governed by quotas. A company that is leading the market is said to have achieved *competitive advantage*

Summary Article: **competition, in economics**
From *The Columbia Encyclopedia*

in economics, rivalry in supplying or acquiring an economic service or good. Sellers compete with other sellers, and buyers with other buyers. In its perfect form, there is competition among many small buyers and sellers, none of whom is too large to affect the market as a whole; in practice, competition is often reduced by a great variety of limitations, including copyrights, patents, and governmental regulation, such as fair-trade laws, minimum wage laws, and wage and price controls.

Competition among merchants in foreign trade was common in ancient times, and it has been a characteristic of mercantile and industrial expansion since the Middle Ages. By the 19th cent. classical economic theorists had come to regard competition, at least within the national state, as a natural outgrowth of the operation of supply and demand within a free market economy. The price of an item was seen as ultimately fixed by the confluence of these two forces.

Early capitalist economists argued that supply-and-demand pricing worked better without any regulation or control. Their model of perfect competition was marked by absolute freedom of trade, widespread knowledge of market conditions, easy access of buyers to sellers, and the absence of all action restraining trade by agencies of the state. Under such conditions no single buyer or seller could materially affect the market price of an item. After c.1850, practical limitations to competition became evident as industrial and commercial combinations and trade unions arose to hamper it.

A major theme in the history of competition has been the monopoly, which represents a business interest so large that it has the ability to control prices in a given industry. Some governments attempted to impose competition through legislation, as the United States did in the Sherman Antitrust Act of 1890, which made many monopolistic practices illegal. President Teddy Roosevelt was well known for his “trust-busting,” filing lawsuits against over 40 major corporations during his two terms in office (1901–09). Later legislation in the United States, such as the Clayton Act (1914), the Robinson-Patman Act (1936), and the Celler-Kefauver Act (1950), offered revisions and clarifications of the Sherman Act. The Federal Trade Commission, created in 1914, is a regulatory agency with the mission of encouraging competition and discouraging monopoly.

Until the mid-20th cent., there was widespread government acceptance of the existence of industrial and commercial combinations, together with an effort to apply regulation administered either by the state or by the industries themselves. Governments had accepted the existence of what were considered “practical monopolies,” particularly in the field of public utilities (see utility, public). This attitude changed somewhat after the 1970s; for example, the U.S. government forced the breakup

(1984) of American Telephone and Telegraph and deregulated (1985) natural-gas prices. In the 1990s, state regulators began to allow competition among some utilities (especially natural-gas and electricity suppliers) in order to bring prices down. This was also a trend in some European countries; Germany, for example, deregulated its electric power industry in 1999.

See Greenhut, M. L. et al., Economics of Imperfect Competition (1987);.
Telser, L. G. , A Theory of Effective Cooperation and Competition (1987);.
Frazer, T. , Monopoly, Competition and the Law: The Regulation of Business Activity in Britain, Europe and America (1988).

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Harvard

competition, in economics. (2018). In P. Lagasse & Columbia University, *The Columbia encyclopedia*. (8th ed.). [Online]. New York: Columbia University Press. Available from: https://search.credoreference.com/content/topic/competition [Accessed 19 October 2019].

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