Academicia Globe: Inderscience Research

ISSN: 2776-1010 Volume 6, Issue 7, July 2025

COMPETITION AS AN INTEGRAL PART OF THE MARKET ECONOMY

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Abstract:
The article examines competition as a fundamental element of the functioning of a market economy. Its essence, functions and role in ensuring the efficiency and sustainability of the economic system are revealed. Modern forms of competition and mechanisms of its maintenance, including institutional and regulatory instruments, are analyzed. Special attention is paid to the transformation of the competitive environment in the context of digitalization and the need to adapt antimonopoly policy to new ones technological realities. It is emphasized that competition remains a key factor in economic development and requires constant institutional support.

Keywords: Competition, market economy, digitalization, antitrust regulation, market mechanisms, economic efficiency.

Introduction

Competition is a fundamental phenomenon in a market economy, ensuring the dynamism, efficiency and development of economic systems. It acts not only as a mechanism for allocating limited resources, but also as a tool for stimulating innovation, improving the quality of goods and services, and streamlining production processes. In modern conditions, when digitalization, globalization and technological progress are transforming traditional forms of interaction between economic agents, the importance of competition is becoming even more relevant. The essence of competition as an economic process includes not only the struggle for the consumer, but also cooperation based on mutual benefit and respect for market players. Modern approaches to the analysis of competition go beyond the classical dichotomy of "perfect" and "imperfect" competition, focusing on institutional, behavioral and innovative aspects.

The formation of the theory of competition has deep historical roots, starting with the works of Adam Smith, who considered competition as a natural order directing individual interests to the public good. In the classical economic school, competition was interpreted as a state of a free market, in which many sellers and buyers interact without restrictions, contributing to the establishment of an equilibrium price. The theory was further developed in the works of David Ricardo and John Stuart Mill, who expanded the concept of competition, linking it with the mechanisms of income distribution, production costs, and foreign trade. However, with the complexity of the market environment and the growth of industrial concentration, there was a need to rethink the competitive paradigm. Karl Marx,

ISSN: 2776-1010 Volume 6, Issue 7, July 2025

in turn, emphasized the contradictory essence of competition as a force that simultaneously generates both monopoly and progress. A special place in the development of the theory is occupied by the neoclassical school headed by Alfred Marshall, who established the concept of perfect competition as a reference model of the market. At the same time, the works of Edward Chamberlin and Joan Robinson laid the foundations for the analysis of imperfect competition, introducing the categories of monopolistic competition and market power. The modern theory of competition, developed by M. Porter, among others, is based on the concept of "five forces", which include not only direct competitors, but also the threat of new participants, the influence of suppliers, consumers and substitute goods. This approach makes it possible to more fully analyze the sectoral structure and behavioral characteristics of market entities.

Competition is the most important element of the market mechanism, acting as a form of economic interaction between market participants for limited resources, consumers and profits. It is a manifestation of freedom of economic activity, within the framework of which business entities independently make decisions on the production, assortment, quality and prices of goods and services. In a market economy, competition performs a number of key functions:

1. The regulatory function is to establish an equilibrium between supply and demand. Competition directs resources to the most efficient areas and contributes to the optimization of the production structure.
2. The stimulating function is manifested in encouraging manufacturers to introduce innovations, improve product quality, reduce costs and develop new markets. The desire to surpass competitors becomes a powerful incentive for development.
3. The controlling function is expressed in the limitation of the market power of individual subjects. Competition prevents the establishment of monopoly prices and reduces the risks of abuse.
4. The selection function contributes to the survival of the most efficient economic entities and the ousting of non-competitive enterprises from the market, which generally increases the stability and productivity of the economic system.

Maintaining a competitive environment requires not only self-regulating market mechanisms, but also effective institutions that ensure compliance with the rules of fair economic play. The institutional framework of competition includes:

1. Antitrust regulation aimed at preventing and suppressing unfair practices, such as price collusion, artificial restriction of supply, discrimination against counterparties. Antitrust authorities play an important role in protecting the interests of consumers and bona fide market participants.
2. Protection of property rights and contractual obligations, without which stable business activity and investment activity are impossible. Clearly defined market access rules, patent law, licensing and standardization also contribute to a level playing field.
3. Financial and tax policies that reduce barriers to entry for new entrants and support small and medium-sized businesses as one of the main carriers of competition.

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Of particular importance in the context of digitalization is the regulation of platform markets, where traditional forms of control are not always effective. Government agencies must ensure the openness of algorithms, the protection of personal data, and equal conditions for participants in digital ecosystems. Current trends show that competition in the digital age is undergoing significant changes. New forms of competition are emerging, such as platform and network effects, and algorithmic competition. Their features are:

1. Increasing consumer dependence on the infrastructure of digital platforms;
2. Concentration of market power in the hands of data and digital algorithm owners;
3. The increased role of technology as a factor of competitive advantage.

Digitalization requires a new look at the methods of regulating competition. An important task is to ensure the transparency and fairness of algorithmic decisions, protect users from manipulation and monopolistic behavior on the part of the owners of digital ecosystems, and due to this, competition in the 21st century goes beyond classical models, integrating into digital spaces and transforming under the influence of technology. This requires flexibility from regulators and the ability to adapt traditional instruments to new conditions.

Competition is still the central link of the market economy. It creates incentives for innovation, ensures the optimal allocation of resources and serves as a guarantor of economic freedom. In modern conditions, its importance is only increasing, since it is in a competitive environment that best practices, technological breakthroughs and sustainable development are formed. However, maintaining effective competition requires constant institutional renewal and taking into account the challenges of the digital era. Regulators should respond in a timely manner to structural changes in the economy, adapt antitrust legislation and develop international cooperation to combat global forms of market concentration.

Competition is not just an economic category, but the basis of progress, fairness and stability of the market system.

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