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# The Formation of Competition in the Economy and its Theoretical Issues

**Uralov Uktam Xayrulla o'g'li [1]**

[1] Student of the "Management" department of the Samarkand institute of economics and service

**Annotation:**

This article describes the origin of competition and the content of this concept. Also, the role and importance of the development of competition in the economy is explained in detail.

**Keywords:** competition, types of competition, monopoly, oligopoly, economic development, national economy, economic relations, free competition, unfair competition.

Under conditions of free competition, there are a large number of enterprises in the network producing the same product, which can freely enter and leave the network. Also, there will be no legal, technological, financial and other serious economic obstacles for them to sell their products on the market.

In a pure monopoly, since the industry consists of one firm, it is the only producer of the available product (service) and monopolization is formed.

Monopolistic competition includes elements of both monopoly and competition. In this case, dozens of producers of the same type of product in the network compete with each other to achieve a favorable price and production volume.

Oligopoly is the presence and dominance of a small number of firms in a network. This is the most important sign of oligopoly. An industry in which a relatively small number of producers dominate the market for goods and services is an oligopolistic industry.

The main characteristics of a pure monopoly are manifested by:

1. The presence of a single seller in the network.
2. Non-availability of close substitute products and services.

The main reason for the emergence of a pure monopoly is the absence of good and close substitutes for its product. As a result, there is no choice for the buyer, and he has to give up the product in general if he does not buy it from the monopolist.

If the manufacturer's existing prices under conditions of pure competition forced to "acclimatize", in a pure monopoly the producer has complete control over the price, since he determines the total supply.

The absence of competitors for a pure monopolist is explained by the imposition of certain economic, technical, legal and other types of barriers to entering the network. These obstacles are manifested in the following forms:

1. The emergence of savings as a result of the increase in the scale of production.
2. Natural monopolies in the form of a public utility enterprise.
3. Disclosure barriers in the form of patents and licenses.
4. Establishment of ownership of important types of raw materials.
5. Fierce competition.

An oligopolistic industry can produce a uniform or differentiated product. Most industrial products: steel, copper, aluminum, lead, iron, etc., are considered to be the same type of products in the physical sense and are produced under oligopoly conditions. Industries that produce consumer goods: automobiles, detergents, cigarettes, household electrical appliances, and others are classified as oligopolies.

In an oligopoly, the competition between enterprises is mutual. In an oligopolistic industry, no firm can independently change its price policy. Each of the forms of competition that we have looked at does not occur in the national economy separately, that is, in a pure state. A detailed study of economic sectors shows that it is difficult to find two identical industries in the presence of an infinite number of different competitive situations.

Currently, with the development of various levels of monopolistic structures, the forms of competition between them are also appearing in different forms. In particular, the following types of competition can be distinguished according to the existence between structures with different levels of monopolization:

1. Competition between non-monopolized enterprises;
2. Competition between monopolies and producers who are not part of monopolistic associations;
3. Competition between different monopolies;
4. Competition within monopolistic associations.

Competition is divided into two types according to its scale - intra-industry and inter-industry competition.

Intra-industry competition takes place between enterprises of the same industry in order to obtain more favorable conditions for production and sales, and to obtain additional profits. Interindustry competition is a process between enterprises of different industries to obtain the highest rate of profit. Such competition causes the flow of capital from industries with a low rate of profit to industries with a higher rate of profit. New capitals tend to the more profitable sectors, which leads to the expansion of production, increase in supply. In this case, prices and, accordingly, profits begin to fall to the norm. The outflow of capital from less profitable industries leads to the opposite result: here the volume of production changes, the demand for goods exceeds their supply, as a result of which prices rise, and at the same time the rate of profit increases. As a result, interindustry competition objectively creates some kind of dynamic equilibrium. This balance ensures the pursuit of equal return for equal capital regardless of where the capital is invested. Therefore, inter-sectoral competition will "equalize" the profit norms of the same sector to the average profit norm, no matter in which sector the capital is invested.

Also, in the economic literature, fair and unfair competition methods are distinguished. Unfair competition is the use of uneconomic methods, illegal competition. Fair competition is based on rules such as the use of economic methods recognized by society in competition, and the avoidance of situations that conflict with the interests of society in achieving one's own goals and interests.

There are two types of competition: price competition and non-price competition.

The main method of process in price competition is the lowering of the price of their goods by producers compared to the price of similar products of other producers. Price is the most important tool of competition. Manufacturers can use price reduction method to beat their competitors. Therefore, the price adjustment method is widely used in competition.

Non-price competition is characterized by the fact that the main factor of competition is not the price of goods, but its quality, service, reputation of the manufacturing company. This applies in the current global economy and its theoretical and scientific foundations are expanding and manifesting in various forms.

The emergence of non-price competition methods is solved by marketing, which consists of a system of activities that adapts the process of production and sale to demand. In the conditions of the market economy, enterprises that have studied the demand well and are able to fully satisfy the needs of consumers will always win in the competition.

Large producers reduce the supply by reducing the use of their production capacity to change the market situation. Therefore, the price remains stable even in periods of economic instability.

The main tool of competition is demand formation and sales promotion. The buyer needs to give preference to any product, so he should be practically sure of his choice. Necessary information is obtained from the manufacturer through advertising.

The buyer is interested in the usefulness of this item, that is, the consumer value. In order for the buyer to be sure of the consumer value, it is necessary to try the goods, often for this purpose it is given to "try on".

Illegal method of competitors - appropriation of goods, production of similar products of much lower quality.

If you don't know how to influence your competitors' opportunity and market situation, you can't hope to succeed in the competition.

The role of anti-monopoly legislation in limiting monopoly power, including issues of state regulation of natural monopolies, is considered important, and special attention is paid to this issue in the anti-monopoly legislation of the Republic of Uzbekistan.

Competition did not play an important role in economic life when commodity economy was just developing. Because there were non-economic restrictions in that society, closed areas for competition. In order for the competition to be valid, certain conditions must be met. Competition is possible only in the environment of market economy. Because only then it becomes a necessity. Competition is an objective necessity only for the market system. With the emergence of the market economy, competition is formed at the same time.

M. Porter, one of the founders of the theory of competition, is known as the popularizer of the economic cluster concept, who showed that the competitiveness of the company is largely related to its economic environment. He argued that the economic environment, in turn, is determined by the basic conditions (common resources) and intra-cluster competition. M. Porter developed a recognized method of analyzing competitiveness, and also described the stages of growth of the competitiveness of the national economy (from the stage of "primary factors" such as cheap labor, to competition based on innovation and the last stage - competition based on wealth). According to M. Porter, the more developed the competition within the country and the higher the demands of buyers, the higher the probability of success of the companies of this country in the international market, and on the contrary, the weakening of competition in the national market, as a rule, leads to the loss of competitive advantages.

From a theoretical point of view, competition, which A.Smith described as the "invisible hand" of the market, was considered as a factor of equalizing profit norms for the purpose of coordinating private and social interests and optimal distribution of labor and capital in his "Research on the nature and causes of the wealth of nations". According to his research, the pursuit of profit and competition are activities that benefit society as a whole.

Pierre Buagelberg argued that having a real value in the goods market and the economy will be stable only in the context of "free competition". The main work of the scientist is related to this idea and shows that it is related to the spontaneous formation of free competition as an important condition for ensuring "moderation of market prices or optimal prices".

F.Kene put forward the concept of "Natural order" and approved the concept of capitalism emerging and strengthening in his time. In such conditions, he supported its development based on "free competition", and in this case, the spontaneous change of the market price and the interference of the state in this process should be denied.

The above theoretical views have confirmed that market relations are a means of ensuring its development if they are based on free competition.

The classical way of the formation of the market economy is in the Western countries, where the competitive environment has occurred spontaneously over many years, without the participation of the state. In this way, free competition has appeared. However, with the emergence of monopolization tendencies in the economy, free competition has been limited, so the state also participates in creating a healthy competitive environment. The reason is the competitive environment, according to the theory of A. Smith and other scientists, the market economy is formed and developed only when there is an environment of free competition in the country. We can see this in the antimonopoly policy of the state.

This policy is aimed not at creating a new environment of free competition, but at preserving it, restoring it when the time comes, and settling the cultured methods of competition. State measures aimed at limiting private monopolies are the "Sherman Act" adopted in the USA in 1890, which is historically known as the "antitrust" law.

A monopoly situation can arise on the basis of capturing a significant part of production in the network, sharing markets and secret and open agreements on price levels, creating artificial shortages, and other conditions. Accordingly, in the developed countries of the United States and Europe, efforts aimed at introducing certain restrictions on the negative forces of monopoly began to intensify at the end of the 19th century.

Market conditions change rapidly, and since it is a difficult process to take into account, the conditions of antitrust restrictions also change rapidly. The specific situation with regard to restriction of competition is subject to a broad interpretation of these laws. This is especially true of anti-cartel laws. Here, the requirements of law and state decisions range from prohibiting cartels to allowing them for a certain period of time.

Competition does not arise by itself without the activity of the state. Since the first days of market transition in our country, the legislation in this regard has been improved. In the process of transition to any market economy, non-price competition takes precedence. Because all sectors of the national economy, especially the goods market, will be sharply saturated, and free competition will become natural.

In connection with the transition to a free economy in the process of gaining independence in our country, the need to completely re-establish competition has arisen. Because the previous planned economy literally tried to limit it. The free movement of enterprises in the markets is strictly prohibited by the state. In general, there are restrictions imposed by the state on the creation of a competitive environment. However, there were some signs of competition. An example of this is hidden business activities.

Competition serves as a regulating force of the market economy. Taking into account the importance of competition in the market economy, the marketing concept focuses on competitors and their selection.

Competition in the market economy is economic competition, and we know that it occurs only in economic processes. Its main goal is to create conditions for the free activity of market participants, to ensure the necessary environment and conditions for each participant's actions. The content of the competitive process was that each market participant successfully solves the necessary tasks compared to others, creates the necessary conditions for this in advance and on time, and has a permanent advantage.

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