Analytical Essay

[Name of student]

[Name of University]

Analytical Essay

**Introduction**

In Economics, competition is defined as a rivalry in which the party concerned with selling tries to procure what other sellers are seeking, taking into account spectra such as profit, sales and market share that is offered by a suitable combination of quality, service and price. It would not be wrong to say that competition plays a significant and regular role in balancing the chain of supply and demand. Economists assert that there are different sellers and buyers in the market place for each service and this difference paves the way for competition that allows prices to change as a response to change in demand and supply. According to Adam Smith, competition is a crucial need for invisible hands to maintain a balance in economy. He incorporated the example of primitive society with two products, i.e. deer and beaver to explain his understanding. In current scenario, it can be asserted that competition is a healthy approach to some extent, taking into account that it has both advantages and adversities.

At one side competition is necessary for qualitative and quantitative growth provided it can be an unhealthy activity when it has certain companions and suppresses markets. It can be best understood by the idea of “gig economy” defined as, a way of working that is linked with people who have separated any paid rather than serving an employer. (Popov, et, al. 2019). It is important to note that Gig economy is also called “freelancer economy” as an independent workforce. In a simplified form, the gig economy is more like an individual job where collective earning is equal to that of full time employment. The prime factors of gig economy are clients, independent contractors and workers who are meant to pay and save taxes. It is significant to note that gig economy is directly associated with economy and competition adhering to a direct relationship. It highlights that gig economy is one of the major tools that has highlighted economy side by side, it has increased competition all around the globe. (Howard, et, al. 2019). It is asserted that gig economy has stabilized economy through an increased focus on automation and technologies, taking into account that it is an opportunity to find more and career-oriented work that automatically enriches economy.

**Discussion**

There are different schools of thought that could illustrate the core of economics taking into account that two major departments of thoughts are, "classical" and "neoclassical" school of economic thought.

**Classical Economics**

Classical Economics is a school of thought that came into consideration in late 18th century, proposed by Adam Smith. This ideology was redefined by John Stuart and David Ricardo. These schools of thought are based on the idea of economic growth and economic freedom, accompanied by laissez-faire ideas and incorporating free competition. In accordance with this school of thought, only those economies function adequately where every individual is allowed to practice in his or her own interest. (Popov, et, al. 2019). Classical economics assert an environment of open and free competition, taking into account that it rejects interference of government in market place. The Classical Economists view competition as an ideology that coordinates with the diverging self-interest of individuals who are acting independently on a common theme and direct them to acquire a dynamic equilibrium. (Soldatos, 2019).

In a simplified form, classical economists define competition as a rivalrous, equilibrating and endless process. In this competitive process, the actual prices of the goods are attracted to natural prices, taking into account that the overall rate of profit displaces towards normal analogues. Adam Smith called it, “Perfect Liberty” because it strengthens the free mobility of capitals. It is significant to note that Classical economic analysis highlights and adheres to erect competition, taking into amount Amit’s trifling example: where an ever-present pressure to cut the costs per unit will increase productivity by keeping into consideration the division of labour. (Popov, et, al. 2019). In a simplified form, Classical approach towards economy asserts advantageous employment where an individual is given prime importance rather than society. This advantage is derived from natural association rather than necessity.

**Neoclassical Economics**

Neoclassical economics is another approach to economics that asserts a relationship between supply and demand adhering the attribute of rationality of an individual to maximize profit or unity. This approach was presented by William Stanley in 19th century and became popular in the early 20th centuries. (Giocoli, et, al. 2018). It would not be wrong to say that this approach adheres to mathematical equations as a tool to study different aspects of economy. In a simplified form, neoclassical economics refers to the fact that every consumer is concerned to maximize individual satisfaction taking into consideration that all decisions are the product of informed evaluations of utility. Another paradigm of this approach highlights that competition may lead to an effective and efficient allocation of resources within an economy, taking resources as a baseline of equilibrium between demand and supply. Neoclassical economics assert, saving is the hallmark of investment and plays a direct role in both growth and market, addressing the full environment of resources. (Giocoli, et, al. 2018).

The understanding of competition in terms of neoclassical model highlights "model of perfect competition" that describes ideal conditions, taking into account that existence of such ideal conditions is necessary to ensure adequate competitive behaviour. The baseline of “perfect competition model” describes market as a platform that comprises of both small and large settings that are made to sell homogenous commodity to a large variety of customers. (Soldatos, 2019). It is significant to note that this model is an idol of perfection in all terms, such as cost and prices of each good, analysis of preference of customer asserting there are no impediments in terms of factors of production. In a simplified form, this model infers that behaviour of the firm is made passive by price taking behaviour. The price taking behaviour also highlights and empowers utility by consumer and extending the welfare notion of society. It would not be wrong to say that the framework of competition is made directly proportional to the number of procedures as well as the structure of an industry.

The neoclassical approach defines competition as a state rather than a process taking in account that an ideal situation is the one in which firms work independently to each other and every individual works with an aim to respect the prevailing price. Another spectrum of this ideology reflects the inclusion of technology because of availability of technology that is treated as one of the beneficial essences. (Giocoli, et, al. 2018). Despite all assumptions and frameworks, it is significant to note that the business of an enterprise is not well suited for neoclassical competition because firms are in obsession and inescapable pressure to synchronize with novelty and innovate, with an aim to introduce certain cost minimizing techniques in their struggle to eliminate competitors by cutting both prices and unit costs.

**Similarities**

“The law of best price" is an ideology that is accepted by both schools of economic thoughts taking into account that an economist is supposed to operate in a very limited time. It is asserted that this ideology refers to “same commodity” that refers to the intra-industry competition. "The law of best price" infers that the attainment of natural prices requires comparatively long-time frame because capital flows in and out of the industries with an approach to equalize the profit rates. (Bresser-Pereira, et, al. 2018). An exegetical analysis reveals that both economic schools of thought have highlighted “assumptions", taking into account that offshoots are diverted to different pathways. It would not be wrong to say that the originators of both the schools of economics ought to have taken competition as a process in which short term goals refer to the establishment of equal price addressing the stance of unequal rates of profit between firm and industries, adhering to long term objectives of inflow and outflow of capitals. (Howard, et, al. 2019).

**Difference**

Taking into account the stance of similarities, it can be found that there are a number of differences as well that differentiate the two schools of thought. One of the major differences is utility where classical school adheres to equilibrium as a function and interest of wages rather than supply and demand. (Frank, et, al. 2019). On the other hand, the neoclassical school considers utility as a function of supply and demand in all markets. Both the ideologies have different values, taking into consideration that in classical school, the value of a good is equal to the cost at which it is produced while in neoclassical school, the value of a good refers to the function of demand and supply of that good. Values are more like an inherent property in neoclassical economics where value is a perceived property.

It is significant to note that both the schools of thought place profit at two different paradigms, neoclassical school define profit as a surplus of earnings over expenses. It can be well understood by analyzing an example, such as, if there is a higher price associated with supply and demand as compared to that of labour and capital then the good and its components have variant equilibrium prices. While classical school defined it as a payment to the capital for performing a function that is socially useful. Neoclassical school asserts rationality while in classical economics, there is no distinction between individual and firm, taking into account that profits are actually same as wages meant for workers. (Frank, et, al. 2019). Equilibrium is another point of differentiation, taking into account that classical economics assert equilibrium to occur at a point of intersection on the curves of supply and demand while from classicism point of view, equilibrium occurs when savings are equal to the amount invested.

**Issues**

There are certain issues, traced as a result of analysts of in-depth information, taking into account that economy is considered as the baseline of development and prosperity where development is cordially dependent on economy itself. It is asserted the economy would be a proper way that could fulfil the needs of both an individual and a state. However, it is important to note that although Neoclassical theory is associated with the idea of neoliberal political policies and it is linked with the rejection of the idea present by Marx. (Bresser-Pereira, et, al. 2018). He wrote regarding exploitation and promotion of ideas asserting that the distribution of resources produced by market exchange is both just and fair. it is equally important to note that the Neoclassical school of thought have a very narrow scope in terms of practice. It is also a delimitation that the school of thought that is considered with economic development as a non- continuous price, is actually a possibility of cyclic fluctuation in the overall framework of development.

On the other hand, the classical school of economic development also have some certain and sheer issues such as conflicting economic interest that would be reconciled by large operation of competitive market, accompanied by a narrow approach to activity by the governing body. (Bresser-Pereira, et, al. 2018). Another issue is “unfortunate point about class natural assumptions’, taking into consideration that refits and rents are actually legitimate shares. It paved the way for critical thought that capitalist makes and earn origin as a result of risk taken in a competitive trade market. It is also significant to note that the classical economist is bound to emphasize the economy by adhering to competitive markets without any intervention of state where some of its theories may prove futile due to some integral drawbacks. (Soldatos, 2019).

**Conclusion**

It would not be wrong to say that perfect competition is an idealistic approach that is imposed by the requirement of neoclassical theory, taking into consideration that classical concept of competition is a process of rivalry between firms where market shares are meant for rage fringes of economic timeline. It would be effective to associate realistic approach with the classical conception, because it would be significant to note that under the impact of rivalry, there is a continuous struggle in firms with stress in technologies that could invest fixed capital by increasing the reactivity and reduce unit cost. In a nutshell, it can be asserted that in order to understand the impression of economics in today's age it is necessary to think about economist ideas accompanied by revolutionary theories that can help to reshape the economic structure. Taking into consideration, the two schools of economic thought, it can be asserted that economy is more like a hallmark of development and today. Development is all about competition, the stance of competition is empowered by Gig economy where an individual is the most prominent thing taking into account that it was a ledge of unemployment. Adhering to toady’s technology gig employment has imparted a massive competition starting from traditional freelancing to online platforms where the overall economy of the country is boosted in a highly positive way.

References

Bresser-Pereira, L. C. (2018). Historical models and economic syllogisms. *Journal of Economic Methodology*, *25*(1), 68-82.

Frank, S. D., & Henderson, D. R. (2019). the Competitive Performance. *Competitive Strategy Analysis In The Food System*, 44.

Giocoli, N. (2018). Neither populist nor neoclassical: the classical roots of the competition principle in American antitrust.

Howard, M. (2019) Classical and Marxian Political Economy. *Essays in Honour of RL*.

Popov, E., Krivorotov, V., & Starodubets, N. (2019). Formation of the Company Leadership in the Competitive Strategy. In *Sustainable Leadership for Entrepreneurs and Academics* (pp. 255-262). Springer, Cham.

Soldatos, G. T., & Varelas, E. (2019). Emotional intelligence in a neoclassical framework and the nature of capitalism. *Journal of Economic Studies*, *46*(1), 2-17.