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Competition and Enterprise Behaviour

Hisakazu NISHINO*

This thesis deals with the problem of competition among enterprises. The centre of economic structure under contemporary capitalistic system is a few enterprises in one industry which form an oligopolistic market.

Many economists have attempted to analyze a dynamic mechanism of enterprise. In Japan, there has been a tendency that orthodox economists preferred to take up the theory of enterprise under perfect competition and the study of oligopoly or monopoly was done by Marxian economists in many cases.

Therefore, the concept of oligopoly or monopoly would ordinarily give the following image. The essence of enterprise is closely related to the concept of lower wages, exploitation, cartel, shortage of production, and price rigidity to below. The above-stated view seems to be rather irrelevant because it lacks the recognition of the dynamic aspect of enterprises. That is to say, enterprises, how big they may be, are exposed to a competitive field which is quite unstable and thus the past economic growth and above all the increase of G. N. P. have mainly been achieved as a result of actions taken by them to cope with the dynamic factor.

This paper is written to comprehend the complex phenomenon of the reality in modern competition by abstracting it to the purest stage of competition from various patterns of competition among enterprises, and is based upon the recognition that the process of "creative destruction" by J. A. Schumpeter is the essence of modern capitalism.

First, the following assumptions are set i) The market is duopolistic. ii) The principle of behaviour of enterprises would be based upon profit motives and nothing but them. iii) Consumer would have always a rational mind and seek for the maximal utility under given income. iv) Under certain conditions, "quality" or "efficiency" would be measurable.

The first chapter deals with general views for the theory of duopolistic enterprises represented by Cournot, Edgeworth, Sweegy, and by Stackelberg, for the theory of "joint profits maximization," and for the application of the "theory of games" to duopoly. Among with these views, profit motives of enterprises under competitive situation would be traced.

In the second chapter, first of all, "quality" and "efficiency" are defined. Suppose that the quantity and quality of commodities are both independent variables of consumer's utility function, the Slutsky's equation would be applicable to determine

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the changes of demand caused by quality. As a result of this application, the most preferential surface under given income would be obtained from the three dimensional space of quantity, price and quality.

In the third chapter, maximal utility surfaces of each consumer are added up to draw a demand curve of a market which indicates the indifferentiality about preference and, which is defined as "field" of the commodity. The discussion is done upon the behaviour of "field" which is formed by supplying goods which are slightly different in price and quality. By using this concept of "field," as an intermediary, the mechanism of price and quality competition, which are developed among enterprises, would be also discussed. Finally the trajectories of equilibrium points would be obtained.

The last two chapters of this thesis deal with some simple discussions about the irrational aspects of consumer and advertising activities of enterprise which are closely related to the former aspects and about "field" in the market of intermediate product.