The Content of the Main Concepts of Competition and Industrial Policies Harmonization

Elnara Zainutdinova¹

Abstract

The purpose of this work is the development of conceptual model of competition and industrial policies harmonization, ensuring their complementarity and strengthening with obtaining a synergistic effect.

The scientific definitions of competition policy and industrial policy are specified on the basis of the identified criteria combination in terms of the possibility of harmonization.

The schemes of both approaches interaction are presented: uncoordinated, synchronous, harmonious and assessment of their efficiency on the basis of specific, synchronous and combined indicators of competition and industrial policies.

The conceptual graphic model of the harmonization of competition and industrial policies process is presented. The scientific definition of the category «competition and industrial policies harmonization» as a dynamic, variable process of coordination and synchronization through system of complementary indicators of state measures into one long-term vector aimed at sustainable balanced development of industries based on combination of tools and advantages of both approaches is given.

Keywords: Competitiveness, Competition policy, Industrial policy, Harmonization.

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Introduction

One of the most discussed issues at present continues to remain the problem of ensuring competitiveness on the basis of increasing the efficiency of state economic policy [1-3].

There are two principal approaches of the economy state regulation implementation that historically have been formed. The first of them is based on ensuring economic growth due to increased business activity through the strengthening of competitive principles and is subsequently formed as competition policy. The second approach is to stimulate the national economy by maintaining and creating advantages for the priority sectors of economy and is further formed as industrial policy. As a rule, these approaches were considered as two quite differently directed processes, and often some measures that, it would seem, should lead to positive changes, unfortunately, do not reach the planned goals. Sometimes the resources and efforts aimed at this lead not to positive but to the opposite results. However, given the importance of each approach, the state’s economic policy is always based on finding a reasonable balance between these components [4-7].

In this connection, finding common points of both approaches, scientific substantiation of their synchronous harmonious conduct possibility has an important practical and scientific significance.

The purpose of this work is the development of conceptual model of competition and industrial policies harmonization, ensuring their complementarity and strengthening with obtaining a synergistic effect.

Method

The general scientific methods of theoretical level (generalization, analysis, synthesis, induction, deduction, etc.), private methods of economic sciences (economic analogy, economic interpretation, economic formalization, etc.) and specially developed specific methods were applied in carrying out researches.

To understand the features of the modern interpretation of key categories, the vision of competition and industrial policies is examined, first, by classics of economic thought integrated into the works of modern scientists; secondly, by authoritative economists-theoreticians, the most famous in this field; thirdly, by modern economists who have made a concrete contribution to the development of science and practice in this direction. The main goal of the developed approach, later called as structural-content decomposition, was to disclose and form a range of tasks that competition and industrial policies carry out to identify system-forming criteria, which is why we used it.

Results

Analysis of the teachings of the economic science classics A. Smith, D. Ricardo, A. Marshall in the most cited at the present time works of Russian Scientists N. A. Tsagolov, V. S. Afanasyev, M. Blaug, M. N. Rozbard, N. M. Rozanova, Ya. S. Yadgarov made it possible to identify the six main criteria of competition policy: «antimonopoly regulation», «liberalization and formation of market prices», «rational using and market allocation of resources» (A. Smith, D. Ricardo, A. Marshall); «competition stimulating» (A. Smith, D. Ricardo); «consideration of consumer preferences» (D. Ricardo, A. Marshall); «economic equilibrium» (A. Marshall) [8-16].

As a result of studying the competition policy content in the scientific works of later most authoritative and well-known economists-theoreticians in this field L. Walras, J. Keynes, J. Schumpeter, E. Chamberlin, L. von Mises, F. von Hayek, M. Friedman, M. Porter, we found that they expanded the approaches of classics-economists to the term of «competition policy» [12-27].
According to the content of the competition policy, they basically adhere to the approaches of A. Smith, D. Ricardo, A. Marshall, and the six criteria of competition policy formulated above fully correspond to their judgments. However, E. Chamberlin, L. von Mises, F. von Hayek, and M. Porter in the study of competition policy introduce a new notion – the «competitive advantage» and additionally consider the competition policy as a measure for using and development of competitive advantages of economic objects.

Among modern scientists who made a definite contribution to the development of scientific thought and practice in this field, it should be noted A. G. Granberg, R. A. Fatkhutdinov, E. G. Yasin, D. S. Lvov and others [28-40]. According to the content of the competition policy, they adhere to the approaches of the classical economy of A. Smith, D. Ricardo, A. Marshall and their followers.

Summarizing the approaches of the classics of economics, the later and modern economists, we formulated criteria of the competition policy content. The proposed criteria are systematized in the context of the reviewed authors and the proposed approach (Table 1).

Table 1. The competition policy content

<table>
<thead>
<tr>
<th>Author</th>
<th>Antimonopoly regulation</th>
<th>Competition stimulating</th>
<th>Using and development of competitive advantages</th>
<th>Liberalization and formation of market prices</th>
<th>Rational using and market allocation of resources</th>
<th>Consideration of consumer preferences</th>
<th>Economic equilibrium</th>
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<td>A. Marshall</td>
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<td>M. Porter</td>
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<td>A. G. Granberg</td>
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<td>R. A. Fatkhutdinov</td>
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<td>E. G. Yasin</td>
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<td>D. S. Lvov</td>
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<td>The offered approach</td>
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As a result of theoretical analysis, the following version of clarification of competition policy scientific definition for the purposes of further research was proposed.
Competition policy is a part of the state policy on formation and maintenance of equal conditions for managing economic, financial and entrepreneurial activities through antimonopoly regulation, pricing, using and development of economic-geographical and scientific-technical advantages for the purpose of ensuring dynamic and sustainable development. A similar approach was used to analyze the industrial policy category.

According to the above-mentioned works [8-40], we also studied the approaches of the economic science classics to industrial policy. The founder of classical political economy A. Smith considered the main task of industrial policy to ensure the economic security of the country. He saw the industrial policy as a mechanism for regulating taxes and tariffs. Another representative of the classical economy, A. Marshall, considered industrial policy as a system of strategic measures for state regulation of market.

The most significant contribution to the «industrial policy» notion, in our opinion, was made by J. Keynes and M. Porter. They, along with E. Chamberlin, adhere to A. Marshall’s approaches to industrial policy. J. Keynes, along with L. Walras, in relation to industrial policy also adhere to the approaches of the classic economist A. Smith on the part of the tax and tariff regulation of the economy. In addition, J. Keynes and M. Porter view industrial policy as measures to stimulate investment and priority development of high-tech industries. This opinion is shared by J. Schumpeter, L. von Mises, and F. von Hayek. The most important direction of industrial policy J. Keynes and M. Porter, along with L. von Mises and M. Friedman, consider targeted financing and budget subsidization of economic objects. J. Keynes introduced one more specific direction in the substantive part of industrial policy, related to the development of the industrial potential of the state. The criterion for this direction is formulated by us in the following form: «formation of nationwide economic proportions and structural technological changes of industry».

Among modern scientists, who made a definite contribution to the development of scientific thought and practice in this direction, it should be noted A. G. Granberg, G. B. Kleiner, R. A. Fatkhutdinov, E. G. Yasin, D. S. Lvov, A. G. Aganbegyan, S. Yu. Glazyev, V. V. Radaev et al.

According to the content of industrial policy, they adhere to the classical economy approaches of A. Smith, D. Ricardo, A. Marshall and their followers. However, it is necessary to emphasize the additional direction in the content of industrial policy related to the regulation of prices and providing with the state order of certain economic entities, as pointed out by D. S. Lvov in his works.

As a result of structural-content decomposition, the following table was developed (Table 2).

**Table 2. The industrial policy content**

<table>
<thead>
<tr>
<th>Author</th>
<th>Criteria</th>
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<tbody>
<tr>
<td></td>
<td>System of strategic measures for state regulation of market</td>
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<tr>
<td></td>
<td>Investment stimulation</td>
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<td></td>
<td>Priority stimulation of high-tech industries</td>
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<td></td>
<td>Ensuring economic security of the country</td>
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<td></td>
<td>Regulation of taxes, fees and tariffs</td>
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<td></td>
<td>Sustainable development of regions</td>
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<td></td>
<td>Targeted budget subsidies</td>
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<td></td>
<td>Optimal specialization</td>
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<td></td>
<td>Formation of nationwide economic proportions and structural technological changes of industry</td>
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<td></td>
<td>State orders</td>
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<td></td>
<td>Price regulation</td>
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<tr>
<td><strong>A. Smith</strong></td>
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<td><strong>D. Ricardo</strong></td>
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<td><strong>A. Marshall</strong></td>
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</table>
Proceeding from the task in view, on the basis of analysis, generalized and systematized criteria, a new combined version of specification of the «industrial policy» scientific definition is formulated.

Industrial policy is a system of strategic state measures of the appropriate instruments aimed at the formation of nationwide economic proportions and sustainable growth based on stimulating the development of priority sectors of the economy and high-tech industries, optimal specialization through state orders, targeted investments and financing, regulation of prices, taxes and tariffs to ensure country economic security.

Analysis of considered criteria and definitions of competition policy (CP) and industrial policy (IP) allowed us to highlight the following interesting features.

On the one hand, each of them (CP, IP) has its own field of tasks and a set of implementation tools that can be subdivided into territorial-geographical levels, economic activities \((EA_{CP1}, EA_{CP2}, ..., EA_{CPz}, EA_{IP1}, EA_{IP2}, ..., EA_{IPb})\), industries \((Ind_{CP1}, Ind_{CP2}, ..., Ind_{CPz}, Ind_{IP1}, Ind_{IP2}, ..., Ind_{IPb})\).

For example, in territorial-geographical plan, the state industrial policy can be carried out at the country level (macro-level) and at the territorial level (meso-level). The sphere of competition policy implementation in territorial-geographical terms extends from the micro level (enterprises, organizations, primary economic unit) to the international level (mega-level). If considered in the context of industries, it should be noted that there are those that are only influenced by industrial policy. These include areas related to the country’s defense capabilities and strategic objectives (for example, the defense industry complex, nuclear power, and the space industry). There are areas of proposals, where mainly only competition policy, for example, trade, services extend.

On the other hand, both the competition policy and the industrial one can be synchronously and harmoniously carried out \((CP+IP)\) at different levels by economic activities \((EA_{(CP+IP)1}, EA_{(CP+IP)2}, ..., EA_{(CP+IP)h})\) and in production industries \((Ind_{(CP+IP)1}, Ind_{(CP+IP)2}, ..., Ind_{(CP+IP)k})\), ensuring the maintenance of the life quality, incomes, population health and simultaneously affecting production and social issues.
The performed analysis allows us to classify the interaction schemes of competition and industrial policies (Figure 1).

**Figure 1. Schemes of interaction between competition and industrial policies**

- **a) uncoordinated**
  - Specific indicators of competition policy
  - Specific indicators of industrial policy

- **b) synchronous**
  - Common synchronous indicators of competition and industrial policies

- **c) harmonious**
  - Common combined indicators of competition and industrial policies

The first scheme – both policies are carried out without coordination in different directions (Figure 1a). The effect of conducting them in each direction will be evaluated by specific indicators of the effectiveness of competition and industrial policies. At the same time, resources and efforts aimed at positive changes often lead not to positive, but to the opposite results.

The second scheme – both policies are carried out synchronously, i.e. parallel and in one direction, but one of the politicians always acts as the leading link, while the second accompanies the first and is the slave (Figure 1b). There are two options here: first, when the competition policy is leading, the second – the industrial policy leading. The effect from their carrying out will be estimated by synchronous indicators of efficiency of competition and industrial policies. In the synchronous implementation of competition and industrial policies, we do not get the desired synergistic effect, and often some measures
that seem to be quite correct to lead to positive changes, unfortunately, do not achieve the planned goals, while solving their individual tasks.

The third scheme – competition policy and industrial policy are carried out synchronously and harmoniously, i.e. parallel and in the same direction (Figure 1c). At the same time, they both fully use their capabilities and efforts into a single long vector, aimed at obtaining a synergistic effect. The result of their conduct will be evaluated by the totality of synchronous and combined indicators of the effectiveness of both policies.

Based on the made structural-content decomposition of competition and industrial policies categories, analysis and classification of the ways their interaction, we propose a conceptual model of the process of their harmonization (Figure 2).

![Figure 2](image.png)

**Figure 2.** Scheme of the conceptual model of competition and industrial policies harmonization process

From the point of view of the conceptual apparatus, the category of «competition and industrial policies harmonization» includes the notion of «synchronization». In the general case, the concept of «harmonization» implies the mutual agreement of heterogeneous and even sometimes opposing (conflict) elements. The concept of «synchronization» involves carrying out two or more processes in a certain order and at the same time.

**Conclusion**

Thus, on the basis of the presented model, for the purpose of our research, under the «competition and industrial policies harmonization» is understood as a dynamic, variable process of coordination and synchronization through system of complementary indicators of state measures into one long-term vector
aimed at sustainable balanced development of industries based on combination of tools and advantages of both approaches is given.

The problem of effective and balanced economic policy has always been the basis of research of scientists and practitioners of different generations and therefore has a sufficiently developed scientific basis. To understand the peculiarities of the modern interpretation of key categories, the vision of competition and industrial policies by different generations of scientists was examined on the basis of the developed approach, later called as a structural-content decomposition, as a result of which the system-forming criteria of competition policy and industrial policy were identified.

Based on the analysis, generalized and systematized criteria, for the purposes of further research, new combined options for clarifying the scientific definitions of competition policy and industrial policy are formulated.

Possible variants of interaction between competition and industrial policies are presented: uncoordinated, synchronous and harmonious, on the basis of which a conceptual model of the process of competition and industrial policies harmonization has been developed, suggesting their mutual coordination as heterogeneous and opposite elements in a single vector.

Acknowledgement

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Footnotes


References


