

# New Understanding of Law of Supply and Demand and Perfect Economic Competition for Effective Economic Growth and Political Systems

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## Abstract

With the application of the laws of physics in economics and correcting some of the classical theoretical visions of perfect economic competition, the paper explores the possibilities of applying the results obtained in the practice of the global market and political relations. In the work, using the laws of physics, advanced technologies of medicine and other science-intensive branches of the economy, the objective laws of the market are investigated and, on this basis, conclusions are drawn to improve political relations in the modern tense world. For so needed fast effective economic growth to long strategic future, presented article researches comprehension of supply-demand and perfect competition since classical economic theory and shows, that countries with a two-party public policy system are more justice and efficient economically in international relations, than countries with one or much more than 2 parties. In re-thinking the modern clash of civilizations, the study used multifactorial methods of economic extrapolation and elements of analysis from physics and mathematics. Logically, work's argumentations prove, that maximally productive perfect competition can operate only by possibly equal natural two poles of the market and not under the endless growth of competitors. The different models of a progressive two-party political system act in the United States and other some modern large countries, but those undemocratic imperial countries which have turned into dictatorships or chaotic conglomerations and ignored interests of also needed for progress small countries have disappeared from political life.

## Keywords

Economic Growth, Economic Competition, Political System, Efficiency,

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 Business Concentration
 

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## 1. Introduction

After the global pandemic, the world is very tense in economic and political terms, and I believe that it is especially necessary to delve deeply into the objective laws of the market in order to improve living conditions and political freedoms of a human.

To contain military conflicts and gluttony of some politicians, I came to the conclusion that demand should not always generate supply (Lordkipanidze, 2023), and if a person really wants something, this does not mean that it is useful to him and it should cost more. This issue has become very acute and I am conducting continuous research to study it.

According to our approximate calculations (Table 1), Law of Supply and Demand acts in 22% of cases, 33% require essential regulations for moderation of demand and in 35% of cases this Law never works.

As we know about goals of different theoretical models of economics, we should think more about problems of hegemony and inequality (Bowles & Edwards, 1990) and generalize Marxian, institutional and Keynesian views to more and more effective modern capitalism (Kim, 2018).

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With a careful study of Adam Smith's views on foundations of free competition, in my long life experience of classical theoretical studies and institutional practical activities, I have collected as well all possible useful grains from both Keynes and Marx and formulated my conceptual approach for understanding perfect competition—free from polar incompatibility and based on optimal time-tested provisions for better equity and justice.

The role of economic competition as invisible hand of own interest was brilliantly appreciated by Adam Smith in His genius writings (Smith, 2006: p. 165; 2007: p. 349), which is especially valuable in modern conditions (Majaski, 2023)

**Table 1.** Actions of law of supply and demand.

<b>N</b>	<b>Cases</b>	<b>Cases, %</b>
1	Law acts always	22
2	Law requires essential regulations	33
3	Law does not act never	35

Source: Author's estimates by 6750 cases of the global economy, before and after the defense of doctoral dissertation according to specialty of world economy and international economic relations (1993-2023).

and we will not waste Your precious time on further interpretation of this role for the free market.

Now we want to make very briefly scientific arguments for the new political economy understanding of perfect competition, because this can affect the successful protection of much-needed free competition and honest entrepreneurs.

## **2. Why Shouldn't We Focus on a Large Number of Competitors in Local Homogeneous Markets and Political Systems?**

As news for economic theory, since the beginning of the 21<sup>st</sup> century, I have been using some laws of physics to a better estimation and understanding of economic processes and compared the competitive field of entrepreneurs with the balance of electrons and protons in the atom with calculations by my new combination of terms "force of economic competition" (Lordkipanidze, 2021). I believe that the excessive growth of competitors makes the market more inefficiently strained and, hence, maximally effective perfect competition operates only under convenient and fair conditions of possibly equal natural two poles of the market. On the other hand, an efficient economy significantly determines the fruitful functioning of the political system.

According to above mentioned the force of competition, which I calculate from the similarity of the strength of the electric current by voltage and resistance, effect of competition force is stronger if the number of competitors grows to a certain level, but this force is reduced if unscrupulous monopolists grow. My understanding of competition and calculations of the integral force of competition showed, that a large number of competitors, as with a short circuit in electric current, can cause a large influx of excess in the economy, consequently, major losses and economic depression. To this, with a race to a large number of competitors, state macroeconomic structures accidentally can interfere to honest large businessmen and open the way for dangerous external hidden monopolies.

Global online encyclopedia saw my understanding of competition (Lordkipanidze, 2022), but some authors are still focused on the paramount role of a huge number (Gordon, 2022) of buyers and sellers. Despite disagreements, I am more and more convinced, that I was right in the bipolar model economic competition like true example of possibly honest and optimally effective American political system (Lordkipanidze, 2023).

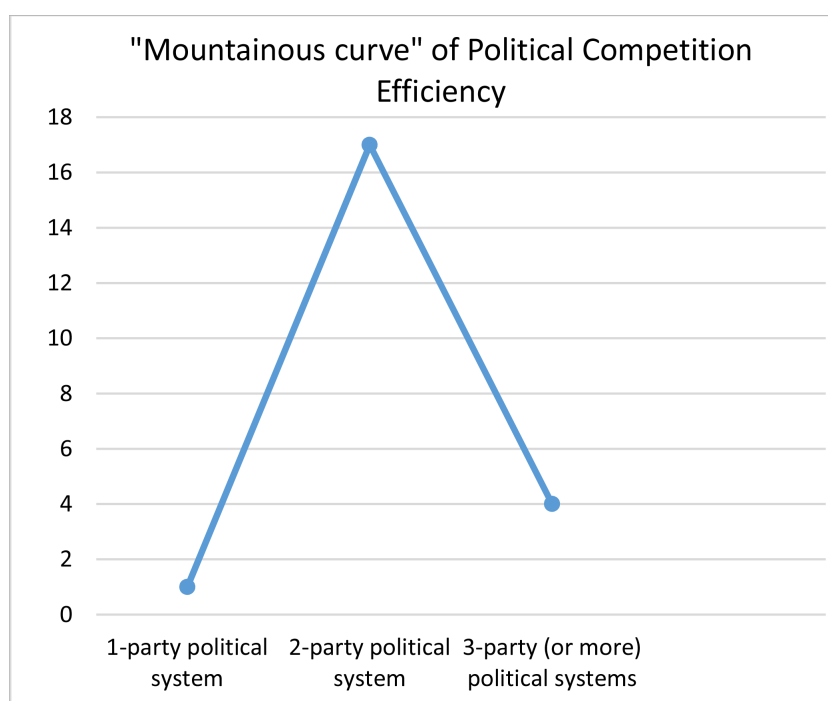
Grouping of countries according to the number of parties in the political system (Table 2), clearly showed as well, that countries with a two-party system are more than 4 times more efficient in the economy, than countries with 3 or more parties and approximately 17 times more efficient than countries with one party.

The best bipolarity (two-party political system), of course, implies the deepening of intra-party competition and the presence of different opinions within the party.

Interesting results were shown by calculations of the effectiveness of the concentration of business objects on the example of the Georgian economy for 1993-2023 (Table 3). Competitive economic environment requires not only numerous small businesses: medium and large businesses are as well highly effective.

**Table 2.** Efficiency of political parties competition in 1923-2023.

Object of observation	Efficiency (GDP per capita)
Countries with one-party political system	1
Countries with two-party political system	17
Countries with political systems of three or more parties	4



Sources:

<https://www.imf.org/external/datamapper/NGDPDPC@WEO/OEMDC/ADVEC/WEOWORLD> and author's retrospective observations by Delphi method (Dalkey & Helmer, 1963) with approximations after conversation-surveys (Zak, 2013).

**Table 3.** Efficiency of Georgia economy's selected business objects' concentration in 1993-2023.

Concentration of Business by Number of Employees	Productivity Level
Small Business	1
Medium Business	1.02
Large Business	1.03

Sources: Author's extrapolations using official data from Statistics Office of Georgia <https://www.geostat.ge/en/modules/categories/195/business-statistics>.

Logical reasoning led me to the natural necessity of both small and larger enterprises, which is also confirmed by the statistics of their actual equivalence in the productivity of productions and services. The same can be said about the importance of large countries with known economies of scale, and small countries are particularly distinguished by their high efficiency and ability to quickly change economic policy priorities in the crises of natural cycles of economic downturns.

The macroeconomics of each country is subject to some regulation, but the world economy is as free as possible and in such free conditions, two poles always appear in the core of competition. In the history of mankind, we remember the varieties of competition between Western and Eastern countries with a variable advantage. In recent history, we remember the competition between the USA and the USSR, and now we are witnessing the competition between the USA and China (**Table 4**). Free competition leads to the progress of mankind, but this competition must not develop into a war that leads to serious casualties and the poor.

Apart from such a great country as America, the original different models of a progressive two-party political system are in the European Union and the United Kingdom, but as we know from history, those really undemocratic imperial countries that ignored the interests of small countries have disappeared from Political Map of the World.

The pioneers of American democracy were naturally unaware of my bipolar model of competition, but the correctness of their two-party system was confirmed by time, including during the recently ended pandemic, when American democracy set an example of humanism and quick solutions to the most dangerous global medical problems.

### 3. Conclusion

Progressive large countries, where conditions of bipolar perfect competition are created, have an invaluable role in protecting the world peace and large-scale organization for the creation of innovative technologies, including vital medicine.

As we know, some authors (Wang, 2013; Bourguignon, 2012) dispute the role of economics as a science, for example, especially its macroeconomic sphere,

**Table 4.** Competition in core of modern global economy.

Country	GDP, current prices, billions of dollars, to 2023
United States	26.19
China	19.24

Source:

<https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD/GAB>.

since economists' forecasts often do not come true. This is complete absurdity. Just as science can make mistakes in forecasting the weather, mistakes are possible in everything and in all sciences, but the fact, that economic science makes epochal conclusions for reasonable systemic public political decisions and practical projects of an applied nature, in my opinion, is hard to argue.

Our long research, in my opinion, has led us to the very important conclusion that a correct assessment and understanding of perfect competition can ensure the most adequate protection of the free market and the creation of an effective bipolar basis for the functioning of political institutions with the prosperity of all states.

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## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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