

## Evolution, Structure and Strategy

G B Richardson

*The Question Summarised*

The matter considered in this paper can be briefly stated. Economists, notably Nelson and Winter, have described how competitive selection, by favouring the expansion of the more successful firms, shapes economic development in an evolutionary fashion. I shall endeavour to establish how market structures and business strategy affect the efficiency of this process. We are interested in evolutionary change not merely in order to find out how things happen; we wish also to know under what conditions such change is most likely to promote an efficient use of resources. Our interest, that is to say, has a normative as well as a positive dimension.

This important question, it seems to me, has not received proper attention. The theorist commonly appraises alternative market structures according to properties of the *equilibria* with which they are deemed to be associated, thus side-stepping their effects, with which I shall be concerned, on the *process* of competitive selection. The man in the street usually takes the view - if only implicitly - that selection will be most efficient when competition is at its most intense, but without giving clear meaning either to the efficiency of selection or the intensity of competition. I hope to provide an analysis that will go some way to remedy what I see as these deficiencies. <sup>1</sup>

---

<sup>1</sup> I regret being unable to furnish the reader with a full list of bibliographical references, the provision of which has now become customary. Perhaps I can plead, in extenuation, the fact that, having ceased to be a professional economist some thirty years ago, I have found it difficult to keep up with the literature. Furthermore, and despite the associated hazards, I find it difficult to work other than in conformity with the natural bent of my mind, this being to ponder at length on the phenomena, at the cost of failing to read all that has been written about them. I should like to mention, however, by way of exception, Brian Loasby's *Knowledge, Institutions and Evolution in Economics*, Routledge, 1999, which offers an analysis which is both learned and profound.