their cars. Again, everybody else in the industry followed suit. I am sure General Motors would argue, as the banks did, that that showed we have a competitive society in which everybody responds to the market forces. That is one interpretation. I think a more realistic interpretation is that in every industry, particularly industries characterized by large firms, there is a price leader, and it is not market forces which firms are responding to but the price leadership of the largest, strongest firm. Whichever way that firm goes is a signal for all the rest of them to go in the same direction. Anything else is suicidal. Who wants to pick a fight with General Motors? I do not think there is any firm in the automobile industry prepared to do that. The others don't mind nibbling around the edges to get an advantage here or there, but they know that when a firm reaches the size of General Motors, you don't fight it any more; you co-operate with it.

Sometimes it seems as though General Motors have a policy of keeping their competitors alive. I often wonder why, with their strength, they do not drive every other manufacturer out of the field. They have such a large share of the market that they could drive every other manufacturer out of the field. But if they did that they would then become a monopoly, and being the only one remaining in the field they would be subject to government regulation. It is much better for them to allow a few competitors to exist with lower profit margins, in order to enable them to take higher profits that they would not get if they were regulated by government.

I can recall one instance before the 1966 joint parliamentary committee on consumer prices when we had a clear example of companies behaving in this way in order to keep a competitor alive. As I recall the case, it had to do with a leading manufacturer of baby foods in Canada. It was a branch of a multinational corporation with its parent organization in the United States. It had 80 per cent of the market, and its only competitor was in danger of going broke. The competitor had been losing its share of the market year by year and finally was looking at a loss situation. Then came the introduction of glass jars to take the place of cans. Up to that point baby food in Canada had been marketed in cans, but when glass jars arrived consumers showed an obvious preference for them. The weak competitor went into glass jars, but it took it three years to reach the break-even point when using them. During that time its larger competitor would not touch glass jars.

We asked the larger competitor, "Didn't you know that the public was in favour of glass jars? Didn't your parent company in the United States, which has been in glass jars for year, tell you this was the direction the industry was going?" The answer was, "We really did not know. The American company did not tell us anything about its operations, about which way it was going and what was its experience." We can believe that if we wish, Mr. Speaker, but what is more believable is that this company deliberately kept its competitor alive rather than run the risk of arriving at a monopoly situation and coming under government scrutiny.

As I say, very often an oligopoly situation is desired by large corporations because the public thinks it is protected when there is a smaller competitor visible. But in truth there is no competition and the larger companies are free to raise their prices in a market largely of their own making. In the particular case I cited, the competitor did not have any market in the maritime provinces or British Columbia.

[Mr. Saltsman.]

● (2030)

Do hon. members think that the person with 20 per cent of the market, who can hardly stay alive, is going to enter into a price war with a giant who has 80 per cent of the market, who is making tremendous profits and can hold out indefinitely? I do not think so. This is why it seems to me that a bill calling for the market to behave in a way that the market has no intention of behaving, and when you have no way of even demonstrating that there has been any collusion or conspiracy, is doomed to fail. That, I think, is a general defect of combines legislation. It takes us off guard; it pretends we are getting some protection, when in fact we are leaving the market wide open to the rapacious and the powerful to do as they please.

When we talk about competition I think we must realize that in many areas of our society competition is no longer practiced. In some cases it may no longer be possible to practice competition, and in some cases it may not even be desirable. I should explain what I mean by that. When we talk about foreign ownership, we generally take the position that the problem with foreign ownership arises from the fact that American capitalists are running a company, rather than Canadian capitalists. On very few occasions do we ever examine the real problem. We know that sometimes the problem is a question of extraterritoriality, that American directors are subject to American law. But usually the problem is that when American corporations set up branch plants in Canada, they virtually destroy our ability to be productive and competitive and enable the manufacturing industry in Canada to exist only because of tariff protection or because lower wages are paid.

The chief problem with foreign ownership is that it has virtually wrecked our manufacturing industry sector of the economy. That is not true of raw materials because these have to be sold on the world market and have to be competitive. But the domestic market is protected by tariffs. Analysis of the manufacturing industry in Canada shows that we employ 30 per cent more capital per worker and end up with 30 per cent less production because of the Dinky toy structure we inherited from the Americans. An example is the refrigerator industry. A country the size of Canada could probably tolerate two refrigerator companies, but we had 14 at one time, the same number as the United States. We had a situation, Mr. Speaker, where Americans in Canada imposed a pattern of production on this country identical to that of the United States. It might have made sense with a market 11 times the size of ours, but it made no sense in the Canadian economy. If you want to find efficient industries in Canada, sometimes you have to look at those industries which remain under Canadian ownership, like steel and cement, because they were able to adapt to our market rather than having imposed upon them an American pattern.

This is a clear example of where competition has worked to the tremendous detriment of our society and has contributed to a lower standard of living than we might have had. You may say it has given us more product variety—