

### Food Prices

economics at the University of Chicago, elaborates as follows:

When Adam Smith wrote "The Wealth of Nations," there was no doubt in the mind of anyone that monopolies were the result of governmental power. Few felt they could flourish absent government support . . . They were difficult to maintain despite the use of governmental power. Competition kept breaking out in spite of governmental attempts to suppress it. . . .

The very word monopoly was . . . a label for a special privilege granted by the monarch—the privilege of being the sole supplier of some commodity or service. The royal grant of a monopoly was usually made to the subject of a monarch who, for some reason, the monarch felt deserved enrichment, and it was cheaper for the monarch to award such a privilege than to make a direct grant from the royal purse.

Crucial to the understanding of monopoly is the realization that monopoly has nothing at all to do with the number of firms operating in an industry. It has to do with whether or not the government is restricting competition. Sometimes there is only one firm in an industry simply because that firm is more efficient than any potential competitor and continues to offer consumers lower prices than any potential competitor thinks he can match. This situation is not a monopoly because the government is not restricting anyone from entering the industry and competing with the existing firm. Anyone who is willing to bet his capital that he can operate more efficiently than the existing firm is free to try. In contrast, although there are 363 licensed taxi cabs in the city of Vancouver, there is a taxi monopoly. It is a monopoly shared by the owners of the 363 taxi cab licences, because the city government will not issue any more licences. These monopoly profits are now so high that taxi cab licences recently changed hands at \$30,000 each.

Some time ago this federal government introduced a so-called competition act which, it said, would bring greater competition and thus benefit consumers. If a private enterprise were to make a statement as outrageously false about one of its products, all its directors would go to jail. The competition act would not have repealed the Vancouver taxi monopoly or any other monopoly anywhere in Canada. If passed, however, it would have given the government arbitrary powers for which there is no place in a society supposedly governed by the rule of law, arbitrary powers to enable the government to restrict competition on behalf of its friends.

● (2150)

It is interesting to note that the legislation which creates monopolies in the food industry, the Farm Products Marketing Agencies Act, specifically exempts these monopolies from the Combines Investigation Act. What is the combines law for, if the government is going to suspend its operation every time it wants to create a monopoly for some of its friends? One of the arguments that the government presented on behalf of its so-called competition act was that the present combines laws were inadequate. But it is obvious that any inadequacy lies simply in the failure of the government to respect the law. Of course, even if the government's so-called competition act had been passed by parliament, it would have had no more effect on these food monopolies than on any other monopolies.

[Mr. Clarke (Vancouver Quadra).]

In May, 1971, the Consumers Association of Canada presented a brief against the establishment of marketing boards. They said:

From the point of view of consumers it is dangerous legislation which allows such sweeping power over a total industry to rest in the hands of a small group of people however selected, and however well intentioned . . .

That a producer-controlled agency which has sought national marketing legislation because of an inability to successfully manage its own production capacity could be given control over other sectors of the food industry . . . is to consumers a horrifying prospect . . .

When, however, a national marketing body, able to control all supplies of a commodity, is exempted from the provisions of the combines act, the consumer . . . is powerless to protect himself except through the time-consuming and very unsatisfactory political process. This is a situation which cannot be tolerated.

But the government ignored consumers and went ahead to grant monopolies over the supply of food. I agree with the Consumers Association of Canada that this is a situation which cannot be tolerated. The government is exploiting defenceless consumers of food in an attempt to get the vote of those inefficient farmers who want to be protected from competition.

According to an article in the Vancouver *Sun* of March 3, 1971, Gordon Hill, president of the Ontario Federation of Agriculture, called for greater controls on Canadian farm production and marketing. He said:

Cut-throat competition just doesn't work. It's murder on profits.

I think he was referring to effective competition. Effective competition is indeed murder on profits. It's supposed to be. It is the purpose of effective competition to ensure that producers earn their profits by providing consumers with the best products at the lowest attainable price. Free enterprise does not guarantee anybody a profit. Socialism and other monopoly systems provide unearned incomes to the friends of the government, but free enterprise certainly does not.

Whenever the government interferes with people's freedom to compete in a free market, it favours one group—inefficient producers—at the expense of two groups: consumers and efficient producers. Inefficient farmers claim that they want marketing boards as a means of smoothing out price fluctuations. But planning production so as to smooth out price fluctuations is a task that is performed by the competent, competitive farmers themselves. What the inefficient farmers really want is a quota system of allocating production so that they can be protected from the consumer, who buys the best product at the lowest price and who has no interest in supporting hobby farmers.

Now, there is nothing wrong with hobby farming, any more than there is anything wrong with yachting. Some people get their pleasure out of yachting, while others prefer hobby farming. The consumer rightly objects, though, when called upon because of a quota system, to subsidize the hobby farmer. Why should the government, by restricting competition, force the consumer to subsidize the hobby farmer any more than the yachtsman?

Sometimes we hear the hobby farmers say that they want a fair price or a fair rate of return. But there is no such thing as a fair price or a fair rate of return to the farmer or to all farmers. The more efficient farmer will