

out, because usually the person who puts in a low tender is the one who says, "I haven't much work to do, but I want to keep my gang working. I will bid a low price and hope that later there will be a contract on which I can make money." Unfortunately, Mr. Speaker, he loses money on the contract and cannot continue in business. The firms which make money are those which bid for the large contracts of \$15 million or \$20 million, but these firms are limited in number and they divide the contract among themselves. The same thing applies to gasoline companies.

The hon. member spoke about mergers. If I may deal with that matter for a moment, I would point out that this whole situation has been mixed up with economic nationalism. Originally, mergers were attempts by a company or a group of companies to get control of subsidiary industries which would help them in their manufacturing or sales. It was a good type of promotion. For example, York Air Conditioning or one of the other large corporations acquired control over its suppliers in order to make sure it had an adequate supply of materials and in order to become more efficient.

Mergers are not made for reasons of efficiency; they are made merely for the purposes of the stock market. A company will acquire another company, not because the second company will be of assistance in its activities but because it might have cash reserves. It might have a good sales record in the market; it might have a loss position which could be used by the purchasing company. It is required in order to enhance the shares of the first company.

If the hon. member traces the history of some mergers, he will find that usually they are done on the basis of a group of individuals, "con" artists, getting control of a company. Using the shares, or future shares of the company they have acquired, they acquire yet another company by the transfer of shares and some money. But the new merger requires still another merger with other companies. As they acquire more companies they keep adding to their financial statement as though, indeed, the assets of their great megalopolis were going up. Though they transfer shares back and forth and make a few million dollars on them, eventually the large monopoly finds itself in the position where it cannot pay dividends and naturally the market, in its shares, plummets to the bottom. This is the history of mergers entered into without common sense being applied.

The hon. member talked about competition policy. As I have said, Mr. Speaker, there is no real competition. The days have gone when a small manufacturer could compete against a large manufacturer. The days have gone when someone could start a plant with two or three workmen, eventually get a larger share of the market and expand. Now if he becomes a threat to a large company, he is put out of business in about five minutes or his company is simply acquired. One can no longer produce for the small market. You have to produce for the mass market, and that requires an investment of millions of dollars. How many small entrepreneurs have a few million dollars kicking around in their pockets? There are very few. Instead, you have the large corpora-

tions, working fairly efficiently, having almost a monopoly of the market between four or five firms and tolerating small entrepreneurs on the periphery of the market who in turn will supply some good ideas and give the semblance of competition.

Sales are no longer controlled by the consuming purchaser. There is a presumption by the Economic Council and others that it is the purchaser who says, "I want that product. I have this much money. The product is good. This is the thing I want, and I will buy it." The presumption is made that this is a rational decision on the part of the buyer, but that is nonsense. The decisions that supposedly are made by the consumer are in fact made by the producer. The producer knows that he is going to produce so many millions of a certain article, depending upon what his market research has shown. Then he says, "I will spend so many millions of dollars on promotion and I will convince the consumer that he needs my product." As a result, you do not have a free market of any kind; you have the producer, who influences the consumer, who buys the product.

Competition between large corporations depends upon the success of their advertising promotions. This fact has been well documented in the financial pages of the *Wall Street Journal* and other publications. For example, there was trouble in the automotive market within the last few years because money was a little scarce. It was presumed that the automotive manufacturers would get very panicky because their cars were not selling; there was not much money around and people were not buying new cars. Mr. Speaker, that did not faze the manufacturers in any way whatsoever. The manufacturers had made their plans and knew how many cars would be sold in five years, because they had already convinced the American and Canadian public that every individual must have a new car every two or three years.

In between, when this recession cycle came into play, all the manufacturers did was switch the emphasis to the automotive dealer. To him they said, "For the next year or two we will let you make some money on repairs." As we know, each dealer is expected to have a repair section attached to his dealership. For the past two or three years the automobile dealer has been making money on repairs. Now, with the promotion back on new cars, he will be into that market again. The result is that the car manufacturer is not hurt.

Even if these papers were produced, Mr. Speaker, the hon. member would derive no benefit from them because they are based on an assumption that competition exists, that there are small firms competing with the big firms and that it is the consumer who finally makes the decision. I hope I have explained to the hon. member some of the fallacies upon which he would find these papers had been based, and therefore will see that their production is not important.

**Mr. D. Gordon Blair (Grenville-Carleton):** Mr. Speaker, this motion gives us an opportunity to consider two important aspects of our public policies. The points that occur to me as being important are, first, the operations of the Economic Council of Canada and, second, the questions of competition policy raised by the report of