

in all, this will in the long run enforce behaviour very similar to the perfectly competitive pattern.

Part of the nose counting theory of competition is the notion of oligopoly. Oligopoly occurs if, within the boundaries of one arbitrarily defined industry only a few noses, fewer than about a dozen, I understand are counted. Of course, it is always possible to define an industry sufficiently narrowly as to ensure that nose counting yields oligopoly. For example, let us consider the market for all beverages, then for all wines, all white wines, all Sauternes, and, finally, all wine from the grapes grown from one particular hill. If we define the industry sufficiently narrowly we can find, from the standpoint of the orthodox nose counting theory, not only oligopoly but even monopoly wherever we want to look for it. The concept of oligopoly is nonsensical, and unfortunately it is confusing to many people. It completely misses the point that whether or not competition exists depends not on the number of noses counted but on whether or not the government is preventing entrepreneurs from competing. Businessmen themselves have no legal power to exclude competitors. Only government has that power.

One day I heard a story about a city in which four manufacturers were turning out a certain product. A fifth competitor entered and began production. According to the story, the four established firms, being wicked oligopolists, cut prices by 25 per cent and bankrupted the new firm. Then, they raised their prices to the previous level. This was supposed to prove that oligopolists can restrict entry to an industry. In fact, it proved nothing of the sort. It simply showed that the new competitor was pretty stupid to think he could add his production to what the others were already supplying to the market and not see a fall in price. He was ignorant of the laws of supply and demand, and he failed to weather the storm, having failed to supply his firm with adequate capital. Perhaps he deserved to go bankrupt, for his incompetence. In a free economy we say we are happy to see the efficient prosper. But then, we must also be happy to see the inefficient fail, and the sooner the better, so that the natural resources, labour, and capital controlled by the inefficient may be released for more productive use, by the efficient, to the general betterment of the people.

Advocates of the notion of oligopoly also tell stories about businessmen sitting around in their clubs, fixing prices and dividing markets. Perhaps some businessmen try to do just that, but is there any evidence that they are successful? I do not think so. Such agreements are not contractual. It is in the interest of each participant to secretly undercut his partners as soon as he is out of the door. And the evidence is that he does just that.

Again, I refer hon. members to Armentano's book, especially the parts dealing with the famous electrical equipment price-fixing conspiracy case, in which the conspiracies never worked, never succeeded in raising prices, because the conspirators undercut each other as soon as they had finished promising each other to fix prices.

On this subject, Hutt wrote in his 1973 book, "The Strike-Threat System":

The truth seems to be that effective tacit collusion cannot be imagined as having more than a negligible effect. Collusive exploitation requires quotas, with sanctions for their enforcement; or else suf-

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ficiently attractive prospects of a certain share of the market will have to be assured for every voluntary participant. But can we conceive of any substitute for the quota or the prospective market share inducement under simple tacit abstention from competition? Just think of what we must postulate. The low-cost firms (probably the most efficient) must judge it to be profitable to sacrifice prospects of a growing share of the market and spontaneously protect the high-cost firms (probably the less efficient). While this is conceivable when the risk of misconceived anti-trust proceedings is the alternative, or under iron-clad cartel contracts, it is hardly conceivable in their absence. In general, the advantage to the low-cost entrepreneurs of passing on to consumers the economies of their relative efficiency will outweigh all other considerations.

Experience seems to teach that the effectiveness of collusive restrictionism has required not only reliance on quotas but the ability to discipline participants; and a system of policing has often been felt to be essential for successful exploitation.

That is why the government had to equip the farm marketing board monopolies with strong policing power in order to maintain the monopolies; they could not have survived otherwise.

Some advocates of the theory of oligopoly produce great quantities of statistical evidence, including published price lists, to support their case. Everybody knows it is foolish to accept statistics as proof of anything, because statistics can be found to support practically any theory. A theory is right or wrong not on the basis of how many pounds of statistics can be accumulated for or against it but on the basis of its inherent logic or lack thereof. Anyway, it should be pointed out that statistics based on published price lists are no indication at all of the actual prices at which deals are made. Anyone who has ever bargained for a discount when buying a car knows that.

Perhaps what I have been saying appears to be quite new and radical to many hon. members. In the limited time available to me I have not been able to explain these new and radical ideas as fully as they are explained in the books I have mentioned, books I commend to all hon. members.

● (1740)

It seems that the government thinks highly of the American anti-trust system, especially the considerable arbitrary power in the hands of the Federal Trade Commission. It seems that this fondness for arbitrary power is the trademark of the present government. We have seen in the United States one result of the concentration of arbitrary power in a few hands—the Watergate affair. I do not want to see anything like that in Canada, but already we see arbitrary power in the hands of bureaucracies, such as the income tax department and now, thanks to this government and its Foreign Investment Review Act, in the hands of politicians.

It has been argued that anti-monopoly policy should be conducted not through the rule of law, the application of clearly written laws through the ordinary courts, but through the arbitrary power of a Restrictive Trade Practices Commission, a body very similar to the United States Federal Trade Commission. It is argued that the judges in the ordinary courts are not sufficiently expert in economics to be able to act as wisely as a commission of experts. This argument strikes at the very heart of what we have left of our liberty, the rule of law.