... just keeps on rising

Photo by Ken De Freitas

re in the married students Co-op carefully select and purchase their groceries. by rising prices and sometimes less than nutritious food.

Photo by Ken De Freitas

The Basford Report on Concentration in Industry shows a higher level of concentration exists in Canadian manufacturing than in the United States with the 100 largest corporations operating 1,263 establishments in 114 industries and accounting for 42 percent of total manufacturing sales. The remainder of manufacturing sales are distributed among 32,000 establishments, many that are only single plants.

The Grey Report on Direct Foreign Investment in Canada revealed that in 1967 non-resident control of manufacturing was estimated at 57 percent and that 80 percent of that was controlled by Americans. Strangely enough the federal government considers any company operating in Canada to be Canadian. A strange situation, but if they did not so rule, over one-half of the so-called Canadian businesses that attended the Peking Trade Fair would have not been allowed in by the Chinese.

Just what does such a high level of concentration mean for the average Canadian?

"Economic theory and actual experience suggest that the level of concentration is an important determinant of market behaviours. Other things being equal, the smaller the number of leading firms which account for a large proportion of an industry's output, the more likely it is for the monopolistic practices to prevail." (Basford Report)

And prevail the monopolies do.

Companies used to talk about "cornering the market". In many cases the mythical market has been cornered, hog-tied, branded, butchered, and sold for immense profit. A monopoly has the uncanny sense to know that it can control prices and profits by the sheer fact that a monopoly means there is no real competition to the company's power.

But perhaps monopoly is not quite the correct description for the situation because one company does not yet control all sales. What has developed is price-fixing or what is otherwise euphmistically referred to as "price-leadership". Price-fixing or "price-leadership" does not mean that prices will not change; it simply means that profits and prices will have a tendency to rise, regardless of cost factors in the industry. Baron and Sweezy explain this feature of "price-leadership" is an oligopolic situation.

"In the pure monopoly case, prices move upward or downward with equal ease, in response to changing conditions depending entirely on whether a hike or a cut will improve the profit position. In oligopoly this is no longer quite the case. If one seller raises his price, this cannot possibly be interpreted as an aggressive move. The worst that can happen to him is that the others will stand pat and he will have to rescind (or accept a smaller share of the market). In case of a price cut on the other hand, there is always the possibility that aggression is intended, that the cutter is trying to increase his share of the market by isolating the taboo on price competition. If rivals do interpret the initial move in this way a private war with losses to all may result. Hence everyone concerned is likely to be more circumspect about lowering than raising prices. Under oligopoly, in other words, prices tend to be stickier on the downward side than on the upward side, and this fact introduces a significant upward bias into the general price level in a monopoly capitalist economy."

Hence, the oligopoly has the advantage of power and control in the market which a pure monopoly would have, but it does not have the flexibility to make decisions quickly in response to people's demands especially where those might favour a general price reduction.

In North America the price system is one that "works only one way – up."

Just as the automobile industry is controlled by four big corporation in North America, so food industry is controlled by large corporations. The largest food conglomerate is the Weston chain which is multinational, but Canadian based. Westons is owned by the Garfield Weston Charitable Foundation. It is what is termed a vertically integrated corporation, which means it supplies itself with everything it needs.

Weston's holdings in retail stores, which include such notables as Loblaws Groceterias, O.K. Economy, High-Low Foods, Shop-Easy and Power, are complimented by a wide-ranging list of wholly-owned suppliers, wholesale and transportation industries and even its own farms.

The advantages to vertical integration that allow for increased profits are that warehouse operations can be run more efficiently and at lower costs, private label products may be produced at less cost than national brands, and the ability to produce "private" or subsidiary labelled products increases the bargaining power of vertically integrated chains with national brand suppliers.

The growing power of vertically integrated chains has induced a pattern of excessive advertisering by food manufacturers and created an additional inflationary cost factor in the industry as a whole.

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