
CHAPTER 13

COMPETITION, TRADE, REGULATION

A plethora of government programs affects the operations of various sectors of the economy and, for better and worse, interferes with the natural operation of the Canadian marketplace. In some instances, such as in the case of competition and fair trade policies, this interference can serve to improve the efficiency of markets. In other cases, however, interference aimed at achieving specific economic, social and other goals can distort market operation. In this chapter we have limited ourselves to setting out some principles that are important if policies are to be made more efficient and less detrimental to regional economic development. We have selected as examples competition policy, trade policy, and economic regulation.

Competition Policy

Competition policy comprises that set of government regulations that strive to guarantee that the free market system functions fairly and efficiently. To some, this is taken to mean simply policies prohibiting the formation of monopolies. But in fact this policy area extends to include efforts to prevent all forms of unfair trade practices, including predatory pricing, restraint of competition and so on. Competition policy is therefore not unlike the rules of the road for the marketplace, and a sound policy is essential to the efficient functioning of Canadian markets.

Unfortunately, for a variety of reasons Canada has failed to generate an adequate competition policy. In some ways this has not proven totally debilitating. To a considerable extent, foreign competition has prevented the formation of many monopoly situations in Canada, and even without explicit rules the private sector has tended to 'play fair'.

But an effective competition policy can also encourage regional development. It is important to ensure that new and smaller competitors that may grow up in the least developed areas can compete on a fair basis with existing, and usually larger, Canadian and multi-national firms. Many of the least developed areas have relatively small populations. This means that firms starting up in these areas must immediately begin to compete with larger companies, which have developed in their own larger and often more prosper-