I. THE LACK OF INFORMATION

It is extremely difficult to generalize about the degree of competition in Canadian industry, first, because of the lack of information, and second, because of the vagueness of the concept. So far as information is concerned, the existence of our Combines Investigation machinery has had a two-fold effect; it has made available very detailed studies of the competitive, or non-competitive, structure of certain industries which have been subject to investigation; but it has also inhibited, to a considerable extent, the study of market structure by private research workers by increasing the need for secrecy on the part of industry. Lord Keynes, at the end of his *Treatise on Money*, said of the English banks that they ‘have, until recently, looked on the economic inquirer as though he were the policeman in the pantomime who warns the fellow under arrest that “everything he says will be taken down, altered, and used in evidence against him”’. In Canada, Canadian industry has a similar distrust of economists combined with a greater need for secrecy. I think that there is some evidence that this distrust is declining, and it would be wrong to over-emphasize this point. One must also recognize that economics is a very young science in Canada, only emerging from ‘colonial’ status about twenty-five years ago, and resources, human and pecuniary, available for research have been very limited. Studies of particular industries are very few indeed.

So far as the concept of competition is concerned, there is need to develop more agreement; clearly there is little ‘atomistic competition’ of the sort assumed for the theory of pure competition; but clearly too there is a high degree of competition in the sense in which business men use that word. What we are concerned with is whether that ‘competition’ is an effective social control of the behaviour of individual firms. I am inclined to believe that there is much more competition and that it is a much more
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effective control than is generally supposed. (After writing this, I find that a similar estimate is made by Mr. F. A. Mcgregor in his paper for this Conference, and none is better qualified to make such an estimate than he.) But most of our information is about industries rather than products. We know that Courtauld’s (Canada) Ltd. is the sole producer of rayon (viscose) yarns, while cellulose acetate yarns are produced only by Canadian Celanese; but we do not know much about the extent to which these two products compete with each other and with other fabrics. On the other hand, we find an industry with a considerable number of firms but some of these may have the monopoly of a particular product, or of a particular locality. Specialization of the firms in the cotton industry, for instance, appears to make this a more monopolistic industry than would appear from the number of firms; and the bread-baking industry, with several thousand firms across Canada, appears to contain localities within which competition is very restricted. Finally, even where there is an agreement in restraint of competition, there may be strong competitive forces at work preventing that agreement from being very restrictive. Indeed, in studying the competitive situation in the textile industry, through the medium of the evidence presented to the Royal Commission on Textiles (1938), I was impressed with the fact that the more formal the association, the more competitive the situation; the very formality was related to the difficulty of controlling the competitive forces. The contrast was particularly marked between the formal but ineffective association in the full-fashioned hosiery industry, and the effective maintenance of prices by tacit agreement in some other branches of the textile industry.

Faced with the impossibility of describing the current situation in general, I propose to comment briefly on the sources of information, thus providing some pieces for the jigsaw puzzle. This raises a problem as to how far back one should go. Perhaps it would be salutary to go back to the large-scale monopoly inquiry by a Select Committee of the House of Commons in 1888. It gives one a useful reminder that our problems are not so new as we sometimes think. However, I shall restrict my discussion here to the last twenty years, referring those who wish to examine the earlier material to the list in my Note on the Reports of Public