

pand their industrial research in order to cope with problems of product and cost competitions. The development of research in these and similar firms will bear close watching.

With or without a patent system the efficient pursuit of knowledge in the universities and other nonprofit institutions will continue, within the limits of available resources, so long as the production of knowledge is treated as a sufficient end in itself. Industrial firms will continue to enlarge their research in the useful arts as dictated by competitive needs with or without patent privileges. Henceforth, in the judgment of this writer the main impetus for the promotion of science and the useful arts will come, not from the patent system, but from forces that lie outside that system."

The Ilsley Commission also referred to a study by Fritz Machlup of the Department of Political Economy, John Hopkins University, who presented the economic arguments for and against the patent system as a whole:

"No economist, on the basis of present knowledge, could possibly state with certainty that the patent system, as it now operates, confers a net benefit or a net loss upon society. The best he can do is to state assumptions and make guesses about the extent to which reality corresponds to these assumptions.

If one does not know whether a system 'as a whole' (in contrast with certain features of it) is good or bad, the safest 'policy conclusion' is to 'muddle through' either with it, if one has long lived with it, or without it, if one has lived without it. If we did not have a patent system, it would be irresponsible, on the basis of the present knowledge of the economic consequences to recommend instituting one. But since we have had a patent system for a long time, it would be irresponsible, on the basis of our present knowledge, to recommend abolishing it. This last statement refers to a country such as the United States of America—not to a small country and not to a predominantly non-industrial country, where a different weight of argument might well suggest another conclusion."

The Ilsley Report goes on to note that the author of this Study indicates that different considerations might apply to a small country or predominantly non-industrial country.

"The position of Canada vis-à-vis other countries of the world is notable in one respect and that is the surprisingly large proportion of Canadian patents which are applied for on inventions made by inventors who are not residents of Canada."

The Ilsley Report also quoted from a book entitled "The Economics of the International Patent System" by Mrs. Editha Penrose:

"Any country must lose if it grants monopoly privileges in the domestic market which neither improve nor cheapen the goods available, develop its own productive capacity nor obtain for its producers at least equivalent privileges in other markets. No amount of talk about the 'economic unity of the world' can hide the fact that some countries