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FOR POLITICAL AND ECONOMIC REALISM

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From Week to Week

The astounding feature, to which we have several times referred, of the present crisis in history, is the "staff-work" which has been done in preparation for it—staff work which is so similar in character to the known ramifications of the G.D.G.S. (German Staff) that some connection (although we do not think identity) seems highly probable. For instance the Co-operative movement started very largely as a result of the difference between wholesale prices and retail prices; it was a trick, a quite legitimate trick, but nevertheless a trick, by bulk buying, to cut out the middle-man. Anything less like a political movement, in essence, it would be difficult to imagine. So far as it impinged naturally on politics, it was a consumers', a buyers' movement, not a producers' or "Labour" movement; and, as a "producers'" movement, e.g., the Co-operative Wholesale Society, it is completely outside the original "Rochdale" idea. There is nothing whatever to differentiate a so-called Co-operative factory from any other factory *except that it has no genuine shareholder control.*

But the Co-operative movement is now not merely a political movement, it is obviously a branch of the World Dominion movement—in fact, *it has completely reversed its rôle.* Formed to increase the power of the individual over economic circumstance, it is now an agency aiming, with powerful outside support, at a monopoly control over economic life.

In the circumstances, it is perhaps not irrelevant to notice the praise for the movement, by Professor Hermann Levy "as far as they have kept aloof from centralising tendencies." Well they do think of some funny things to say, don't they?

No fallacy is more dangerous or more widespread than the theory of automatic and continuous progress as the result of the mere lapse of time, and it is easy to see why the Powers behind Revolution seized upon Darwin and canonised him. The truth, of course, is contained in the words "Seek, and ye shall find; ask, and ye shall receive." During the nineteenth and twentieth centuries, we have been seeking a particular type of knowledge (Machine tool politics), which we dignify, by the name of science, to the exclusion of a much more important gift, Wisdom; and we have received what we asked for, and we are where we have arrived by the aid of, "science" without wisdom.

An excellent instance of the type of thinking to which this situation gives rise is contained in a review by Mr. Stuart Chase of Dr. von Hayek's book *The Road to Serfdom.* Incidentally, Mr. Chase is about as capable of assessing a book of this character as the writer of these notes would be to criticise a treatise on the Massoretic Points, but he

has a not unearned reputation for popularising current economic ideas, and Dr. von Hayek is a dangerous menace to the kind of "progress" favoured by *The Nation* (N.Y.), in which the review appears. For some reason, which is contained in the intentions of the Powers rather than in the rules of Logic, "progress," in these quarters, is always to the Left.

We are not concerned with Mr. Chase's arguments, which, without our in the least intending to be offensive, are more suited to a lunch-hour political meeting in a steel works than to a serious review. The point we wish to make is sufficiently explicit in the title, "Back to Grandfather," and the paragraph, "Technocracy, however, jumped us a century forward, while Vienna [Dr. von Hayek] jumps us a century back." You see. Grandfather was a fool, and Vienna was vastly inferior to Pittsburg. The millennium starts to-morrow with the Managerial State.

Now the first consideration (which is nearly always ignored) in assessing the truth of this idea is that THE PROGRESS OF THE INDUSTRIAL ARTS CANNOT BE SEPARATED FROM THE SOCIAL UNREST WHICH HAS ACCOMPANIED IT. On the economic plane, it is producer-control, not consumer-demand, which has been dominant, and Mr. Chase, and the Planners for whom he speaks, would make producer-control absolute. His line of country reminds us of the reason for Mr. Hartley Withers's serious investigation of the financial proposals associated with Social Credit: "I thought they were merely one more currency lunacy. But I read the criticism of the Editor of *The Times* Trade Supplement on them, and I thought that if that was the best case that could be made against them, I had better look into them."

If this consideration be kept steadily in mind, it is incontestable that, with the greater material available, we have failed far more egregiously than grandfather. The area of unrest is far greater than it has ever been in history, and it is in the relics of "grandfather" that the homeless are housed, while the heirs of the ages try to build a few tin-can shelters from the storm.

Mr. Chase's review, however, brings into relief the most vulnerable statement in Dr. von Hayek's book and, at the same time, his own failure to grasp the position. Quoting "Whoever talks about potential plenty is either dishonest or does not know what he is talking about... It is this false hope as much as anything else which drives us along the road to planning," he remarks (and so have we remarked in effect), "Frankly this shocks me." And then gives his whole case away by quoting the potential plenty in terms of billions of dollars' worth of tanks and tractors. If there is no other way of avoiding the increasing plenty of billions' worth of tanks and tractors except "Planning," then the Planners win. But if it be observed

that "only in war, or under threat of war," will a sane people submit to large scale planning because they notice that instead of houses they get tanks and guns, while at the same time any common sense which remains assures them that if grandfather had the money and wanted a house, he got a house without any trouble whatever, then the Planners lose. Both Mr. Chase and, to a less degree, Dr. von Hayek ought to be able to see where their intelligence fails them. It is in ignoring completely the primacy of the location of effective demand. It is perhaps superfluous to remark that Mr. Chase, like most Americans, believes that tool-power politics is the ultimate in human objectives.

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"For years, British propaganda and the Conservative Press has heaped praise upon Soviet Russia. Soviet propaganda has been spread throughout the land by Mr. Gollancz and people like the Dean of Canterbury and others. All this propaganda is leading to the undermining of the British national consciousness, and to the benefit of the Communists. Every criticism and every real picture of actual conditions in Soviet Russia has been and still is rigorously suppressed. Nobody knows why the British Conservatives are conducting such a suicidal policy. . . I wonder if our Soviet ally, in order to retain the good will of the British Conservatives, is kindly permitting the propaganda of the Russian Conservatives to appear in Soviet Russia. It is fantastic to suggest it. . .

"They (the Conservatives) are behaving just as their late lamented predecessors on the Continent did." — *Centropress Bulletin*, July 12, 1945.

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Mr. Emanuel (God with us) Celler, Congressman for N^Yark, has instructed President Truman to order Mr. Churchill to insist that "Britain" do thus and such about Palestine "or the situation may get out of hand here" (in N^Yark). Much as it did when the broadcast of the landing of the Martians caused a panic, doubtless. But anyway, we have a strong suspicion that Emanuel has missed the boat. The immediate danger from Germany is over.

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Mr. Churchill was greeted with cheers in Berlin. Naturally, he gave the V sign. They said it would win, and it has—in fact, it couldn't help winning if there was a war. Who will it win for, next time?

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If you wish to know the affiliations of a writer on international affairs, notice whether he calls these islands Britain or Great Britain.

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"A new pamphlet in support of the Bretton Woods proposals is the first in a pamphlet-a-month series to be issued by the CIO Political Action Committee." (Mr. Sidney Hillman to you—Editor, *T.S.C.*) "A quarter of a million copies of *Bretton Woods is no Mystery* are now being distributed." — *New Republic* (U.S.A.)

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If any proof were needed that the present condition of the world is fundamentally an attack upon civilisation and culture, and only superficially the outcome of economic causes (that is to say, an artificially produced economic crisis is utilised to pull down the traces of a finer life), Vienna and Austria provide it. As we have previously

suggested Vienna marked the high-water of European (Mediaeval Church) culture; gay, amusing, fastidious, hospitable, beautiful. The City of "The Blue Danube" has been the target since that fateful murder at Serajevo, 1914; to-day, looted by the Russians, half-demolished, half-starving, threatened with a typhus epidemic, it is a monument to "progress." Cromwell, the ugly prototype of an ideology of envy, hatred, malice, and all uncharitableness, was the first dictator to wreck and destroy beautiful works and buildings for sheer hatred of them; our socialist elementary schools have raised up a nation of Cromwells who better their instruction.

The Ministry and the Moor

Suggestions that the cost of raising open-cast coal on Newcastle Town Moor was probably in the region of £20 a ton were made at a meeting of Newcastle and Gateshead Chamber of Commerce on July 3, according to the Newcastle *Evening Chronicle*, when it was agreed to send the following resolution to the Minister of Fuel and the Northumberland Coal Controller (Colonel F. C. Temple):—

"This Chamber considers the time has come when there should be complete publicity about both output and cost of the Town Moor coal, and that output figures should be published monthly."

Mr. H. Armstrong, moving the resolution said there should be less secrecy about output and cost of producing the coal. There was no longer any question of security being involved.

The Ministry of Fuel and Power had dug up really what was a public park, and he felt the public was entitled to know what was happening.

"Assuming that 10,000 tons of coal has been secured up to date," he said, "the work there must have been costing a minimum of £12 a ton, and probably nearer £20 a ton."

When the question was raised of the administrative staff for open-cast coal in the area, Sir Arthur M. Sutherland, presiding, commented:

"Thirty offices in Exchange Buildings have been taken for clerks to look after the coal. They have motor cars and are going round the country wasting petrol."

The representative of the Northumberland branch of the National Farmers' Union, Mr. J. W. Frater, said the restoration of the land should be carried out immediately, and in such a manner as would allow the land to be of a food-producing capacity equal to that before working started.

Lord Ridley said that from an economic view, considerable damage had been done to a large acreage in the county.

"We are being pressed for food," he added, "but we are sacrificing our food producing capacity for 10 or 20 years, and in some cases there is permanent damage."

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Enemy Patents

(Continuing the Official Report of the House of Lords Debate of March 22, 1945, begun in *The Social Crediter* last week. Lord Vansittart is speaking.)

I come now to the fifth point in my Motion which is by far the most important and that is the disposal of these enemy patents after the war. For some time past I have been advocating that these should be confiscated both as a matter of reparation and a matter of national security. I am very glad to find that that view has considerable support from our own leading industrialists and I am going to give your Lordships a sample of that support. Here is one:

"There is no remedy except the bold and necessary one of confiscation of German patents by compulsory assignment to the Allies as part of the terms of the Peace Treaty. After the last war patents reverted to the Germans and consequently they were enabled to build up the world-wide network which has worked so much to the detriment of Allied Powers."

I think that is perfectly true and I am only sorry that that factor, a very important factor, was not noticed earlier. I am fortified in my view that these patents should be confiscated by the report of the United States Senate Subcommittee which recommended

"the confiscation of German property abroad. Enemy originated patents should remain the property of the Federal Government and should be made available to all American industry through a system of legal licensing. Such a procedure should be applied not only to isolated patents but also to the entire patent structures of vested and supervised enemy-owned properties."

I think it will be apparent that if these patents are returned to the patentees after the war, they will be in a position to exact royalties from British manufacturers desirous of continuing production for which they have already sunk a considerable capital outlay. I do not know if the word "confiscation" will shock anybody. I sincerely hope not at this stage, but if anybody thought it savoured of Vansittartism I would suggest an alternative formula which comes to very much the same thing. That is that the Allied Governments should continue the war administration of German patents until the period of their validity expires.

Finally, I would draw attention to the grave mistakes that I think we made after the last war. Under Article 297 (b) of the Treaty of Versailles the Allies took power to liquidate property rights and interests belonging to enemy nationals or enemy controlled companies, but that liquidation did not apply to patents except in so far as they were liquidated in the course of liquidation of other property rights and interests such as German-owned or controlled companies. That I think was the position that arose out of paragraph 15 of the Annex to Article 298 and out of the last paragraph of Article 306 of the Treaty. Now let us look at the result. A British patent owned by a German who did not own or control a business in this country could not be liquidated and in fact did revert to him. I submit that after this war that distinction should be abolished and it should be ensured that none of these patents remain in or revert to enemy hands. Speaking from memory, and I think it is a fairly tenacious one—one often remembers things one has not entirely fathomed; that is perhaps a common principle in human psychology—I do remember at the time of the last war a case of an application for a patent put in by a German in January, 1914, and that patent was accepted in August, 1915, after we had been at war with them for a year, and in 1919 we were in such

a hurry to be nice that we tumbled over ourselves to hand back that patent to the person in question, with the result that a German company and I think, speaking again from memory, it was Marconi's, had to buy out the German interest in the case of a patent which should never have been in question and which should have been available to everybody.

So much for the home front. But I would wish to add a few words about the neutral front. This is the sort of thing apparently that is going on abroad and what I am about to quote is an extract from the *Pharmaceutical Journal* as lately as March 9:

"In 1944 the Germans registered approximately 6,000 patents through the central Swedish office and since the beginning of this year a considerable increase in the number of registrations has taken place. A number of patents were taken out by the big chemical undertaking, the I. G. Farbenindustrie."

That goes without saying. The *Pharmaceutical Journal* continues:

"It is evidence that with the complete collapse of German resistance hourly becoming nearer every effort is being made to salvage part of the wreck, in order, presumably, to form the nucleus of a fresh export drive and another attempt to 'corner' a field which many of us believe should have no national barriers between honest dealing peoples."

Surely when Germany is ultimately defeated the Allies will be able to impose sanctions which will limit even her extra-territorial rights until she has expiated her misdeeds.

A good many of us not only hope so but take that for granted. I for one would certainly deny any neutral whatever the right to act as a fence or receiver of stolen goods so as to perpetrate a system which has contributed so much to two wars. I maintain that no neutral country has a right to shelter German patents any more than a neutral country has a right to shelter German arms and armaments, which very often means something suspiciously like the same thing. I would recall that after the last war the Swedish armament firm of Bofors did in fact take in Krupps—took it right inside. I hope that after this war we shall tolerate nothing of that kind. For a long time past many of us have been looking for a new word to describe the policy of German trade. That has now been coined. It is the word "genocide"—not so much the killing of people, but the killing of peoples in the plural. To that policy I submit German misuse of cartels and patents has very largely contributed. I say again that this is a matter which concerns not only specialists and technicians but ultimately people all over the world. A little while ago I brought forward in your Lordships' House a Motion dealing with our own laws in regard to infiltration, to enemy propaganda and corruption and to naturalisation. To-day I have ventured into a very different field but with the same motive. That motive is that this country should be in a position to look after itself better after this war than it was before. I beg to move for Papers.

Viscount Maugham: My Lords, I should like very briefly to support what has fallen from my noble friend Lord Vansittart. Though I am unable modestly to disclaim complete ignorance of Patent Law, nevertheless I agree with nearly everything he has said to your Lordships. Like him I derive my information as to the German treatment of our Patent Laws largely from a very elaborate investigation which has been made into German ramifications in the United States. There was published recently

(Continued on page 6)

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Social Credit Principles

An address delivered at Swanwick, November, 1924

By Major C. H. DOUGLAS.

The financial system is the works or factory system of the world, considered as an economic unit, just as the planning department of a modern factory is of that factory.

No discussion of the financial system can serve any useful purpose which does not recognise:—

- (a) *That a works system must have a definite objective.*
- (b) *That when that objective has been decided upon it is a technical matter to fit methods of human psychology and physical facts, so that the objective will be most easily obtained.*

In regard to (a) the policy of the world economic system amounts to a philosophy of life. There are really only three alternative policies in respect to a world economic organisation:—

The first is that it is an end in itself for which man exists.

The second is that while not an end in itself, it is the most powerful means of constraining the individual to do things he does not want to do; e.g., it is a system of Government. This implies a fixed ideal of what the world ought to be.

And the third is that the economic activity is simply a functional activity of men and women in the world; *that the end of man, while unknown, is something towards which most rapid progress is made by the free expansion of individuality, and that, therefore, economic organisation is most efficient when it most easily and rapidly supplies economic wants without encroaching on other functional activities.*

You cannot spend too much time in making these issues clear to your minds, because until they are clear you are not in a position to offer an opinion on any economic proposal whatever.

In regard to (b) certain factors require to be taken into consideration.

- (1) That money has no reality in itself. That in itself it is either gold, silver, copper, paper, cowrie shells, or broken tea cups. The thing which makes it money, no matter of what it is made, is purely psychological, and consequently there is no limit to the amount of money except a psychological limit.

- (2) That economic production is simply a conversion of one thing into another, and is primarily a matter of

energy. It seems highly probable that both energy and production are only limited by our knowledge of how to apply them.

- (3) That in the present world unrest two entirely separate factors are confused. The cry for the democratisation of industry obtains at least 90 per cent. of its force from the desire for the democratisation of the proceeds of industry, which, is, of course, a totally different thing. This confusion is assisted by the objective fact that the chief controllers of industry get rich out of their control.

I do not, myself, believe in the democratic control of industry any more than I should believe in the democratic control of a cricket team, while actually playing, and I believe that the idea that the average individual demands a share in the *administrative* control of industry is a pure myth.

The present world financial system is a Government based on the theory that men should be made to work, and this theory is considerably intermixed with the even stronger contention that the end of man is work. I want you to realise that this is a statement of fact, not a theory. More than 95 per cent. of the purchasing-power actually expended in consumption is wages and salaries.

It will therefore be seen that there are two standpoints from which to examine its mechanism. The first considered as a method of achieving its political end of universal work, and the second as a means of achieving some other political end—for instance, the third alternative already mentioned.

Considered as a means of making people work (an aim which is common both to the Capitalist and Socialist Party Politics) the existing financial system, as a system, is probably nearly perfect.

Its banking system, methods of taxation and accountancy counter every development of applied science, organisation, and machinery, so that the individual, instead of obtaining the benefit of these advances in the form of a higher civilisation and greater leisure, is merely enabled to do more work. Every other factor in the situation is ultimately sacrificed to this end of providing him with work, and at this moment the world in general, and Europe in particular, is undoubtedly settling down to a policy of intensive production for export, which must quite inevitably result in a world cataclysm, urged thereto by what is known as the Unemployment Problem.

To blame the present financial system for failing to provide employment is most unfair; if left alone it will continue to provide employment in the face of all scientific progress, even at the cost of a universal world-war, in which not only all possible production would be destroyed, but such remnants of the world's population as are left will probably be reduced to the meagre production of the Middle Ages.

Considered as a mechanism for distributing goods, however, the existing financial system is radically defective. In the first place, it does not provide enough purchasing-power to buy the goods which are produced.

I do not wish to enter at any great length into the analysis of why this is so, because it is always a matter of some heated controversy. I have, however, no hesitation whatever in asserting not only that it is so, but that the fact that it is so is the central fact of the existing economic system, and that *unless it is dealt with no other reforms are of any use whatever.*

And the second feature of equal importance is that considerably less than the available number of individuals, working with modern tools and processes, can produce everything that the total population of the world, as individuals, can use and consume, and that this situation is progressive, that is to say, that year by year a smaller number of individuals can usefully be employed in economic production.

To summarise the matter, the principles which must govern any reform of the financial system, which will at one and the same time avoid catastrophe, and re-orientate world economic policy along the lines of the third alternative, are three in number:—

1. *That the cash credits of the population of any country shall at any moment be collectively equal to the collective cash prices for consumable goods for sale in that country, and such cash credits shall be cancelled on the purchase of goods for consumption.*

2. *That the credits required to finance production shall be supplied, not from savings, but be new credits relating to new production.*

3. *That the distribution of cash credits to individuals shall be progressively less dependent upon employment. That is to say, that the dividend shall progressively displace the wage and salary.*

I may conclude by a few remarks on the position of the banks, in respect of this situation. It is becoming fairly well understood that the banks have the control of the issue of purchasing-power to a very large extent in their hands. The complaint which is levelled at the banks is generally that they pay too large a dividend. Now curiously enough, in my opinion, almost the only thing which is not open to destructive criticism about the banks is their dividend. Their dividend goes to shareholders and is purchasing-power, but their enormous concealed profits, a small portion of which goes in immensely redundant bank premises, etc., do not provide purchasing-power for anyone, and merely aggrandise banks as banks.

But the essential point in the position of banks, which is so hard to explain, and which is grasped by so few people, is that *their true assets are not represented by anything actual at all*, but are represented by the difference between a society functioning under centralised and restricted credit and a free society unfettered by financial restrictions.

To bring that perhaps somewhat vague generalisation into a more concrete form, the true assets of banks collectively consist of the difference between the total amount of legal tender, or Government money, which exists, and the total amount of bank credit money, not only which does exist, but which might exist, and which is kept out of existence by the fiat of the banking executive.

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The "Opposition"

"If the common expectation that a 'National Conservative' Government will be returned with a reduced majority is not realised, it might seem that the sand of Time has run out. But we shall see, doubtless, what we can do about it."—*The Social Crediter*, July 14.

The eventuality foreshadowed in these words is sufficiently oppressive without our making it heavier by making

it clearer. According to the *Daily Mail*, Mr. Churchill intends to lead the Opposition—the word gives us pause—in the House of Commons, and from that commanding position to "fight Socialism."

There are, quite obviously, strategical possibilities in the situation as it now exists. The point in doubt is whether there is any serious intention to exploit them to save a situation which should never have been allowed to arise. Without according the slightest assent to the so-called Majority principle, it is nevertheless true that more than half the electors voted in a manner which they thought recorded dissent from the proposition that a nation of proletarians is a desirable objective. Only in exceptional company is there to be discovered anything which we should regard as a just approximation to the sort of understanding of current events which is necessary to secure anything comparable in the political field to the reversal of the fortunes of war which was accomplished in the military field. The newspapers work the 'sportsmanship' slogan for all they are worth. To anyone with the slightest understanding of the means employed, and to what ends, in engineering the rise of the "Labour" Party, it is a dishonest sentiment. It is a bad, and possibly the worst feature of such tactics that it may be not unconnected with the control exercised by 'the Government' over paper supplies. We have certainly reached that state, that stage in the loss of liberty, described by Sismondi in a striking passage recently quoted in *The Social Crediter*:—"the prince alone speaks, amidst universal silence: he dictates the proclamations of the authorities, the sentences of the tribunals; he even inspires the language to be uttered. . ." It is at the same time true, as correspondents point out to us, that we have the continental phases of the Revolution as a book open for inspection, and that we can if we will read the lesson.

For the moment we content ourselves with republishing Douglas's short "Principles" for contrast. The confirmation of personnel friendly to our own objective should occupy our immediate attention. So we may be in better fettle to take advantage of weather in some senses at least less foul. The end is not yet.

Successor to Sir F. Leith-Ross

The *Cape Argus* of May 31 and the *Cape Times* of May 26 give biographical details of Colonel Alfred G. Katzin, of Cape Town, on his appointment to succeed Sir Frederick Leith-Ross as Deputy Director-General of Finance and Administration in the European Office of UNRRA. Colonel Katzin, according to the *Cape Times*, is brother to Mrs. Hugh Miller, formerly well known in dramatic circles at the Cape as Olga Katzin, who writes under the pen-name of "Sagittarius" in the *New Statesman and Nation*. Another sister, Winnie Katzin, is a translator of books from several languages, including Yiddish. Colonel Katzin's father was born in Russia. It was said of him that "he looked like Cecil Rhodes and thought like the Book of Ecclesiastes."

The younger Katzin has been economic adviser to the commander at a military headquarters in the Balkans. He is 39 and unmarried. He joined the U.D.F. as a driver in 1940 and went through the East African and Egyptian campaigns and then on to Italy. Later he was commissioned and seconded to the British Army in August, 1943, and "attached to the staff on General Services."

ENEMY PATENTS

(Continued from page 3)

a book on which, unfortunately, I am unable to lay my hands. As your Lordships know, books relating to this sort of topic are becoming so numerous that it is almost impossible to find them. It was called *Patents at Work* and was published by the Alien Property Custodian in the United States in January, 1943. It contained a most elaborate account of the ingenious and varied devices which the Germans had employed in reference to German patents "communicated"—which is the technical term—to the United States and which had been the subject of United States patents.

It may be said quite shortly that the German intention in the United States in reference to patents which they had obtained for inventions which perhaps originated in Germany has been concerned partly with a view to future hostilities and partly with a view to controlling interests in a large number of businesses in the United States. I have no doubt their object has been very much the same in this country. In particular the control of basic industries which the Germans have obtained by their actions before the war extended to dyestuffs, drugs, synthetic rubber, aluminium, magnesium, potash, plastics and optical instruments. There were a number of devices which they adopted there and which doubtless they have adopted here in order to carry out their designs. One of them is a matter of horror to a British lawyer. It has been discovered in the United States again and again, when people acting in concert with the Custodian of Alien Property desired to work these patents, that the specifications were so faulty that it was impossible to make use of an invention by a strict adherence to the specification. I would remind your Lordships that such patents would be invalid according to our law, and I doubt not according to the law of the United States. A specification so framed that the public cannot know how to carry out the invention as efficiently as the inventor is invalid and would be avoided in the Courts. It has been found that the German patents so-called were so full of omissions or obscurities as to betray a complete absence of good faith. Nobody would be very surprised to hear that German specifications translated into English would be not particularly guided by the principles of good faith.

Your Lordships may ask, why if they are invalid does anybody bother? The reason is that these patents are nearly all owned directly or indirectly in the names of neutral or even United States nominees. As soon as somebody wishes to work the patent or take advantage of the invention and an action is brought by the alleged owner and the specification is questioned as not being properly framed, the real German owner silences the opposition by some payment in kind or by some consent to a licence so that the matter of the validity of the patent never really comes before the Court. That is only one instance of the fraudulent way in which the Germans—in particular the I. G. Farbenindustrie—have used in foreign countries inventions in relation to the sort of matters I have already mentioned in order to gain improper control in America as in England.

You will find a short summary of the results they have achieved, or did achieve, in America in the latest report from the office of the Alien Property Custodian in the United States, which was published up to June 30, 1943. I may, perhaps, be allowed to read to your Lordships just

a few lines of the conclusion of a very able report. The lines are these:

"Whether organised to promote the monopoly interests of German and American companies or designed by the Germans to strengthen the military position of their country, the result has frequently been to foster American dependence on German supplies, to discourage independent American research, to hamper the entry of newcomers, to restrict output and to fix prices."

I think it is a not unreasonable conjecture that these words will also apply to what the Germans have done with regard to patents granted by this country. I do invite the Government to consider whether there is not sufficient case for some sort of inquiry, an elaborate inquiry, concerning the persons who really are the owners of these patents, which are communicated from abroad, and into the specifications which, apparently, support the grant of the patents in this country. I suggest that the Government should further consider what steps may be necessary to checkmate the operations of future applicants for patents, and to take away from the real and true German owners this property which is of enormous value in the aggregate.

Now I just want to say one word on the question of two matters raised by my noble friend Lord Vansittart. He just asks why the power to vest enemy patents in the Custodian of Enemy Property has not been exercised. In the fifth question he asks "whether enemy patents will remain in the possession of, or revert to, the enemy after the cessation of hostilities." It may be difficult for the Government to give a complete answer to these two questions at the moment, but I would submit that, after all, a patent is no more than a right conferring a limited monopoly for a period of years to the owner of the patent. Having regard to the enormous losses which the Germans have inflicted on this country, and the vast amount of damage they have done in various ways—even in the city where this debate is going on—it would be foolish and contrary to all good sense to allow these monopolies to remain the property of German owners if you can discover who they are.

I would also add that it would, *a fortiori*, be wrong to allow the patents to remain on the Patent Office Register if there is good reason to consider, or to believe, that the patents are faulty in regard to their specifications which could not have been drawn in good faith. So many cases of that kind have been investigated in America, and, so far as I know, none have been investigated here. But I think the Government should take steps to ascertain by communication with the Patent Office, and also by proper investigation, whether, in fact, these patents, out of which the Germans have gained such enormous control, are not *ipso facto* invalid, because their specifications are fraudulent and deliberately lacking in the clearness which is necessary to explain an invention. On those grounds, I entirely support my noble friend Lord Vansittart, and I cannot help thinking that this matter is one of very much greater importance than the layman might think who is unaware of the enormous advantages which a patent obtains in this country.

The Lord Chancellor (Viscount Simon): My Lords, we have listened to two very interesting and important speeches. I gladly reply, but I must, in all candour, make it plain to the House that I do not professionally claim to have as close an acquaintance with the working and administration of the Patent Law as my noble and learned friend Viscount Maugham, whose speech has impressed us all. Nor am I, at this moment, prepared to deal with the wider matters

which really go quite beyond the question on the Paper. When I looked at the Paper and if any of your Lordships look at it now I dare say you will agree with me—I felt that my noble friend Lord Vansittart had followed, on a most technical subject, an extremely useful course, for he described himself as intending to ask His Majesty's Government five questions, which he formulated. I need not say that I am prepared to give an answer to these matters, as well as to make some general observations. But, as often happens in a debate here—though not perhaps quite so suddenly as on the present occasion—there has been some departure from the subject matter indicated on the Paper. The main topic which is being ventilated is the dangers inherent in our present Patent Law having regard to the ingenuity and the devices of Germany when seeking patents in this country.

That, of course, is a most important question. It is not that our English law has not made provision which is aimed at preventing or limiting these abuses as far as possible. There is a well-known section in the Patents and Designs Act, quite outside the topic of the present debate, so far as it is recorded on the Order Paper—Section 27—which I am sure that my noble friend Lord Vansittart would find it profitable to look at when he is at leisure. It is a long section, and it needs very careful study. It contains provision for preventing the abuse of monopoly rights. One of the things it deals with, in particular—whether adequately or inadequately I am not prepared at this moment, to assert—is one of the very matters to which Lord Vansittart incidentally, called attention namely, the possibility that a patent may be obtained in this country and yet not be honestly worked in this country at all; that is, a mere blocking patent. The wisdom of Parliament has been devoted to considering that question most minutely, and there has been more than one inquiry on the subject. I do not think that I can reasonably be called upon to discuss whether that section is adequate. I have it before me; it occupies four or five pages, and is divided into all sorts of paragraphs and sub-paragraphs. There cannot be the slightest doubt that this danger is one with which Parliament has endeavoured to deal.

No reference has been made in this debate—although it is, of course, very well known—to the fact that there is proceeding at this moment an inquiry, publicly announced and authorised by the Government—namely, the inquiry of the Kenneth Swann Committee, which is engaged in considering at any rate some of the matters now referred to in the rather wider area of the debate which has taken place here. I was able to obtain at short notice from an official in the Official Box the only paper which he had with him about it—because, of course, there was nothing to indicate that this was to be the subject of to-day's debate. I can tell the House from this paper that this Committee, which is now sitting, is—

“to consider and report what changes are desirable in the Patents and Designs Act and in the practice of the Patent Office and the Courts in relation to matters arising therefrom.”

The Committee has very wisely decided to devote itself in the first instance to some aspects of the subject which require very early consideration, on which it has been requested to make an interim report. One of these matters is the provisions of these Patent Acts for the prevention of the abuse of monopoly rights. I do not say this in the very least either to deprecate this debate or to escape

the full force of the argument, though I really did not come here prepared to deal with this aspect of the matter, which is quite outside the Motion.

I agree most whole-heartedly with what has been said by my noble friends as to the immense importance of this subject. I share with them to the very full the suspicion which they have expressed as to the real underlying purpose of many of these patents which were taken out by German applicants in the British Patent Office. It is not so to-day, but it used to be the case, that the Law Officers of the Crown had a special duty to sit and hear appeals from the Patent Office in cases where the Patent Office had refused to grant a patent; and I have myself in my time sat in many of them, and had the very skilled help of all the leading authorities at the Patent Bar. Having had in my time to deal with quite a large number of chemical patents in particular, I became perfectly convinced from my own experience—I cannot claim to be a specialist in this branch of the law at all; I merely applied my mind to it as thoroughly as I could—that we were dealing with a planned invasion which was not by any means to be explained as a matter of pursuing the ordinary rights of a would-be patentee to protect his invention, fully and properly described, in the country in which he was making the application.

I am therefore not in the very least speaking in opposition to what has been said by my two noble friends. I agree with them as to the importance, as to the subtlety, and as to the danger; but I am entitled to ask the House to look at the Notice which my noble friend Lord Vansittart put down, and which has a very much more limited and specific range. It does not raise the question of whether the Patent Law in this country is inadequate and should be changed. It asks a series of very pertinent questions, very clearly expressed, as to existing patents taken out by enemy subjects in this country before the war—pieces of property, therefore, which have been created by grants in this country on the application of Germans, and that are here in this country now. The noble Lord asks a series of questions which are, if I may say so, most relevant, most pertinent and most important, as to what is being done about these pieces of property, and to them I wish to give briefly as clear an explanation as I can. I would assure my noble friend in the first place—and I do so with knowledge and complete sincerity—that this general question to which he and my noble and learned friend Lord Maugham have very largely addressed themselves in their very powerful speeches is far from being belittled or misunderstood or disregarded by the Government.

Referring to these questions, something has been said as to the method which has been employed in this country during this war in dealing with these pre-war British patents taken out and acquired by German owners. There are in fact two methods between which we must choose. The reference which has been made to the American method is entirely relevant, because, as I understand it, in that country they have thought that the best thing to do is to vest these German-owned patents in an official corresponding to the Custodian, at any rate for the time being. That is similar to one method which is authorised by our law, and which has in some cases for special reasons been practised. The Custodian of Enemy Property has been appointed for this purpose, to take charge, by the process of vesting, of all sorts of German property in this country. That secures that it is held for the time being firmly in this country, and

that applies to debts owing to Germans, to property belonging to Germans, and many other German assets.

Experience has shown, however, that there is a certain difficulty in using that method in the case of patents, and for that reason at the beginning of the war Parliament authorised an alternative method, which, as I shall show, is just as effective and avoids some of the difficulties. That method is to use the Patents (Emergency) Act of 1939, which was passed in the first months of the war specially for this purpose, and explained to both Houses of Parliament. That authorises the Comptroller-General of Patents, an important official in this country, to grant licences to use patents, designs, and copyrights of enemies or enemy subjects in this country. There has been a very great use of this method by our industrialists during the war.

There are nothing like as many German-owned patents actually on the register in this country as there are in America, not because America is a bigger place, but because the Americans follow a different system, which I do not think is as good a system as ours. The American system is that once the patentee has got the grant of a patent it remains on the register as his patent for the full period of the life of the patent, without the patentee having to do anything to keep it alive. Since out of every dozen inventions only one turns out to be of any real use, we have a system which I venture to think is a more practical system. We require the patentee, if he wants to keep his patent alive, to pay renewal fees—not very large renewal fees, but substantial ones. The result is, of course, that we get very large numbers of patents, which have turned out to be quite dead wood, going off our register constantly long before the full period is up, and we try to keep our register limited to those that are kept alive by these periodic renewal fees. They begin, I think, in the fourth year, and then you have to pay every year. The result of that is that under our system, which is not the American system at all, very large numbers of these German patents which were registered and published before the war have ceased to be patents at all. Anyone can use the invention. They are no longer on the register because they have never been kept up. Indeed, they could not be kept up by enemies during the war.

Therefore we have not got to deal with so big a problem, but of course the patents which are here in question are the useful and important ones and the question is which of two possible ways is the best way of making these completely available to our own industrialists. One way, no doubt, is for the whole body of patents to be vested in the Custodian of Enemy Property, and then he could make arrangements to grant licences. But the other way is just as effective and is much more simple in working. That is to proceed under the Emergency Act to which I have referred and to authorise the Patent Office, the Comptroller of Patents, without any question of transferring things to a Custodian, to grant licences himself, as he freely does, to manufacturers and industrialists who wish to receive them. It was not quite accurate (if I may be excused for saying so) for the noble Lord, Lord Vansittart, to speak, as I think he did, of five *per cent.* royalty or something of the kind. The provisions vary according to the circumstances; there is no fixed figure of that sort. I am speaking here on information given to me, not on my own knowledge, but I have been at great pains to learn all about this as thoroughly as I could. I have had the officials to come and see me on more

than one occasion and I have, as far as is proper—I will not say bullied them—but required them to convince me; and I am assured that industry in general is entirely satisfied with this method of dealing with the matter as it stands now. Of course much of the noble Lord's anxiety arises from what will happen in the future.

(To be concluded)

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