

In essence, however, the failure to realize the hopes for international economic co-operation has been due to our neglect to make a frontal attack on economic nationalism. At the time of the Havana Conference, nations were not yet ready to give up that form of economic nationalism which had become such a marked feature of international relations during the depression of the 30's. Economic nationalism was bound up with the desire of countries to indulge in planning on a national basis for the purpose of assuring either full employment or their economic development. To give effect to these national plans, it was felt necessary to maintain strict controls, particularly over external trade.

There are signs that nations are beginning to realize that the basic laws of economics must be allowed to operate. For instance, we have seen recently the importance that is attached not only to how to avoid unemployment but also to how, at the same time, to avoid inflation. Again, at the last GATT session, held in Geneva last autumn, the representatives of underdeveloped countries showed a clearer recognition of how their prosperity is bound up with the prosperity of the industrial countries.

In other words, the experience of the post-war period is leading to a general recognition of the need for flexibility and the unfavourable economic consequences of import restrictions. There has been a reaction against the policy of national economic planning. Countries such as Belgium, Canada and Germany have been demonstrating the beneficial results of permitting freer play to economic forces.

While it is recognized that we have been blessed with much good fortune in the shape of new discoveries of oil and other resources, our example in particular is attracting universal attention. It is making people everywhere begin to think that there may be virtue after all in allowing enterprise really to be free. No country in recent years has developed economically as rapidly as Canada. Yet Canada has not been resorting to the measures other countries have been claiming as essential to rapid economic development. We are showing that an economy can be managed by fiscal policy without the need of the crippling effects of direct controls. General recognition of this can pave the way for genuine international economic co-operation.

The way, therefore, is being prepared for another attack on trade barriers. This time the conditions are more propitious for a frontal attack on economic nationalism. Nothing could contribute more to winning the battle for men's minds now being waged between the rival doctrines of free enterprise and communism than a practical demonstration of the virtues of the free enterprise system when applied consistently throughout the whole of the free world.

What is needed is leadership. This can come only from one country simply because that country represents such a large slice of the world economy. Taking any of the indices commonly used to measure economic strength, we find that the United States represents about one half of the economy of the whole world even including that part of the world which lies behind the Iron Curtain. It is, therefore, only the United States that can provide the leadership necessary to bring about effectively that international economic co-operation which is the subject of this address. As one American writer has so well put it, - "The United States is the only power in the world today that could promote a movement toward economic internationalism. It is the only nation that can play St. George to the deadly dragon of nationalism".