

# The Structure of the Western Economy and its Contribution to Social Progress

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**T**HE decade since the war ended has witnessed what might be called the consolidation of the pattern and structure of the economy of the western world. The doctrinaire socialist and the devotee of a minutely controlled economy on the one hand and the diehard exponent of private enterprise and the advocate of unbridled competition on the other, have all been placed rather in the discard. After fifty years of controversy and change in which the economy had to withstand the burdens of two wars on a scale without parallel in history, and the rigours of a depression that struck deeply at the whole foundation of our social and economic structure, most countries in the western world now seem to have reached broad agreement on the economic system that they feel will give rising standards of living and satisfy the aspirations of men everywhere for freedom and progress.

This is no mean achievement, considering the shocks that have had to be absorbed, the swift and striking changes in the balance of economic power, the triumph of communism in two great countries and its appeal to the under-developed and the disillusioned, the sudden transformation of many dependent countries to independent states with pride in their new status and impatience to make rapid advances in production and living standards. These transformations are by no means complete, and in some respects their course will be dependent upon the contest going on in so many parts of the world between the free economy of the west and the totalitarian economy of the communist world for the allegiance of countries that seek to improve the lot of their peoples. This is the challenge to the western economy in its new and improved shape. It may have found relative tranquility from the great controversies of half a cen-

tury, but it cannot afford to rest on its achievements; it must go ever forward and outward, carrying what benefits it may have for others, and enriching itself by new and more noble adventures in economic progress and social justice.

### Blend of Public and Private Enterprise.

Let us look at the shape of this economy in which we pin our faith as having at one and the same time the capacity to promote continuous progress, and the facility to enlarge the horizons of freedom. The first thing to note is that the economy is a judicious blend of public and private enterprise with the latter predominating, but working in the framework provided by public investment. This is not a fixed relationship in either time or space. It will vary as circumstances alter, and it varies also as among different countries. In Australia, for example, there is a relatively high proportion of development fostered by public authority, while in the United States the proportion would be lower, but the pattern is essentially the same. The differences are in degree and emphasis, and not in the basic structure of the economy. In Australia public investment amounts to approximately 35% of total investment, but we don't say that Australia is not predominantly a private enterprise economy. We don't suggest that there is anything inconsistent between the operation of private enterprise and the development of the great Snowy Mountains project by a specially devised public authority. In contrast to Australia, the current controversy over the Dixon-Yates contract to supply power to the great Tennessee Valley Authority may well be the last of its kind. It is fundamentally a "throw-back" to

the past and a product of the difficulties of an administration adjusting its policy to a world that had undergone great changes since it last had the responsibilities of office. But then, not so long ago, we in Australia had our controversy over the nationalisation of a great industry. Similar problems will recur in many countries of the western economy, but it may reasonably be claimed that the main issue has been settled and our pattern of development determined. This pattern is likely to bear great fruit in the new countries like India and the Middle East with ancient economies to be adapted to modern techniques, to improved transport and to new sources of power for economic advancement. There is little doubt that provision will be made for these adaptations through the public utility sponsored by government, and that within this framework private enterprise will develop.

In another sphere of economic activity this intrusion of public authority into what was regarded not long ago as the province of private enterprise has been noticeable in recent developments. I refer to the marketing of many primary commodities and some metals. Many countries through some public or semi-public authority, now organize the sale of these goods, both internally and internationally. This is done in the belief that such a procedure will protect the interests of producers both as regards the amount of their return and its stability. Not even in the United States, the home of private enterprise, is it suggested that there should be any turning back on this road to a blend of public and private enterprise. It rather reminds one of the maxim enunciated by a British

Liberal Prime Minister in the early years of the century that self-government was to be preferred to good government. Internationally, the western economy is groping for a solution of the recurrent shortages and surpluses and their attendant price fluctuations, and this perhaps is one of the major problems yet awaiting solution by the western economy. If solved, it will be on the same pattern of some over-riding control or supervision by public enterprise within which private enterprise will operate.

### Increasing Application of Science.

Secondly, the western economy is marked by an increasing application of science to industry and agriculture, and, indeed, all phases of economic activity. This is not peculiar to the western economy; it is also a prominent feature of the communist economy and for this reason it is important that the western countries should allocate more and more of their resources to research and higher education. Universities and research institutions are no longer the trappings of modern civilization; they are on the pioneer fringe of economic development in all its phases, and the means by which nature can be brought to yield unexpected fruits with less and less human labour. Fortunately for the west, the scientists and educationalists are for the most part still free to pursue their researches and to offer criticism, though there has been some back-sliding on this important ingredient of a free economy in the United States. This is not likely to happen in Australia, but Australian businessmen and governments might well ask whether the country as a whole is devoting enough of its resources to higher education and research.

### Restoration of World Trade.

Thirdly, in spite of the disruption of war, the emergence of currency blocks and the assertiveness of economic nationalism, the western economy has restored the volume of world trade to levels in excess of pre-war records. The following table, taken from the 24th Annual Report of the Bank for International Settlements, shows the movement in the volume of foreign trade per head of the leading members of the western economy, on the basis of 100 in 1929, the pre-war record year.

	Europe. (Thirteen Countries)	United States and Canada.	New Zealand, South Africa, Australia.
1929	100	100	100
1937	75	70	98
1948	73	104	153
1952	102	140	148

It would be natural to find that the United States and Canada, and the three British Commonwealth countries have progressed very favourably, but the thirteen countries of western Europe are now more than one-third above the immediate pre-war level.

Figures for national income give much the same picture. In the following table the statistics are for per capita national income at stable prices.

	Europe.	United States and Canada.	New Zealand, South Africa, and Australia.
1929	100	100	100
1937	113	91	113
1948	110	138	138
1952	117	155	132

There is no need to dwell upon the significance of these figures. The western economy has fully recovered from the malaise of the depression and the burden of the most costly war in history. But there are still some blemishes in the picture which should not be overlooked. For one

thing, the western economy is not yet one world in respect of currency relationships. There are "hard" and "soft" currencies, due in part to the sudden shift in the balance of economic power, and in part to the differences in economic policy. Though much progress has been made towards the freer convertibility of currencies, much has yet to be done before full convertibility of western currencies, one into another, will be achieved. Secondly, there are the problems of restrictions to trade, which still impede the international flow of goods. These restrictions are less than they were in the early years of the post-war period, but they are greater than was thought likely by governments and experts who sought, through GATT and other means, to restore in full measure an international economy in which impediments to trade would be reduced to a minimum. These blemishes have not prevented the western economy from attaining a new record in international trade or expanding output, but they have created some grounds for dissension among the members of the economy.

**"Welfare of the Whole Human Race."**

Fourthly, and with greater confidence, marked advances have been made in the reconciliation of the needs of productivity and economic expansion with the aspirations of people for a larger measure of social justice. Whether it be in promoting the more equitable distribution of the national income; in the regulation of working conditions; in housing, education and health provision; in safeguarding people against the hazards of sickness, family strain, unemployment and old age; in imparting greater stability to the economy, the developments of the

past half century in all western countries have given to the average man and woman a standard of living, a sense of dignity in work and life and a larger element of social security than at any time in human history. It is on this field of human endeavour that the western economy has so much to offer mankind that is quite foreign to the totalitarian world. True, the latter world can and may offer rising standards of living, but they are as yet far below the standards in the west. In reconciling economic progress with the aspirations of the human spirit, the west has made a signal contribution. In this, as in other aspects of our development, it would be fatal to rest on past achievement, however meritorious it might have been. We have still to bring labour into a closer partnership with management, to find ways and means of avoiding conflict in industry, to get rid of human drudgery, to improve opportunities for social advancement for an even greater proportion of people, and to solve the age long problem of reconciling security with progress. Bertrand Russell remarked in his Reith Lectures that a secure life is not necessarily a happy life, nor is security likely to be the hand-maiden of progress. Nevertheless, the western world has rightly sought to give to its peoples a greater measure of social and economic security than any similar number has had in the history of mankind. It is no mean achievement, and is, indeed, the outstanding feature of the development of the western economy in recent times. To promote investment and to improve productivity can be a mechanical thing in a totalitarian regime, but to do this whilst retaining all the freedoms, raising living standards and expanding the horizons of human welfare, is a vastly more difficult and

delicate operation. The distinguished historian of our age, Professor Arnold Toynbee, has suggested that future generations will look back on this period as one "less of an era of political conflicts or technical inventions, than as an age in which human society dared to think of the welfare of the whole human race as a practical objective."

### **Massive Help to the Less Favoured Countries.**

But don't let it be assumed that there are no more worlds to conquer. I have already suggested that we have still much to do internally, but let us take a look at the external field in which the great contest between the totalitarian and the free economy is likely to take place in the next several decades. I say "several decades" advisedly because the solution of the problems of the so-called under-developed countries, especially in South and South-East Asia and in the Middle East, will be achieved only on the long haul. The west should not be dismayed by the magnitude of the task ahead, or by the signal triumph of the communists in China. This certainly presents a still greater challenge, but the policies pursued by the west since the war, often through the United Nations and sometimes as special national or group measures, have the latent power to meet this challenge. Never in the history of the world has help been given on so massive a scale by countries in a more favoured position to those in a less favoured position. No doubt more could still be done, and it will be done, but in this work of international relief and reconstruction, and aid to countries seeking to transform their ancient economies to modern techniques, it is not only the amount of the aid that is impressive; in some respects the

international machinery devised is even more impressive. It is in this respect that the free world has a long term advantage over the totalitarian world, though it might appear on short notice that the ruthless capacity of totalitarians to promote investment and development at the expense of freedom and social welfare has some attractions for backward peoples. The agencies through which aid is being given, whether in the United Nations or in special schemes, are peculiarly western in origin, and are based upon the preservation, and, indeed, the improvement of the status of the recipient countries, and upon respect for the political institutions of those countries.

ON this point the free economies of the west have a thoroughly good record, and the totalitarians a thoroughly bad one. We have made mistakes, and we have been too prone to associate military arrangements with economic and technical aid in some cases, but taking it by and large, the record is good. The International Bank, the Monetary Fund, the new International Finance Corporation, UNRRA in the early days of the uneasy peace, the Marshall Plan, the Colombo Plan, Point Four, the Programme of Technical Aid—all these are fruitful products of a genuine desire to promote human welfare, rebuild the economies of countries with new aspirations and preserve and strengthen their newly won independence. It would take too long to describe the structure of the agencies through which the aid has been given, but as I have said, they are a product of the political philosophy of the west, and of its capacity to supply economic help on an increasing scale. The Colombo Plan is a voluntary scheme on both

sides, and recipient and contributor alike contribute to its working structure on an equal basis. The initiative rests with the recipient countries and external aid is conditional on their own plans for development. At the last meeting of the Consultative Committee of the Plan in Ottawa in October, 1954, the external aid amounted to 18% of the total capital expenditure on development, and no doubt as the plans for development are expanded, the external aid will also expand. This is a new experiment in international co-operation. In some respects the programme of technical aid under the United Nations is even more interesting as a device for international action to promote the application of modern techniques in education, health, agriculture, industry and transport, and it has the merit that the programme cuts across the boundaries of the free and the totalitarian world. The plan embraces some sixty contributing countries, some eighty on the receiving end, the association of several international agencies, such as FAO, WHO and UNESCO. The expenditure, though growing, is not large, being less than \$30m. per annum, but the assistance offered in technical advice and in training and the fruitful international co-operation is something that has never been attempted on anything like the same scale before.

Despite her absorption in a major and ambitious programme of economic expansion, and the pressure on her resources, Australia has been a contributor in men, money and materials to the Colombo Plan and to technical aid. She shares this with Canada as the two youngest members of the western economy, and both countries have contributed much also in helping to devise the appropriate machinery for implementing

the plans. We shall have to accept the responsibility for sustaining our contribution, and indeed, enlarging it. Recipient countries in some cases have to develop the administrative machinery within their own territories, to secure the trained technical personnel, to mobilize their resources and devise the means by which external aid can best be absorbed into their own plans whilst preserving and developing their new political institutions. This is an adventure challenging enough for the free economy of the west, but it is the only way in which the frontiers of freedom will be extended and more and more people brought within the saving grace of Toynbee's dictum of "the welfare of the whole human race as a practical objective." This is what lies behind the work of the international bodies to which I have referred, of the Economic and Social Council of the United Nations, and of the Economic and Social Committees of the Assembly. It has been my good fortune recently to have taken an active part in much of this work, and I am convinced that it is the responsibility of countries that have established a vigorous free economy, not only to improve their own efficiency and the welfare of their peoples, but also to participate actively in all international activity designed to assist those who are less fortunate. The western economy has at one and the same time the political insight and the economic strength to do this, and if it is patient and persevering it will demonstrate its inherent virtue over the less compromising and more ruthless methods of totalitarianism. Let us go forward with the maxim inscribed on our banners:

*If thou bear the Cross cheerfully,  
it will bear thee.*