

The burden, despite the various provisions intended to assist us in shouldering it, is very heavy; it amounts to 7d. in the pound on income-tax; it equals three-quarters of our total receipts from that tax before the war. The repayment of this debt is going to call for all our energies. But we considered that funding the debt was the only possible course consistent with the supreme standard of British credit; and that it was an essential preliminary to the restoration of the normal economic life of the world. The debts of great nations must be recognized if the foundations of commercial progress are to stand.

#### **Imperial Defence.**

It will be remembered that when the last Imperial Conference was held in 1921 the chief question with regard to Imperial defence under consideration was the future of the Anglo-Japanese Alliance and its bearing on the relations of the British Empire with the United States.

#### **Washington Conference.**

It was during these discussions, which extended over several days, that the invitation from the President of the United States for a conference on disarmament was received.

The Conference on Limitation of Armaments assembled in Washington in November, 1921. I do not think I exaggerate if I say that the results achieved exceeded our most sanguine anticipations. If these were due in great part to the dramatic proposals with which the United States Government confronted the Conference at its opening meeting, by general admission they were also in no small degree attributable to the skill, tact, and diplomacy of Lord Balfour, ably assisted by the delegates from the Dominions and India.

It may not be out of place to remind you that these results included—(1) The treaty for the limitation of naval armament; (2) the quadruple Pacific Treaty; (3) the nine-Power treaty regarding China; (4) the nine-Power treaty regarding the Chinese Customs tariff; (5) the treaty for the protection of the lives of neutrals and non-combatants at sea in time of war, and to prevent the use in war of noxious gases and chemicals; (6) many supplementary resolutions and declarations.

I think we may justifiably claim that these results, which are not only a real benefit but also contain a promise in the future for the whole Empire, are in no small measure due, first, to the last Imperial Conference, which was so largely concerned in initiating the Washington Conference, and, second, to the British Empire Delegation, which co-operated so successfully with the United States and other Governments in bringing it to fruition.

The ratification of the quadruple Pacific Treaty has now been completed, and thereupon the agreement concluded between Great Britain and Japan in 1911 automatically terminates.

We have all been deeply moved by the news of the recent earthquake in the East, and I am sure you will wish me to express our profound sympathy with our faithful Ally in the terrible calamity which has befallen her and our recognition of the brave spirit in which she has met it.

#### **Air Defence.**

The other chief questions of Imperial defence which have been dealt with in the interval since the last Conference will be reviewed later by the Lord President of the Council. Problems of Empire defence will necessarily occupy a considerable share of our deliberations. It will be within your knowledge that we decided with great reluctance to add to our defensive Air Forces. When announcing this increase in our programme to Parliament, I said, and I should like to repeat here, that, in conformity with our obligation under the Covenant of the League of Nations, His Majesty's Government would gladly co-operate with other Governments in limiting the strength of air armaments on lines similar to the Treaty of Washington in the case of the Navy, and any such arrangement, it is needless to say, would govern our policy of air expansion.

#### **Unemployment.**

The impoverishment of the world consequent on the ravages of the war has been immensely aggravated and prolonged by the unsettlement of Europe which I have described. Contraction of trade in Europe is felt throughout the world, in India, in Canada, in Australia, in South Africa, on all of whom the European market reacts. All countries of the world are burdened by debt, by taxation, by budget difficulties, by exchange fluctuations. We here at home, as a great trading and exporting country, feel the result with especial severity.

Since the summer of 1921 there has, on the whole, been some improvement in the state of employment in this country; but unfortunately the numbers unemployed remain still very large, and the depression in trade which revealed itself in the autumn of 1920 has not passed away.

In the spring and early summer of the present year there were signs of an early revival of trade. Unhappily the improvement then promised and partly realized has suffered a check. Recently the figures of unemployed have taken an upward turn, and it is to be feared that this increase will continue during the coming winter months. We have, roughly, a million and a quarter out of work, as compared with a little over a million and a half when the last Conference met.

#### **Inter-Imperial Trade.**

The efforts of the Government to cope with this situation have been and will continue to be directed on three main lines. In the first place, relief works of a useful and practical kind, and costing many millions, are set in operation with Treasury assistance through local authorities and otherwise; secondly, provision on an unprecedented scale is made through the national unemployment insurance scheme for those in the insured trades who are unavoidably unemployed; and, thirdly, every practicable step is taken to stimulate and encourage the revival of trade at home, with the Dominions, India, and the colonies, and with foreign countries.