

To-day our export trade is still far below its pre-war volume. This deficiency, fluctuating somewhat in extent, has persisted for many months, and has been and is to-day reflected in unemployment of a duration and on a scale without precedent. It would be difficult to exaggerate the gravity or the urgency of such a situation. But one fact is plain: We can only restore and maintain steady employment in this country if we can wipe out the deficit in our export trade, and, indeed, do something more. It will not be enough to get back to our pre-war volume of trade. Our population has increased, and at the same time the efficiency of methods of production has improved. Consequently a larger volume of trade is necessary than before the war to maintain employment.

The Vital Problem of Markets.

For us, therefore, the vital problem is the problem of markets; the restoration of old markets, but, still more, the development of new markets. While the interdependence of world trade makes the restoration of stable and productive conditions in Europe of great importance, we should realize two facts in this connection: Firstly, even if we assume the most favourable conditions that are practically possible to-day, the complete recovery of the producing and purchasing power of parts of Europe must be, at best, a slow process. Secondly, the industrial capacity of Europe was largely increased during and immediately after the war, and consequently we shall have to face increasing competition in industrial output. These facts emphasize the enormous importance to us of the progressive development of new markets. And is it not true that for the Dominions and for the colonies the need of constant and steady markets is hardly less important?

Lessons of the Past in the Economic Development of the Empire.

Looking at the economic history of the past, there are, I think, two outstanding lessons which we should do well to bear in mind. The first is that the surest guarantee of industrial prosperity in this country is the development of fresh resources, new fields overseas. The most prosperous period in our industrial history was, I suppose, unquestionably the period of easy success between 1850 and 1870, a period which coincided with enormous development in America and in other parts of the world. The second lesson may be drawn from the epoch which followed. The effects of the long period of industrial depression which came shortly after the Franco-Prussian War are common knowledge. But what is not so well remembered is that during that depressing time, while for years our export trade to foreign countries showed no increase, while our population was steadily growing, one thing above all others enabled us to carry on: the fact that our exports of manufactures within the Empire almost doubled in those difficult years. And let us remember that it was the development taking place in the Empire itself that made that increase of trade possible.

Possibilities of the Future.

Difficult as the position is to-day, I feel that, in the light of those two lessons, we may look to the future with hope. The resources of the British Empire are as great as those of the United States. You and we are equally anxious to develop them, and I do not believe that together we are less capable of realizing a development comparable with that which has taken place in America. We are all of us anxious to do the greatest possible amount of trade together. You need, for the development of your great territories, population and capital. As Adam Smith (who was a much better Imperialist than is sometimes supposed) said, "What encourages the progress of population and improvement encourages that of real wealth and greatness." And on our part our needs are complementary. Indeed, in the fullness of time these problems would work themselves out. Population and capital would come to the Dominions; the resources of the colonies would be developed. But now is the time of our greatest need. Now particularly is the time when the Empire is thrown back on its own resources. Can we not anticipate its development? That surely is the problem which we have to study in its various aspects. And I would observe that such a policy of anticipation is no artificial or uneconomic specific. On the contrary, if in the years immediately in front of us we can follow a bold and businesslike policy of accelerating the development of the Empire and its resources we shall find immediate relief in our present difficulties, and we shall bring about a greater and quicker increase in the wealth and strength of all parts of the Empire. The various items which we have agreed in the telegrams which have passed between us, as proper to the Agenda, are, in fact, all of them factors in this problem.

Suggested Draft Agenda.

As regards the Agenda itself, we thought it would meet the convenience of the Conference if we prepared for your consideration a draft which attempted to embody in an ordered sequence the various subjects which have already been proposed for discussion in the telegrams interchanged. Accordingly, I have circulated the draft, which you have received, in the hope that it may facilitate our preliminary discussion on the order of business.

Oversea Settlement.

The majority of subjects appear to fall into three broad classes. First and foremost there is Empire Settlement. Settlement is at once a great objective in itself and an indispensable means to the development of Imperial resources. Settlement on the largest scale possible is as important to this country as it is to the Dominions. It is often said that Great Britain has become over-industrialized. Certainly if that is not yet true it is in danger of becoming so in the future. The problem of the adjustment of population, industrially and agriculturally, can only be solved if we treat it as an Imperial problem. And what better aim can we have than to open ever wider in the future for our growing population avenues of opportunity, and freer life among our own kin in the