

ought to become the basis of a new departure in world policy. We cannot stop with Germany; we cannot stop with the disarmament of Germany. It is impossible for us to continue to envisage the future of the world from the point of view of war. I believe it is impossible for us to contemplate the piling-up of armaments in the future of the world and the exhaustion of our very limited remaining resources in order to carry out a policy of that kind.

Such a policy would be criminal; it would be the betrayal of the causes for which we fought during the war, and if we embarked on such a policy it would be our undoing. If we were to go forward into the future staggering under the load of military and naval armaments whilst our competitors in Central Europe were free from the incubus of great armies we should be severely handicapped, and in the end we should have the fruits of victory lost to us by our post-war policy. Already circumstances are developing on those lines. Already under the operation of inexorable economic factors we find that the position is developing to the advantage of Central Europe. The depreciation of their currencies, the universal depreciation of currencies, and the unsettlement of the exchanges are having the effect of practical repudiation of liabilities on the part of a large part of the Continent. If we add to our financial responsibilities and have, in addition, to pile on the fresh burdens of new armies and navies I am afraid the future for us is very dark indeed, and we shall in the long-run lose all we have won on the field of battle.

EMPIRE'S POLICY SHOULD BE FOR REDUCTION OF ARMAMENTS.

Armaments depend upon policy, and therefore I press very strongly that our policy should be such as to make the race for armaments impossible. That should be the cardinal feature of our foreign policy. We should not go into the future under this awful handicap of having to support great armaments, build new fleets, raise new armies, whilst our economic competitors are free of that liability under the Peace Treaty. The most fatal mistake of all, in my humble opinion, would be a race of armaments against America. America is the nation that is closest to us in all the human ties. The Dominions look upon her as the oldest of them. She is the relation with whom we most closely agree, and with whom we can most cordially work together. She left our circle a long time ago because of a great historic mistake. I am not sure that a wise policy after the great events through which we have recently passed might not repair the effects of that great historic error, and once more bring America on to lines of general co-operation with the British Empire. America, after all, has proved a staunch and tried friend during the war. She came in late because she did not realize what was at stake. In the very darkest hour of the war she came in and ranged herself on our side. That was, I believe, the determining factor in the victory of our great cause.

NEED FOR CLOSE UNDERSTANDING WITH UNITED STATES.

Since the war we have somewhat drifted apart. I need not go into the story—I do not know the whole story—it is only known to you here. There are matters on which we have not seen eye to eye, to some extent springing from what happened at Paris and also from mistakes made by statesmen. But these mistakes do not affect the fundamental attitude of the two peoples. To my mind it seems clear that the only path of safety for the British Empire is a path on which she can walk together with America. In saying this I do not wish to be understood as advocating an American alliance: nothing of the kind. I do not advocate an alliance or any exclusive arrangement with America. It would be undesirable; it would be impossible, and unnecessary. The British Empire is not in need of exclusive allies. It emerged from the war quite the greatest Power in the world, and it is only unwisdom or unsound policy that could rob her of that great position. She does not want exclusive alliances. What she wants to see established is more universal friendship in the world. The nations of the British Empire wish to make all the nations of the world more friendly to each other. We wish to remove grounds for misunderstandings and causes of friction, and to bring together all the free peoples of the world in a system of friendly conferences and consultations in regard to their difficulties. We wish to see a real Society of Nations, away from