

Q. Could you give us some idea as to the nature of the expenditures that must be carried on by the Government during this period?—A. Yes. Let me illustrate. Take, for example, the financial year 1919-20, that is to say, the present fiscal year, which began on April 1st and which will close at the end of March of next year. Now, there is a tremendous programme of expenditure. In the first place, there is the expenditure called for by my estimates. I have no doubt my Deputy gave you yesterday an estimate of the amount of proposed expenditure.

Q. Yes, \$270,000,000?—A. Yes. Recalling my Budget Speech, in which I made an exceedingly careful estimate, \$270,000,000 was the estimated expenditure of this year for ordinary purposes, but in addition to that there were \$50,000,000 of capital expenditure which would have to be borrowed. Then in addition to that we had the War Appropriation Bill calling for an expenditure of not less than \$350,000,000 for the various purposes which were explained in the House, among others the expenses of demobilization, including transportation, and the large amount involved in the payment of the war gratuity, which I think has been estimated at about \$125,000,000. So that the Dominion Government must face not only its ordinary expenditure of \$270,000,000, for which its revenue will barely suffice—in fact I doubt if it will meet the ordinary expenditure—but also the capital expenditure of \$50,000,000. In addition to that, very large expenditures are being made on the Government Railway systems for the purpose, among other things, of furnishing employment. There is our large ship-building programme, carried on largely for the same purpose, as well as for the production of ships. In addition to all that we have the expensive credits which we have been obliged to give to Great Britain and other countries in order to maintain the trade of the country; the amounts involved are exceedingly large.

By Mr. McLean:

Q. We have all included in the \$850,000,000 estimate?—A. Not the credits; they were not included in that; the credits are over and above that. To give an idea of what we were confronted with during the present fiscal year, and the last two or three months of last year, I had to find \$170,000,000 for the British Government, with which to purchase wheat. Of course we have the liability of the British Government for that. Then in addition to that we are finding credits further for the purchase by other countries of our manufactured products, and of our wheat and other food products.

By the Chairman:

Q. What is the necessity for that?—A. Well, take the case of Great Britain as an illustration—I will touch on the others in a moment. Great Britain needs our wheat; our farmers have a surplus of wheat to sell; as soon as the crop movement begins the money must be found to supply the farmer with the purchase price for his wheat, because the farmer has to pay his help and his accounts, and of course desires to sell his product. Now, Great Britain is the greatest market for our wheat. For the past two years the British Government has been quite unable, on account of the exchange situation, to find money on this continent for the purpose of purchasing our wheat which our farmers desired to sell, unless we gave the credits here; therefore from the standpoint of the welfare of our farmers, and indeed all sections of the community who participate in the benefits of the sale of the wheat crop, it is necessary that the Dominion Government should furnish the credits if our wheat is to be sold. We furnished \$75,000,000 in credits for the purchase of cheese. That is not necessary this year because there is an open market in cheese. It was our mode of finance, roughly speaking, so to make advances to Great Britain here, and Great Britain made us advances in London for the purpose of paying the expenditure connected with our Expeditionary Force both on the Continent and in England. But the position became such, owing to the international exchange, and their inability to obtain money outside of Canada for the purchase of products in Canada, that the British Government owed