

Q. What amount do you estimate Great Britain owes us now?—A. I would say something less than a couple of hundred million dollars, and of that couple of hundred million, some time ago we consolidated about \$107,000,000 of her indebtedness. She is asking now that a portion of this consolidation be applied against the temporary indebtedness.

Q. You say you have got to raise the cash. Is all that cash raised by issuing bonds?—A. It is the only way—bonds or bills of some kind.

Q. What have you been doing this last six or seven months? You have not been issuing bonds, where do you get the money?—A. We borrow from the banks on two, three or four months' treasury bills, as the case may be.

Q. What is a Treasury Bill?—A. Practically the same thing as our old friend the Promissory Note.

Q. When are those Treasury Bills payable?—A. At various dates from now until January.

Q. They usually run how many months?—A. About four or six months.

Q. And while you issue these Treasury Bills for the purpose of getting the cash from day to day, as required for these purposes, what do you ultimately look forward to?—A. A loan.

Q. What do you mean by a loan?—A. By a loan, by floating a funded debt or loan over a term of years, just as the present Victory Loan.

Q. So that in order to carry on the business of the country during the last four, five, six months or so you have had to borrow from the banks by issuing Treasury Bills an amount approximating what?—A. \$240,000,000.

Q. And the proceeds of this Victory Loan will care for those borrowings?—A. Yes.

Q. And if we proceed to make these other expenditures how will you care for them?—A. We will have to borrow again.

Q. From the banks?—A. We start with the bank.

Q. Ultimately looking forward to what?—A. Ultimately looking forward to a loan over a term of years, just as the present Victory Loan.

Q. If you were to provide credits for Great Britain, such as Mr. MacNeil is talking about, you would have to borrow money from the banks for that purpose?—A. Yes.

Q. And take care of them by issuing more bonds?—A. Yes.

By Mr. MacNeil:

Q. Do we pay interest on such borrowings from the bank?—A. Yes.

Q. And when the amount is re-deposited do the banks pay interest on our balances?—A. What is that?

Q. Does the bank pay interest on our balances?—A. We pay off the loan.

Q. But does the bank pay interest on your daily balances?—A. Government balances do not carry interest, because our balances are not usually very large, and the banks transact an enormous amount of business with us ordinarily. I use the banks from the Atlantic to the Pacific for the purpose of our business, and as a make-weight against that service we do not ask interest on our daily balances.

Q. What arrangements exist between the Government and the banks with respect to the issue of currency by the banks?—A. The banks' currency is limited under the law to certain amounts. They can issue their own currency up to the amount of their paid-up capital. In crop moving seasons, however, they can issue a further fifteen per cent on the total of their paid up capital, plus the reserve. Does that cover your question?

Q. Yes. From this amount of \$699,000,000 you can almost deduct \$300,000,000 which would probably not be expended, or which would be repayable?—A. We can deduct how much?

Q. Between \$200,000,000 and \$300,000,000 which will be repayable?—A. What for?

[Mr. T. C. Boville.]