

Yes, proceed?—A. The commitments of the Government during the present year are very heavy; the financial position of Canada, while I do not regard it as critical, is inevitably and necessarily such as to call for serious consideration because of five years' war expenditure. That is inevitable. We had in mind, and are now putting on a campaign for the Victory Loan of the present year, about \$300,000,000. The proceeds of that loan will be required to take care of the indebtedness to the banks.

Q. Existing indebtedness to the banks?—A. Existing indebtedness to the banks. I will just qualify that to this extent:—The Dominion Government borrowed before I left office \$200,000,000 from the banks upon short date securities which are maturing this fall, the intention being that they should be paid off from the proceeds of the Victory Loan. There is about \$72,000,000 liabilities to the bank which I thought could be extended to next year, I have no doubt that can be done.

Q. That is in addition to the \$200,000,000?—A. Yes. I found, on inquiry at the office, that about \$25,000,000 more has since been borrowed and will be required to be repaid out of the proceeds of this Loan. Let us assume therefore that the \$72,000,000, I am speaking from memory, which is owing to the banks, can be extended for a year, of course it will then have to be met or extended again, then we should have \$225,000,000 of the proceeds of this year's Victory Loan to pay back before the balance would be available for the purposes of the Dominion Government. Now the prospects for this loan I think are reasonably good; they are asking for \$300,000,000, and we would hope to obtain between \$400,000,000 and \$500,000,000, that would be an exceedingly successful loan if we reach that figure, and from that we have to deduct the amount that has to be repaid to the banks, and having regard to the expenditures of the present year and those which will continue next year, in a comparatively short time, a very few months. The entire proceeds of this Victory Loan will have been expended, and the Government will again have to borrow from the banks very large amounts which, with the amount of \$72,000,000 of which I have spoken, should be paid off in a loan floated again next Fall, I hope not for so large an amount.

By Mr. Nesbitt:

Q. It has been suggested to me, why could not the money that is required for this re-instatement be borrowed from the Banks and carried by the Banks?—A. If you borrow from the banks you borrow temporarily, but you must repay the banks, and there is a limit beyond which the banks cannot carry loans, having regard to our financial condition. The banks cannot carry on an unlimited amount of loans, for the Government, because they need their money for commercial purposes.

By the Chairman:

Q. You were speaking of commitments; could you give us a general statement as to the nature of these commitments?—A. I understood that was given to you yesterday. I would just ask you to allow me to elaborate a little on the statement I made in regard to the Victory Loan, because I do not believe it is realized just how our finances has been carried on and the conditions which govern it. We ask the public to subscribe these loans. Many have the necessary cash, and pay it; others require several months in which to make payments, and some institutions require the whole of the following year; so that the amount which you can float in a year is practically limited to what you get in your issue in the Fall, because the available investment money is pretty well absorbed for many months, or in the case of many institutions for the following year. Now, having regard to what I have stated I do not see how it could be possible for the Government, if its credit is to be maintained, to raise any such sum as has been suggested in addition to what we shall require. My own view is that while the financial condition of the country is such as I have said as to call for serious consideration, and while it is not critical, yet a very careful handling of our expenditures will be required the next few years; and my opinion is that during the next year or two years retrenchment will become the policy of all Governments that have been engaged in this war, and retrenchment will become an issue.