

POOR PRINT
Epreuve illisible

C246339

4.

probably produce the same sort of dangers which were referred to above in connection with a severe repatriation program. Moreover, a very large accumulation of such balances remaining at the end of the war would amount to an unwieldy war debt of the type which produced such difficulties and international frictions after the last war, and Canada might in fact find itself unable to derive any large benefit from it. Some balances will undoubtedly be needed by Canada for bargaining purposes, but a balance of more moderate size would probably be of more real value than a huge and unmanageable one. In addition, Canada could derive at least some political or psychological benefit from the use of a part of her accumulated sterling balances during the war. For instance, it is believed, that the use of a portion of our sterling balances for direct military purposes in Britain would produce favourable psychological repercussions not only in Canada but in Britain and United States as well.

In view of all these considerations, the Committee recommends to the favourable consideration of the Government the use of a portion of our sterling balances along the lines suggested in the secret memorandum. In particular, it believes that the use of something like the sterling equivalent of \$200 millions in paying for the full initial and maintenance cost of 25 Air Squadrons to be manned by Canadians and operated and identified as R.C.A.F. squadrons would be a very desirable means of disposing of a significant portion of our surplus sterling. Possibly other similar proposals might also be considered, such as the establishment of more armoured units in Britain in place of some of our infantry units, if the extra