

CHAPTER NINE

During the election campaign Mr. Aberhart had stated many times that he required a period of eighteen months to bring a Social Credit program into existence. He expected, first of all, to find problems of which he was not then aware, left by the U.F.A. government. To these he would naturally have to give his first attention. He rightly believed, too, that because Major Douglas was still under contract to the Alberta government, the two together would require some time to bring a workable program into being.

While the Federal election was still two months away, it was becoming daily more evident that the next government would be made up of Liberals led by the Right Honourable William Lyon Mackenzie King and as Mr. King had been advocating monetary reform, Mr. Aberhart expected nothing but co-operation from that source. As a matter of fact, Mr. King stated, when asked to comment on the Aberhart victory: "If Social Credit ever gets a chance to prove itself, it will be in Alberta. Mr. Aberhart has the whole province in his hands and if a Liberal government is returned to power in Ottawa, he will be given the fullest opportunity to work out his plans. If my party is returned to power, we shall make good our monetary policy in the greatest battle between the money power and the people ever seen in Canada."

Although Social Crediters in the four western provinces intended to field candidates in many ridings, they were, nevertheless, hoping to see in Ottawa a monetary reform government with whom their members could fully co-operate.

If Mr. Aberhart had expected immediate problems to solve, he was not disappointed. The Treasury was entirely empty, not even a cent being available to pay the civil service salaries at the end of that month. Legislation on the statute books pertaining to teachers, guaranteed them a minimum salary of eight hundred and forty dollars. It was common knowledge, however, that hundreds of teachers throughout the province had been teaching for as little as four hundred dollars per year and even at that, school boards had been unable in many cases to meet this obligation. The total arrears of teachers' salaries amounted to approximately two hundred and fifty thousand dollars, a large sum of money for those days when we realize that the total estimated revenue of the previous government for their last fiscal year was only slightly over sixteen million of dollars. Though teachers' salaries were the responsibility of school boards, trustees and teachers alike were begging the government to come to their aid.

To add to the financial difficulties, five million two hundred thousand dollars of bonded indebtedness was maturing on March 31, 1936 and the interest payment on the provincial debt of two million eight hundred thousand dollars was due, while the Province's share of unemployment relief amounting to one and one quarter million dollars had to be paid. In addition to these, the government owed bank debts in excess of six millions of dollars.

The previous government had for several years sold to the public demand saving certificates and here again the U.F.A. Premier had found it necessary to suspend payment upon them. Civil servants had already been asked to contribute ten per cent of their salary back to the government in order that more relief could be given to the unemployed. While this ten per cent was referred to as a voluntary contribution, I well remember how involuntarily civil servants parted with their money. Naturally, they were given no alternative. Members of the Legislative Assembly also contributed ten per cent of their two thousand dollar indemnity.

In order to meet these emergencies, almost the first action of the new government

was to seek the assistance of the Federal government in supplying a loan in an amount sufficient not only to take care of day to day operations until the first budget could be brought down, but to take care of the redemption of bonds coming due in the next three or four years. Accordingly, Mr. Aberhart journeyed to Ottawa to discuss the financial plight of the Province with Prime Minister Bennett, who was, incidentally, a Calgarian and a personal friend of Mr. Aberhart.

He had to be satisfied, however, with a loan of only two million dollars to meet the emergent payments. While in Eastern Canada, he hired Mr. R. J. Magor, a financier, to study and report upon Alberta's entire financial situation. Magor was the man who had virtually taken over the management of Newfoundland some time before when that colony was financially bankrupt. Any assurance at that time that the Federal government would assist in refunding even the first maturing bonds was not forthcoming.

The Federal election took place on October 14th and the Bennett government was swept out of office and with Mr. King having promised a program of monetary reform, he was able to win a majority of the seats in every province except Alberta. The Social Credit party in Alberta ran candidates in sixteen of the seventeen Federal ridings, the only one not contested being the Calgary seat represented at that time by the Right Honourable R. B. Bennett. Of the sixteen seats contested, Social Crediters won fifteen. The only other candidate besides Prime Minister Bennett to win a seat was J. A. McKinnon, who retained an Edmonton seat for the Liberal party.

Social Credit candidates also ran in Saskatchewan, Manitoba and British Columbia and while none was elected in Manitoba or British Columbia, two were elected from Saskatchewan. The Social Credit movement was now on its way in the Federal field as well as the Provincial.

With the election of the Right Honourable William Lyon Mackenzie King as Prime Minister, Social Creditors had every right to believe they would have the full support of the new Federal government. After all, Mr. King had won his election on a monetary reform platform and had stated publicly that his policy would be "Hands off Alberta. I hope with all my heart they are successful." However, that co-operation was never to materialize.

With the total direct debts of the Province approximating one hundred and sixty-seven millions of dollars and with debt service charges taking nearly fifty-one per cent of the total provincial budget, unless help was forthcoming from the Federal government, Alberta would be forced to finance all government services for slightly over eight millions of dollars in total. The only alternative would be an increase in taxation. The total estimated revenue of the 1935/36 budget, being the last one introduced by the U.F.A., was only \$16,303,029. Our two major cities, Edmonton and Calgary, were suffering financial problems equally as great as was the provincial government and Mr. Aberhart had looked forward hopefully to the co-operation of the Federal government in his desire to refund the bonded indebtedness, not only of the province but of the two cities, as well.

The Session of 1936 is a memorable one in many ways. Opening on February 6th, with a temperature of thirty below zero, the galleries were, nevertheless, filled to capacity, with not even standing room left.

No one on the government side of the House had ever occupied a seat before and for many it was actually the first time they had entered the Parliament Building.

Parliamentary procedures had been studied by our first Speaker, the Honourable N. E. Tanner, under the able guidance of Mr. R. A. Andison, longtime Clerk of the Legislative Assembly, and of the ex-Speaker, Mr. George Johnson of the U.F.A.

Amongst our members, also, was a young lawyer from Beaver River, Lucien Maynard, soon to become Minister of Municipal Affairs and later, Attorney General. While in University, he had made a careful study of Parliaments generally and had spent many hours sitting in the galleries watching the U.F.A. government at work. The rules of parliamentary procedure were undoubtedly more familiar to him than they were even to the members of the opposition, the majority of whom had sat in the Legislature for a number of years. Mr. Tanner and Mr. Maynard instructed the members in caucus.

The first Session lasted for about two months and in addition to the work of the Assembly, the Social Credit members met in Caucus at least four nights out of every week, these meetings often lasting from eight until two o'clock the next morning. As each Minister outlined to the caucus members the work of his Department, it soon became obvious that many new programs should be instituted but that money was not available.

Despite the assurance of Prime Minister King to keep "hands off Alberta", it was soon evident that he, too, must have been, as Disraeli and Ramsay Macdonald said, only in office and not in power. It was reported to the members of caucus by the Cabinet that the only way the Federal government would assist in bond redemption was that we, as a provincial government, agree to accept the dictates of a Loan Council, which would have complete jurisdiction over our financing in the future. This Mr. Aberhart refused to do and his action was endorsed one hundred per cent by his followers.

We learned that on April 1, 1936, we would be faced with the redemption of 6% bonds and on November 1, 1936 with another maturity of 6 % bonds, the total in all being \$3,955,000. We argued with the Federal government that these debts were not of our making but were, rather debts contracted by governments of previous days whose financial policies were the same as those of every other province, and they were being assisted by the Federal Government, with no strings attached. Our plea fell on deaf ears.

During the Session reports were made to the Assembly by Ministers, indicating that attempts had been made to contact the bond holders, asking for their co-operation in reducing interest rates. This seemed to be good logic when everyone else, through no fault of his own, was being forced, through lack of money, to accept tremendous losses, in many cases even to the point of being completely dispossessed. However, favorable response from bond holders was conspicuous by its absence.

On the evening of March 2nd, the Honourable Mr. Cockroft presented his budget to the Legislative Assembly and as a result of our financial plight, it was necessary for him to announce several increases in taxation. The Supplementary Revenue Tax of the previous government, which realized about \$900,000, was abolished and the Social Service Tax was introduced in its place. It increased the mill rate to three from two as it had been under the Supplementary Revenue Tax and it was anticipated that the revenue would be increased by \$323,000. This increase, however, was to be used to relieve the municipalities of their portion of Mothers' Allowances and to abolish those charges carried by the municipality for the care of tubercular patients in the Provincial Sanitorium. Tubercular care was now to be given free to all patients. Another tax increase was brought about by changes in motor license fees, drivers' licenses and a fuel oil tax.

Alberta at that time operated its own Income Tax laws. The rates charged were considerably lower than that of most other provinces. Here again our first budget called for an increase which brought the rates in line with those applicable in Manitoba.

While the one or two nuisance taxes, such as the Wild Lands Tax, were abolished, the government was forced, for the first time in the Province, to introduce a sales tax. In his budget speech, Mr. Cockroft stated:

"The government has decided to impose a tax of two per centum on the ultimate purchasers of commodities, primarily for the purpose of meeting the expenditure for Unemployment Relief, and legislation will be introduced to make this source of revenue available to the Government. Certain exemptions will be allowed, and the gross revenue is estimated at \$2,000,000. It was felt that this method of securing the funds required to meet relief expenditures was preferable to a wage tax. While we feel that unemployment relief costs should be met by taxation by the Dominion Government, we are definitely opposed to the practice of capitalizing this expenditure, and thereby adding to the already heavy and burdensome debt of the Province.

"In increasing taxation to the extent we propose, we are more firmly convinced that the refunding of our debenture debt at a lower rate of interest must be accomplished. When it is realized that over fifty per cent of our total revenue is expended in debt charges, the greater portion of which is withdrawn from the Province, and from which our people receive no benefit, it becomes painfully clear that this crushing burden is rapidly draining the resources of our people. The progress of the Province is being seriously impeded, and our people are unable to move forward into the realization of the things which by common heritage should be theirs, until they are relieved of a substantial portion of the burden of those interest charges. When this is accomplished we shall be able to balance our budget.

"It would seem evident, therefore, that this Government will be compelled to call upon the bond holders to accept the lower rate of interest as already proposed to them some months ago."

His closing sentence was enough to bring about replies from bond holders who had been silent before, as certainly they realized that a cut in bond interest was inevitable.

Before the Session ended, legislation had been passed which cut the interest to be paid on Alberta's bonds by fifty per cent. Instantly the cry went up that the Aberhart administration did not recognize the sanctity of contracts and that as a result of government action thousands of widows and orphans in many parts of the world would suffer the consequences of government action. Their incomes would be cut by fifty per cent, it was argued, and in addition to that, bond holders forced to dispose of their bonds would undoubtedly have to sacrifice much of their original investment.

I hasten to say that no member of the Legislative Assembly was happy when this step had to be taken, but it certainly was true that thousands of people throughout the Province, widows included, were trying to pay taxes in order that government commitments could be met.

I well recall many cases with which I am personally familiar where farmers were forced to sell their produce at prices we find hard to believe today, due to drought and lack of feed. My own family had been forced to dispose of an entire herd of sixty head of cattle, mostly roan Shorthorns. The herd included calves, good milking cows and several four-year-old steers. The best offer my father received and which he was forced, by circumstances, to take, was seven dollars cash per head. Many years of work, therefore, went down the drain for a mere four hundred and twenty dollars.

On another occasion which I recall a farmer took his thirty-dozen crate of eggs back home and fed them to the pigs, rather than accept the three cents per dozen he was offered at the local store. While these cases are undoubtedly extreme, they serve to illustrate the bankruptcy of the times.

Members of the Legislature were well aware that some bond holders would naturally be hurt by our action; however, we had to look at the broad over-all picture and it became evident that it was either a case of taking such action as would benefit the many, rather than to refrain from such action and benefit only the few. Bonds are

definitely investments and the investor often looks upon the purchase of bonds as a long-time investment. He is usually not interested in anything more than receiving his interest year after year. He is not usually concerned about recovering his investment in cash because as soon as he does so, his money becomes dormant until such time as he has found another place for re-investment. Usually the date of maturity of a bond does not mean that it is paid off, but rather that a new one replaces the old one at the same rate or even a higher rate of interest.

The opposition, however, as one can readily expect, took full advantage of the default and amongst other things argued, though wrongly, that the default had actually increased the public debt of Alberta. The total debt at that time included about one hundred different issues coming due at various intervals, the last one not maturing until May 1 of 1980.

The total refunding of Alberta's debt did not become a reality until it was accomplished in two stages by Premier Manning in his capacity as Provincial Treasurer. A debt reorganization program in 1945 took care of the matured bonds, including those upon which default had taken place and a total refunding of the entire provincial debt took place in 1950.

Alberta was therefore forced to go into default on April 1, 1936, our latest request to Ottawa having been made in March. It was interesting to note that just one month later the Government of Saskatchewan was able to refund a maturity of over two millions of dollars with Federal government assistance. The Loan Council, which was a condition of assistance to Alberta, apparently did not apply in Saskatchewan's case. Shortly after this time Saskatchewan refunded other maturities with the backing of the Federal government, amounting in all to about seven and one half million dollars. In addition to this, the Federal government cancelled outright a loan of twenty-six million dollars which the government of Saskatchewan owed to the Federal government.

While these things were happening in Saskatchewan's favor Alberta was forced to continue defaulting, the total being \$12,105,200.00 representing eight maturities, the last one for one-quarter of a million dollars being due on September 1, 1939. One particular bond issue which was defaulted is worthy of note at this time. It was issued by the Liberal government on June 1, 1908 for the sum of two million dollars, carrying an interest rate of 4.175 %. Incidentally, this was the lowest rate of interest applicable to any of Alberta's bonds. It fell due thirty years later, June 1, 1938. It had been sold on the financial markets of the major cities of Canada and Great Britain. During the thirty years Albertans had paid in interest alone on this borrowing, two and one half million dollars. In other words, the people of Alberta had paid the loan back one and one quarter times and still owed the full face value!

While the government struggled to find much needed dollars, people all over Alberta were asking for help, especially to build roads. This, in that day, was certainly one of our greatest needs. It was no exaggeration to say that what was considered to be our number one highway connecting Edmonton and Calgary, was nothing short of being a quagmire in many places when spring break-up occurred. At the close of the 1936 Session, I returned to Rocky Mountain House and in four different places in the first ninety miles all cars were being towed by government caterpillar tractors for as far as one quarter of a mile at a time. The only surfaced road in the Province was a narrow winding one of approximately twelve miles between Lacombe and Ponoka.

To try to meet some of the requests of the people, the government embarked upon a program of issuing its own purchasing power in the form of what was called "prosperity certificates." Made of banknote paper, in one dollar denomination, and appearing somewhat the same on the face as a dollar bill, the back was marked in squares in sufficient numbers to accommodate one tiny stamp per week for two years. It was a type of depreciating currency, depreciating to the extent of one cent per week. Anyone, therefore, receiving one, spent it as soon as possible. Critics have stated that

the experiment was a dismal failure. I prefer, however, to regard it as a success because, though the experiment was discontinued, the result was that many miles of roads were built which otherwise would not have been. The government offered to redeem everyone but to this day several thousands have not been returned and it is interesting to note as a coin collector's item they are bringing as high as thirty-two dollars in the City of Edmonton today. They were a success, also, from the standpoint of our contention that the government should exercise financial sovereignty. It had been argued by some political opponents that the prosperity bonds program was based upon legislation designed to bring about a Social Credit economy and because the program had failed, it is only logical to assume that Social Credit is nothing more than a dream of "pie in the sky" which can never be brought to reality. It is true that "An Act Respecting Social Credit Measures" was introduced on March 5, 1936 by Mr. Aberhart himself and received Royal Assent on April 3rd. Though this legislation consisted of only nine short sections, it was hotly debated for days. It may be of interest to some to read the act as passed:

1936

Chapter 5
An Act respecting Social Credit Measures
(Assented to April 3, 1936.)

"Whereas under modern scientific conditions productive capacity is unlimited; and

"Whereas the existence of indigence and unemployment throughout a large portion of the population demonstrates the fact that the present monetary system is obsolete and a hindrance to the efficient production and distribution of goods; and

"Whereas discovery, invention and organization have multiplied the possibilities of the resources of the world to such an extent that abundance of production has itself created new problems; and

"Whereas it is essential to the well being of the people of this province that all hindrances to the efficient production and distribution of goods be done away with and that the people of this Province be enabled to enjoy the benefits to which their productive capacity entitles them; and

"Whereas the electors of the Province are favourable to the adoption in the Province of a measure based on what are generally known as Social Credit principles, their general objects being to bring about the equation of consumption to production, and to afford to each person a fair share in the cultural heritage of the people in the Province; and

"Whereas by reason of the circumstances and conditions of all businesses, industries, trades and vocations carried on in the Province, it is essential that any measure of the nature aforesaid should be formulated in such a way that it will be feasible and will be effective to better the economic conditions of the people;

"Now, therefore, His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

1. This Act may be cited as "The Social Credit Measures Act."
2. It is hereby declared that the people of the Province are entitled to the full benefit of the increment arising from their association.
3. The Lieutenant Governor in Council is authorized to appoint such persons as are

considered fit and proper,—

(a) To examine into, consider, investigate and formulate proposals having for their object the increase of the purchasing power of the consumer by means of social dividends, compensating discounts or by any other means and the payment to the producer of any commodity of a just price and the allowance to any dealer in a commodity of a fair commission on turnover, and for such purposes to ascertain all necessary facts relating thereto, and to report to the Lieutenant Governor in Council as to the feasibility of applying any such proposal or any modification thereof having regard to the economic circumstances of the Province and of the various businesses, industries, trades and vocations of the people of the Province;

(b) to inquire into and to investigate the prevailing circumstances and conditions of all or any specified businesses, industries, trades and vocations and to ascertain whether, and if so to what extent any of such circumstances and conditions, or either of them, operate to the disadvantage or detriment of the Province as a whole or to any class or category of persons in the Province, and to report thereon to the Lieutenant Governor in Council.

4. Any persons appointed pursuant to this Act shall be appointed upon such terms and conditions, at such remuneration and subject to such regulations as may be prescribed by the Lieutenant Governor in Council.

5. The Lieutenant Governor in Council may confer upon any person so appointed either by the Order in Council whereby he is appointed or by a subsequent order, the same power to compel the attendance of witnesses and the production of documents as may be conferred upon the commissioner appointed pursuant to The Public Inquiries Act.

6. For the purpose of making any inquiry authorized by this Act, every person appointed pursuant to this Act for the purpose of making any such inquiry shall be entitled to examine upon oath such persons as he may in his discretion think proper.

7. The Lieutenant Governor in Council is hereby authorized and empowered to adopt and to put into operation any measures designed to facilitate the exchange of goods and services or any proposal which is calculated to bring about the equation of consumption to production and thus ensure to the people of the Province the full benefit of the increment arising from their association.

8. No provision of this Act shall be so construed as to authorize the doing of any act or thing which is not within the legislative competence of the Legislative Assembly.

9. This Act shall come into force on the day upon which it is assented to."