

THE ALBERTA EXPERIMENT

C.H. DOUGLAS



C.H. Douglas



L.D. Byrne O.B.E.



E.C. Manning



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AN INTERIM SURVEY BY C.H. DOUGLAS

(With background notes by L.D. Byrne.)

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PREFACE

In the years which have succeeded the European War of 1914-18, the world has witnessed at least three developments in those associations which we choose to call the "State." I refer, of course, to the Soviet Republics of Russia, to the Fascist Corporative State of Italy, and the National Socialist State of Germany. To what extent these developments are administrative and have to do with Law and the means of enforcing Law, and to what extent they are economic and financial, is not easy to determine. What is clear about them is that they do not openly and consciously challenge the international credit and financial monopoly which interpermeates and, in many cases, transcends them.

While it might at first sight appear that anything which could take place in a single Province of Canada must be of less importance than movements involving great world powers, I venture to suggest that history will not endorse such a conclusion. Whatever the mistakes which have been, are being, and, no doubt, will be made, in the adventure to which Western Canada is moving, the forces which are being challenged and the political results of that challenge are greater than anything which is involved either in Russia, Italy, or Germany, every one of which, whatever its virtues, is an attack upon individual liberty. If this was the only reason, and there are others equally pregnant with human fate, I feel that it would provide ample justification for the most unbiased record which circumstances and human nature will permit.

C. H. DOUGLAS

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A BACKGROUND PICTURE

BY L.D. BYRNE

1. When and if the history of Canada during this century is written faithfully and objectively, William Aberhart of Alberta will loom large in the importance of his contribution to the moulding of the future of this country since that historic election in 1935 which brought to office in Alberta the first Social Credit Government. It was that election in which a new party, literally only a few months old, not one single candidate of which had sat previously in the Provincial Legislature, swept out of office the well-entrenched United Farmers of Alberta Government to take 56 out of 63 seats. It was that election which brought me to Canada.

2. It is necessary to digress in order to present what I have to say in perspective. Shortly after the First World War a Scottish engineer with a brilliant career in that field, Clifford Hugh Douglas, attracted the attention of some thinking persons by an article in *The English Review*, followed by publication of his first book, *Economic Democracy*, giving his economic ideas which became known as Social Credit. Within a matter of a few years, from a handful of individual students in England, Social Credit found support throughout the British Isles, in the U.S.A., Canada, Australia, New Zealand, the Scandinavian countries—and later even further afield—in short, a world-wide movement formed around the body of Douglas's ideas known as Social Credit.

3. Inevitably many students of Social Credit wrote their interpretations based on their understanding of the subject. Some were accurate. Some were reasonably so, but many either presented only one aspect of the subject, usually made basically unsound by attempts to simplify it, or sometimes entirely inaccurate and unsound.

4. In Canada during the late twenties and early thirties Social Credit found support in Alberta more than elsewhere in the country—possibly because of the influence of the American monetary reform ideas which had penetrated from South of the Border. The spearhead of the Alberta adherents were the “Ginger Group” of United Farmers Members of Parliament. And In Ottawa they had the support of *The Ottawa Citizen* while in the West *The Western Producer* provided increasing support for the Douglas idea.

5. Douglas had predicted the economic depression of the '30's which plunged North America into conditions of deprivation not previously experienced. Aberhart was at that time headmaster of Crescent Heights High School in Calgary—having the reputation of an outstanding teacher. Both his religious conviction and his deeply ingrained sense of justice were offended by the spectacle of his students leaving school educationally equipped to take their place in the world, yet having to join the ranks of unemployed in the bread lines, one of his best students committing suicide in despair. His reason boggled at a state of affairs in which idle men and idle machines existed side by side with poverty and want. A colleague of his lent him an interpretation of Social Credit economics by the English actor-playwright Maurice Colbourne—a popular and reasonably accurate outline of the subject.

6. The effect on William Aberhart was spectacular. Single-handed he began to mobilise support for his new-found economic doctrine—unfortunately, in an effort to simplify Douglas and (as he hoped he was doing) apply his ideas to Alberta conditions, he distorted them both technically and in broad policies.

7. However, he set about systematically to spread “the good news” through his Sunday religious broadcasts which enjoyed a wide audience, and later by speeches and holding meetings throughout the province. Under the influence of the United Farmers'

Association local study groups had already a smattering of Social Credit knowledge and most of them had interested themselves in monetary reform. The results of Aberhart's crusade were crowned with success. In a very few months he had enthusiastic and wide support throughout Alberta.

8. At first he had no intention of entering the political field. With evidence of the support he had mobilised he first approached the United Farmers' Government. Unable to get any assurances from them that they would take action to introduce Social Credit, he approached both opposition parties. Getting equally evasive answers from these he took off his gloves to do political battle. In subsequent broadcasts he told his supporters to get ready to enter the political field and enter their own candidates in the forthcoming election. He began organising in earnest.

9. The United Farmers' Government, deeply concerned by reports of the spectacularly large and enthusiastic meetings Aberhart was getting throughout Alberta, hurriedly invited Douglas—who was then in New Zealand—to visit Alberta on his way back to England. No doubt the United Farmers' Cabinet hoped to discredit Aberhart by bringing Douglas to give evidence before the Legislative Assembly because by this time the divergences in Aberhart's and Douglas's views had become general knowledge. The effect of Douglas's visit was to give an impetus to Social Credit support in Alberta—and within a matter of weeks it became all too evident that the U.F.A. Government was in trouble.

10. Douglas was in Norway at the invitation of the King and the Government when the U.F.A. Cabinet, in a last attempt to stave off political disaster, invited him back to Alberta as their economic adviser. He accepted and during his stay studiously avoided getting involved in Albertan politics. He presented an interim report to the Government, leaving the Province the same day. In the election which followed not a single U.F.A. member was elected and the party, disappeared from the Albertan political scene.

11. Aberhart and his inexperienced Cabinet took office to find the Treasury empty, the bond interest overdue, civil service salaries unpaid and a totally inadequate revenue to meet Provincial commitments. Douglas had offered to come to Alberta with the assistants he would require. Aberhart was much too concerned with extricating his government from the critical financial plight which they had inherited, and put him off with a request that he should send Aberhart "his plan", meantime concentrating on bailing the Province out of the threat of financial bankruptcy.

12. A further diversion is necessary at this point: Aberhart had a smattering of knowledge of the financial analysis and remedial proposals of Social Credit. What he did not understand was that Social Credit is not a plan or scheme of monetary reform, but "the policy of a philosophy" of which the financial proposals are but one means to an end. The result was that in subsequent correspondence with Douglas—a full record of which is to be found in Douglas's book *The Alberta Experiment*—Aberhart found himself at loggerheads with him; they just were not getting through to each other.

13. To proceed, in his anxiety to get financial aid, Aberhart went to Ottawa to seek their assistance in obtaining a desperately needed loan. In consideration for the loan he sought, he agreed to appoint Mr. Robert Magor, darling of the Eastern financial interests, as financial and economic adviser to the Government on the recommendation of the Governor of the Bank of Canada. Mr. Magor's sponsors could have but one objective, to discredit Social Credit and bring down the government committed to initiate that policy—on which we on the Social Credit Secretariat in London had been given inside information. After warning Aberhart of this Douglas resigned as Economic Adviser to the Alberta Government.

14. The measures adopted at the instigation of Mr. Magor—dismissal of civil servants, a steep

increase in income tax, the suspension of bond interest—brought the Government into such odium with the general public, both within and outside Alberta, that it led to a revolt by those members of the Legislative Assembly who realised that the Government was pursuing a policy diametrically opposed to Social Credit and that this repudiation of Douglas had led to his resignation. The upshot was that the Cabinet was faced with an impasse within the Government caucus—the pro-Douglas members refusing to vote the money supply to enable the Government to carry on. This was referred to as “the insurgency” and led to both sides agreeing to an arrangement under which a Board of caucus members acceptable to all was set up to advise the Government on matters of Social Credit policy. Its first act, on which the caucus insisted, was to send the Chairman to England to invite Douglas to Alberta.

15. Douglas’s response to this invitation was that, over the previous two years the Alberta Government had done just about everything to discredit itself and Social Credit. Before he could agree to get involved again he would want a first hand report of the facts. He therefore recommended that the Government invite him, or his nominees to visit the Province for a preliminary study of the situation. This was accepted and Mr. G.F. Powell, a business efficiency expert from London, and Mr. A.L. Gibson, a Chartered Accountant from Sheffield, were nominated by Douglas for the mission. At the last minute Arthur Gibson was subpoenaed to give evidence in a Crown Income Tax prosecution. This led to me obtaining five weeks leave of absence from my work to take his place.

16. Powell preceded me to Alberta. By the time I arrived I found he had succeeded in bringing the two opposing Government factions—the Cabinet supporters and the insurgents—together on the understanding that there would be speedy action to further Social Credit policy. In the economic field the issue was centred in the control of the real credit of the Province—that is in its ability to produce the wanted goods and services which would lift its people out of the conditions of poverty which prevailed. This real credit was, in turn, controlled by the monetary system—which was constitutionally the responsibility of the Federal Government because of its jurisdiction over banks and banking. Therefore any action to bring the real credit of the Province—involving fundamental property and civil rights under the exclusive constitutional jurisdiction of the Provinces—under the Provincial control required of the banks to conform to the policy laid down by the Provincial Government. As the policy being pursued by the banks under the Bank of Canada was diametrically opposed to Social Credit policy and was inherent in the system, therefore such action was bound to bring the Alberta Government into conflict with the banks, financial institutions, and through them the Federal Government.

17. Having explained this to the Cabinet and, at their request, to the Caucus, I recommended with the concurrence of my colleague Powell and the approval of Douglas that a special session be called immediately to pass legislation requiring the banks to implement the measures required by the Government. No sooner had the session been called than press representatives, officials of the Bankers’ Association and others poured into Edmonton. The legislation which was introduced—specifically “The Credit of Alberta Regulation Act”—was the object of violent attack by the financial powers-that-be in Canada, England, the U.S.A. and several other countries. It was promptly disallowed by the Federal Government—notwithstanding the fact that the then Minister of Justice had stated shortly before he doubted that the Federal Government had the constitutional right to disallow Provincial legislation.

18. I went back to England with a pressing request by the Alberta Government to take up an appointment as their economic adviser. In my absence my colleague Powell was arrested on what I am satisfied was a trumped up charge of defamatory libel. I returned to Alberta to take up my appointment with the Government and shortly afterwards, following a farcical trial before judge without jury, Powell was sentenced to six months imprisonment and

ordered to be deported. After serving three months he was released and died shortly after returning to England from the effects of his experience.

19. When I first came out, Mr. Aberhart was inclined to treat me with natural suspicion. However, I gradually gained his confidence and we became firm friends. I found him to be a man of complete integrity with deep and sincere religious convictions. He had a boyish mischievous sense of humour which he combined with an utter fearlessness in clashing head on with his opponents. From early 1938 until his death in May, 1943 I worked closely with Aberhart as adviser and confidant, so I got to know him intimately. One of the strongest aspects of his character was his passionate loyalty to the Crown—the full implications of which he understood and cherished dearly.

Probably the most cruel and malicious attack on Aberhart by his political enemies was the suggestion that because of his German forbears, his sympathies were with Germany and Hitler during the (Second World) war. This was the only kind of attack I knew really to hurt him—to hurt him deeply.

20. In 1939 when their Majesties King George and Queen Elizabeth visited Canada, it was due mostly to the devoted and meticulous way in which Aberhart personally organised all the details of the Alberta visit that it was such an outstanding success. When war broke out, Aberhart invited the Social Credit Members of Parliament to Edmonton before proceeding to Ottawa. He impressed upon them the grave implications of the war, the peril of Britain's position faced with the mighty war machine of Nazi Germany and the imperative necessity for Canada to join Britain in the conflict as soon as possible. Ever since the disallowance of Alberta legislation and the hostile attitude of the MacKenzie King Government, the Alberta Government had been in constant conflict with Ottawa. Aberhart told the M.P.'s that once Canada entered the war a total war effort was all that mattered — that differences would have to be put aside and all Provincial Governments, including Alberta, must support the national war effort. It is a matter of record that it was pressure from the Social Credit M.P.'s which helped to hasten Canada entering into the war.

21. When it became apparent that the tide of war was turning in favour of the Western Allies and Russia, Aberhart devoted himself to preparing for the coming Post-War Reconstruction. He remembered vividly the appalling conditions of the depression years; he remembered the aftermath of the 1914-1918 World War when those who had risked their lives for their country came back to anything but the kind of world for which they had fought. He was determined that it should not happen again and he planned, as soon as the war was over, to travel across Canada from coast to coast telling those who came back from the war the kind of Canada that could be built—the kind of Canada in which mounting debt, increasing taxation, mounting inflation, and continual job insecurity would be things of the past. In preparing for this he made a series of Provincial broadcasts designed to set the pattern for wider action.

22. However, this was not to be and in May, 1943, William Aberhart died in Vancouver while taking a holiday with one of his daughters. There was no question who was to succeed him. Ernest Manning had worked with Aberhart in the Prophetic Bible institute in Calgary during the latter's pre-Social Credit days—he had campaigned with him during the pre-1935 Social Credit landslide election victory — he had been a member of all Aberhart's Cabinets from the time the party had assumed office—and he was recognised as being his obvious successor. On assuming office Manning, in a broadcast to the people of Alberta, vowed that as long as he and his colleagues had anything to do with the Government of Alberta, they would continue to strive for the furtherance of those policies and objectives associated with Social Credit for which they had fought so vigorously under Aberhart. However, in the following year a subtle change of Government policy became apparent. In 1945 I was asked to organise The Department of Economic Affairs and became its first Deputy Minister. The purpose of the Department

was supposedly to initiate and recommend to the Cabinet through the Minister policies for their consideration and to co-ordinate the implementation of these by the respective Departments responsible.

23. However, for some time the Government had been pursuing policies in conflict with that of Social Credit and this led to a growing deterioration in the attitude of some Cabinet members towards me—hardly calculated to inspire the degree of mutual confidence desirable in the responsibilities I had to assume. This culminated in the submission by me of a report drawing the Government's attention to their departure from the policy to which they were committed and in the furtherance of which I was supposed to submit recommendations through to my Minister. The upshot was a demand for my resignation. The Minister of Education, who supported my report, was dismissed by the Premier. This action was accompanied by the liquidation of the Social Credit Board. Over the years which followed, the pursuit of Social Credit policy was abandoned. However, with buoyant revenues from oil leases and royalties, the Government concentrated on providing "good government" within the limitations of the established financial and political systems and for all practical purposes was indistinguishable from an orthodox conservative party tinged with Socialism. It was bound to be only a question of time before this was generally recognised by the Alberta electorate, and if an acceptable alternative was offered them, they would reject the Social Credit Government as that Government had rejected Social Credit.

24. This occurred in the election of September, 1971—after a nominal Social Credit Government had been in office continuously for 34 years, for over 20 years of which they had studiously avoided furthering Social Credit policy.

25. Within the Alberta Archives should be kept the following publications relevant to this period of the Province's history—and which, if our disintegrating Civilisation survives, will be relevant to its future: By C.H. Douglas: *Economic Democracy*; *The Monopoly of Credit*; *Social Credit*.

PART 1

CHAPTER I

THE DOMINION AND THE PROVINCES

ALTHOUGH the population (740,000) of Alberta, with an area of 255,200 square miles, is less than the population of the City of Glasgow, it is safe to say that there is, in these critical days in the world's history, no portion of the world's surface which is potentially of greater importance. The return to power in August, 1935, of a Government headed by Mr. William Aberhart, a schoolteacher of Calgary, with a backing of 57 out of 63 seats in the Provincial Legislature, and the return of 17 Members at the subsequent Federal Election to the Dominion Parliament at Ottawa under the label of Social Credit, who thus became the second largest party in the official Opposition, constituted the first conscious and open challenge, on the part of a governmental body, to the orthodox financial system. It would be difficult to overstate the magnitude of the issues involved in this challenge, and it is probable that we have to go back to the agitation and the preliminary situation antecedent to the abolition of slavery to obtain any parallel. One of its more immediate repercussions was the election of a Labour Government in New Zealand in November of the same year, relying for electoral support, to a large extent, on the Douglas Social Credit Movement of New Zealand, although not formally committed to its policies.

No understanding of the events which led up to these occurrences and their subsequent history, so far as it has been written, is possible without, in the first place, a recognition of the conditions existing prior to the election, and of the organisation and constitution of the governmental body. It seems to me, therefore, desirable to consider Alberta as being fairly typical of conditions existing in less easily recognisable form in most Anglo-Saxon communities, and to regard the Province, as indeed it has been termed, as "the laboratory of political experiment."

There are, however, local peculiarities to be borne in mind. While the Provinces of Canada are sometimes contemplated, more particularly by Members of the Federal Government at Ottawa, as entities whose sovereign powers for essential purposes are not much greater than those of an English County Council, it is certain that their populations do not so regard them, and it is probable that the idea is, both in fact and in law, erroneous in certain important particulars. For instance, while Federal Law has effect throughout the whole of Canada, judicial power is vested in the Provinces, and, certainly so far as civil law is concerned, it appears to be the case that the courts are functions of the Provincial Governments. This is also true in all matters affecting property and civil rights. But in addition to the legal aspect, the very wide expanse of territory which is involved, and the immense power of public opinion, probably reduces the practicability of Federal action in opposition to a hostile Provincial opinion even beyond the confines which are set by law. The character of the population, chiefly agricultural in interest and more than one-third of it drawn from German and Ukrainian farming and peasant stocks, renders it specially vulnerable to mass agitation and more inclined to accept the printed word and the radio speech at their face value without submitting them to the more cynical criticism of Anglo-Saxon civilisations. It may be noted that the laws governing broadcasting permit the rapid dissemination of new or unorthodox ideas with a freedom which our British broadcasting system has been careful to inhibit.

While this distinction between what is practical and what is legal under the British North America Act, which is the Statute concerned with the relations between the Provinces and the Federal Government, is of real and perhaps fundamental importance, the Act confers upon the Dominion Government certain reserve powers which it is necessary to bear in mind in considering the situation. Probably the most important of these is that of Disallowance. In the case of the Provinces, the right of disallowance of any legislation is conferred upon the Governor-General of

Canada, as representing the Crown, and can be exercised within one year of the passage of the legislation. This power has been exercised on several occasions, chiefly in connection with Bills alleged to impose indirect taxation, which is within the sole competence of the Dominion.

During the Alberta election campaign, Mr. Brownlee, probably the most competent Prime Minister in Alberta's history, and an eminent lawyer, declared, apparently upon information, that if any Government in Alberta were to pass legislation for the purpose of establishing a system of Social Credit, such legislation would certainly be disallowed at Ottawa. Whether this view is correct or not on legal grounds is probably not so important as a consideration of the sanctions which could be imposed by either side in the event of a clash of interests. It was mainly with this conception in mind that I took up the matter on my first visit to Alberta as Chief Reconstruction Adviser to the Government, and my views upon it are contained in the First Interim Report to that Government, which is printed in Appendix I.

A suggestion, which has received some prominence, to the effect that the Statute of Westminster automatically modifies the relationships of the Provinces with the Dominion, should, I think, be considered mainly from this aspect of realism.

CHAPTER II

THE DEBT SITUATION

IF an explanation of the causes of Mr. Aberhart's victory in 1935 were required in one word it could be given. That word would be "debt." The refusal to deal with the consequence of debt—taxation—is a complete explanation of the early failure of Mr. Aberhart's policy, and a warranty that such preliminary failure will not be accepted by the population as in any way a solution of its problems.

To understand the extent to which the Province of Alberta, in common with other Western Provinces in particular and the world in general, is riddled with debt, perhaps the simplest method of approach is to bear in mind that the major portion of the population enters the Province, whether by immigration or birth, in possession of little or no *money*. The Province does not grow *money*, it grows wheat. The earlier settlers were for the most part homesteaders, taking up a free quarter-section (160 acres) of Government land which they developed. They required money for seed, for wages (where they employed labour), for agricultural implements, as well as for amenities. They obtained this money from branches of the eastern banks which were established on the prairie, giving as security promissory notes, repaid when their produce was sold, and generally secured by chattel mortgages. Without, at this time, going into the technicalities of loan creation, it is obvious that even in regard to this aspect of the matter, the population collectively had to obtain a profit of at least the bank rate of interest (frequently eight or nine per cent) from outside the Province, in addition to selling its produce at a price which would cover all the expenditure on its production, together with the cost of living, the purchase of fixed capital assets, etc., in order to be free of debt at the end of the year, even without having obtained any debt-free *money*. To illustrate the extent of this process, an instance brought to my attention in Alberta is instructive.

A branch manager was sent out by one of the eastern banks to a small town in central Alberta, and debited with a loan of \$20,000 at five per cent interest, the \$20,000 being in the form of the bank's own currency-notes. Within six months of opening his branch of the bank, the official in question had loaned \$600,000 on the basis of his \$20,000 in bills, and had in his possession \$80,000 in bills, due to ordinary banking business. This situation had, of course, been achieved through the well-known principle that every bank loan creates a deposit. The average rate of interest charged on the \$600,000 was eight per cent, so that the profit on monetising the *borrowers' credit* was \$48,000 per annum.

The foregoing situation probably constitutes the base of the debt structure of the Province. Superimposed upon it is the bond system, forming the basis of municipal and similar taxes. As the Province developed, road-making and public works, administrative buildings, and other amenities were financed by the simple process of selling bonds to the local banks on the security of the taxing power of the local authority, a situation not dissimilar to and probably more onerous than the rating system in Great Britain. The banks thus became, in effect, the perpetual mortgagees of all public works, and either drew interest upon the bonds at a high rate, or sold them to the public at inflated prices. The money issued in return for the bonds formed a major source of the circulating medium of the Province.

Still higher up the scale were the Provincial loans floated in New York, London, and Eastern Canada on much the same principles, and forming, in effect, a mortgage on the Provincial taxing power. The funded debt of the *Province* amounts to approximately \$1,000 per family. But it has to be remembered that the taxing power of the Dominion, both direct and indirect, extends to the Provinces, so that, in addition to municipal and Provincial taxes, the unfortunate citizen is taxed as a citizen of the Dominion of Canada, this taxing power being the basis of immense Dominion loans held in London and New York, the proceeds of which are largely used for objects in which the Western Provinces are not interested.

Similarly, the great majority of real property transactions and building operations involve the creation of debt, both in respect of costs of construction, in most cases carried out with borrowed money, and also because they automatically become the basis of an assessment for taxation purposes, Provincial and Federal. The latter situation has become so serious in such cities as Edmonton and Calgary that in many cases house property of the most modern and eligible type has been shut up and lies unused, not because it is not urgently needed, but because the taxation upon it makes it impossible for the ordinary individual to occupy it. The result of this is to narrow the base of the taxation pyramid, and to increase the various forms of taxation upon property which *is* occupied. Thus still further property is driven out of use.

In a country which is essentially rich, but which is subject to extremes of climate, the physical consequences produced by these financial causes are difficult to realise otherwise than by personal experience. With a temperature ranging from over 90° Fahrenheit in the summer to under 40° below zero in the winter, adequate housing and heating are matters of life and death rather than mere comfort. In spite of this, flimsy shelters constructed of old packing material and containing a cheap stove kept at red heat in the winter can be seen in many parts of the Province, housing a man, his wife, and small children, even the most primitive sanitary arrangements being lacking. Cases of such cabins catching fire in a raging blizzard are frequent, and the hardship which attends such existences is barbaric. The conditions of labour upon the primitive farms (not to be confused with the well-developed homesteads which can also be seen in the more settled portions of the Province) are inhuman. During the summer, in which there is practically no night, eighteen to twenty hours physical work per day, of the most exacting description, is usual. Yet in spite of this, it is a commonplace for a homesteader, after having put in ten or fifteen years of grinding labour, to abandon his farm to anyone who cares to occupy it and assume its debts and taxes, the dispossessed family moving to Edmonton or Calgary, to be kept at the expense of the community. It is against this background that the appeal of Social Credit and its promise of dividends for all must be judged.

CHAPTER III

THE POST-WAR BOOM

To understand the events which led up to the return to power of a Government and Legislature bearing the novel title of "Social Credit," it is necessary to turn back to the early years of the Government which preceded it, that of the United Farmers of Alberta. Elected as a Progressive Government under Mr. Greenfield in 1921 by a large majority, and as a result of the revulsion against the old Liberal and Conservative parties, the establishment of the United Farmers' Party in control of the Legislature at Edmonton had the usual result of sending a body of Federal Members bearing the same party label to Ottawa, prominent amongst whom were Mr. William Irvine, Mr. Henry Spencer, and Mr. Woodsworth, the latter now the leader of the small but active Cooperative Commonwealth Party.

Through the disinterested publicity given to Social Credit ideas by the *Ottawa Citizen*, and to the obvious necessity of finding a policy which would contrast favourably with that of the older parties, Mr. Irvine conceived the idea of making the decennial revision of the Bank Charter Act an opportunity for bringing the subject of finance before the Canadian public in a dramatic form. A considerable number of distinguished witnesses were invited to give evidence before the Parliamentary Committee on Banking and Commerce in 1923, amongst whom may be mentioned Professor Irving Fisher, Sir Frederick Williams-Taylor of the Bank of Montreal, Mr. Henry Ford (who did not, however, appear), and many others. A cabled invitation to act as the principal witness for what might be called the prosecution was sent to me, and I left for Canada by the first available boat and remained there for about three weeks. Four days friendly examination by Mr. Irvine interspersed with a good deal of hostile and perhaps justifiably irritated cross-examination by members of the committee with orthodox views, did not, I am afraid, do very much more at that time than to demonstrate that Social Credit propaganda had a long and hard road before it. While Messrs. Irvine and Spencer, with the never-failing support of the *Ottawa Citizen* and its editor, Mr. C. A. Bowman, continued to inoculate the Parliamentary debates with some of the ideas of the new economics, the rising prosperity of the North American Continent in which Canada to some extent shared, rendered their efforts for the next six years apparently (although not, as the event proved, really) unfruitful.

The value of the work done in these early years was revealed in a somewhat dramatic fashion in the autumn of 1929, when it so happened that I passed through Ottawa as a delegate to the World Engineering Conference in Japan, which was held in November of that year. I had in 1923 concluded my evidence with a prediction that persistence in orthodox financial methods would, within a comparatively short period of time, involve the world in a financial catastrophe. At a friendly dinner given to me in early October, 1929, when, it will be remembered, the whole of the American Continent was still on the top of the world's greatest boom, I was gently chaffed in regard to this prediction and asked when it would be fulfilled. Knowing that I should be out of the country by then and feeling that, at the moment, there was not much to lose in Canada, I replied that I should not be surprised if it happened within a month of that time, which, in fact, it did. If these words should meet the eye of my kind hosts on that occasion, I can assure them that I was a great deal more surprised at the immediate accuracy of this prophecy than they can possibly have been. However that may be, the evidence given in 1923 was brought again into prominence with the additional weight of subsequent confirmation.

The speeches of Messrs. Irvine and Spencer had, of course, from time to time been reported in the Alberta newspapers, and the subject had taken root. Most unfortunately, it had not been incorporated in the official policy of the United Farmers' Party, and it was left to Mr. Aberhart to carry the matter a step further.

Events prepared for him a situation which could hardly have been more favourable to his success. The fabulous prosperity of the eastern States, with its reflection in Montreal and Toronto, had in the main left the Western farmer relatively poorer than before. Prices of manufactured

goods, from implements and building materials had risen.

Wheat, the staple product of the West, had fallen to a point below the cost of cultivation. The Wheat Pools were loaded with unmanageable surpluses, and the desire of the banks to utilise their gigantic reserves had enabled the farmer to defer the inevitable collapse by contracting mortgages of every description, whose redemption other than by foreclosure was impossible.

In 1929 the bubble burst. The banks demanded the return of money which existed only as entries in their ledgers, and the result of years of desperate labour by the farming population of the Western Provinces appeared as a “frozen asset” on eastern balance sheets, on which its late owners were allowed to exist, pending sale.

CHAPTER IV

MR. WILLIAM ABERHART

AT the date of his entry into the political arena as the Provincial champion of Social Credit, Mr. William Aberhart was fifty-four years of age. Born in 1878 in Huron County, Ontario, of German extraction, he had early migrated to Alberta, and in course of time, become the Principal of one of Calgary's large State educational establishments, the Crescent Heights High School. By common consent, he was a successful exponent of the Canadian school system and a respected member of the community. He was, however, better known in the Province as Dean of the Prophetic Bible Institution, an organisation devoted to the propagation of fundamentalist doctrines combined with a strong strain of Apocalyptic prophecy, a type of theology to which both environment, education, and racial background renders the Western farming population particularly susceptible. With the advent to Alberta of radio broadcasting, which in Canada is operated more upon the American plan of "selling time" than that to which we are accustomed in Great Britain, Mr. Aberhart's audience became practically Province-wide, and his technique of the trained teacher, combined with a quite remarkable self-confidence, established him rapidly in the front rank of successful broadcast orators.

The increasing severity of the financial depression which commenced in 1929, outlined in the preceding chapter, combined with the failure of the U.F.A. Government to take any effective steps in regard to the Social Credit ideas which they had themselves been instrumental in introducing into the Province, gave Mr. Aberhart an opportunity of which he was not slow to avail himself.

It would not be possible to claim that at any time the technical basis of Social Credit propaganda was understood by him, and, in fact, his own writings upon the subject are defective both in theory and in practicability; but he did grasp, and his audience grasped, that in the subject of the provision of effective monetary demand lay the clue to the salvation of their difficulties. Mr. Aberhart pursued and popularised that subject with an energy and ability in regard to which no praise can be excessive. He did more. Assisted by professional organisers from the older parties, he canalised popular support for a political victory. So successfully, in fact, was this done that within twelve months of his entry into the field the U.F.A. Government realised that it was faced with a threat to its long reign which might easily prove fatal.

In this situation it was thought that a demonstration of the obvious contradictions in Mr. Aberhart's conception of Social Credit economics might be capitalised to undermine his growing political ascendancy. I am confident that this idea was always erroneous, and that it was at no time Mr. Aberhart's economics which brought him to power, but rather his vivid presentation of the general lunacy responsible for the grinding poverty so common in a Province of abounding riches, superimposed upon his peculiar theological reputation.

The U.F.A. Government, however, learning that I should pass through Canada on my return from New Zealand and possibly actuated by a belief in the homoeopathic principle of *similia similibus curantur*, cabled an invitation to me to give evidence before them in regard to the feasibility of a Social Credit plan for Alberta, and more particularly the plan which had been put forward by Mr. Aberhart himself. Of this plan it is not necessary to say more than that its essential and vital ingredient was the promise of £5 (\$25.00) a month to each adult member of the community. While the arguments brought forward by Mr. Aberhart as a basis for this proposal will not bear examination, I have no doubt whatever that by suitable methods the essential promise could, and can, be validated.

CHAPTER V

THE RISE OF MR. ABERHART

ALTHOUGH my first meeting with the future Premier did not take place until my evidence was for all practical purposes concluded, no special perspicacity was necessary to realise from the local gossip that, if the cause of Social Credit was to be forwarded in Alberta at that time, it would be only by and through the agency of a new Administration. While the opportunity of developing the Social Credit thesis in such favourable circumstances was one not to be missed, it was equally clear that no good purpose could be served (as even strong advocates of my own theories contended) by weakening the position of the only force in the Province, or, indeed, at that time, in the world, which seemed within measurable distance of translating a theory into a policy. The evidence given in reply to this invitation was broadcast from the Legislative Assembly to all parts of Canada. It took the form of a general cross-examination upon the subject of money and finance by practically every Member of the House, and had the effect which might have been expected, but was certainly not intended. As it contained no criticism of Mr. Aberhart or his special views, and reinforced his general attack upon finance as at present practised, I am glad to feel that both on this occasion and upon the occasion of my subsequent visit to Edmonton, his own position and that of the Social Credit objective was considerably strengthened. This Parliamentary examination was followed by a similar proceeding at Ottawa which had the result of transferring interest in the subject to Eastern Canada.

In order to appreciate the somewhat unfortunate policy adopted by Mr. Aberhart after election, it is necessary to recall the peculiar combination of schoolmaster-preacher grafted upon an unusually ambitious temperament, lacking either political experience or social sophistication, together with a popularity as the prophet of a new world, both temporal and spiritual, almost impossible of belief to those who had not witnessed it. When to this combination of character, training, background, and opportunity, is added the gift of "spell-binding," it is easy to understand and indeed to sympathise with the mistake made, not only by Mr. Aberhart himself but by most of his followers, that the power to achieve a great and even startling electoral success was the same thing as the ability to carry through to a successful issue the programme put forward before election.

That either Mr. Aberhart, or some of his advisers in the background, were possessed of almost uncanny political sense and instinct at this time, there can be no doubt. In considering this, it should not be overlooked that the U.F.A. Government was not popular with bankers, and might easily have proved more formidable than Mr. Aberhart. Taking into consideration the difference in the size of the arena, the parallel with the early years of President Woodrow Wilson's career in the United States is close. Both were schoolmasters, even if on very different scales. Both were Whigs, yet both recognised a great political opportunity in an attack upon finance, as well as, I am confident, being thoroughly convinced of the righteousness of such an attack, and both of them allowed themselves to be manoeuvred into an untenable position by financial experts, thus averting an attack by more capable protagonists. President Wilson was succeeded by President Harding, a pliant tool in the hands of Wall Street.

In February, 1935, a cable from Mr. Reid, then Premier of Alberta, reached me in Oslo, Norway, suggesting that I should accept the position of Official Adviser to the Government of Alberta, and after much consideration, a contract was drawn up constituting me Chief Reconstruction Adviser to that Government. While the objective in making this appointment was, of course, quite obvious, neither before the signing of the contract, nor during my visit to Alberta in May of that year was any pressure placed upon me, either by Mr. Reid or by any Member of his Cabinet, to modify my views in accordance with the interests of party politics.

The conditions of this appointment, which, in view of subsequent developments it is important to bear in mind, were as follows:

"The duties of Major Douglas as such Principal Reconstruction Adviser to the Government

shall be to advise and give directions upon all questions and problems of or arising in relation to the present financial and economic condition of the said Province of Alberta and to advise and/or give directions upon any matters desired by the Government relating thereto.”

Owing to the debt situation, matters of taxation and policy to be pursued in regard to the Budget were of primary importance.

Unfortunately, neither at the time that the appointment became known in Alberta, nor subsequently, was it possible to convince Mr. Aberhart that I was equally detached from, and indifferent to, party politics either in Alberta or elsewhere. The position was further complicated by the fact that the pioneer work of Messrs. Irvine, Spencer, and others, in the United Farmers’ Party, had attracted to the study of finance and Social Credit a fair number of professional and business men who, while not active politicians, were by education and opportunity in perhaps a better situation to form sound technical views than the majority of the followers of Mr. Aberhart. Most of these were assumed to belong to the party whose members had first introduced them to Social Credit ideas. The somewhat extraordinary situation developed in consequence of this, that all the individuals who were most competent to advise and criticise in regard to a Social Credit strategy were regarded by the majority of the population as being adverse to a Social Credit *policy*. In fact, it became evident even at this early stage that the introduction of technical details into a political platform was, and in my opinion always is, a major mistake, and can only result in a party split in which the minority (since the matter is technical) is almost sure to be right, but in which the majority, having the power, will over-rule them.

Within a few weeks of the announcement of my appointment as Adviser to the Government, large numbers of letters began to reach me in London, couched in almost identical terms, and obviously the result of organisation. From their tenor, my proposed visit was uniformly regarded as a threat to the Social Credit Party and to Mr. Aberhart. To each of these correspondents the letter which is printed below was sent; but it is more than doubtful whether the conception of the Government as a continuing entity, not to be identified with the party which for the moment is in control of it was grasped by the recipient:

“DEAR Sir, I have received your very interesting and informative letter of the—
March, which, I can assure you, has received my close attention. I think, however, that it is written under a misapprehension of the circumstances under which my visit to Alberta will be made. I have received an invitation from the *Government of Alberta* to advise them in regard to measures directed to putting into operation Social Credit plans in the Province of Alberta.

“To have refused such an invitation would have been to express an opinion upon the party politics of Alberta, which I must definitely decline to do. My services are at the disposal of the *Government of Alberta for two years*, quite irrespective of the *personnel* and party which controls that Government, and those services will be rendered impartially to any properly authorised Government during that period. Any advice which I feel it my duty to give can, of course, be accepted or rejected as seems to be desirable to those persons entrusted with the functions of Government.

“The *composition* of the Alberta Government is solely a matter for the decision of the Alberta electorate, and it would be most improper for a technical consultant to comment upon it.

“Yours faithfully,
“C. H. DOUGLAS.”

Upon my arrival in Alberta in May, 1935, it became evident from the cordial tone of the orthodox and Conservative Press that an attitude of philosophic detachment from party politics was somewhat misleading to them. The fact that such spare time as I had

was devoted to playing golf with Members of the Cabinet upon one or other of the many beautiful links which surround the capital city of Edmonton, was, no doubt, regarded as reassuring, and that I also played golf, equally bad, with prominent Social Crediters as an artistic embellishment to the performance.

While the receipt of the First Interim Report by Mr. Reid must have been a blow to any hope he may have entertained that the menace to the Farmers' Government would be disposed of by means of my appointment, it was received both by him, and by the Members of the Cabinet, with the utmost courtesy. With its acceptance, and with the reply to certain questions in regard to broadcast statements by Mr. Aberhart which were put to me in the course of my official duties by Mr. Lymburne, the Attorney-General, my duties in Alberta became, for the moment a routine of statistical investigation.

As considerable prominence was given to this reply (under the name of "the Lymburne Letter") in the election which followed two months afterwards, it is reproduced below. I was informed, and I can easily believe, that it had no influence whatever upon the course of the election, but, unfortunately, it had the effect of confirming in Mr. Aberhart's mind the idea that I had party affiliations, and could, therefore, not be expected to work with him.

1st June, 1935

"The Hon. J. F. Lymburne

"DEAR MR. LYMBURNE, In connection with your request to criticise the attached report of a broadcast by Mr. Aberhart, I think it is only fair to make a little introductory comment.

"If Mr. Aberhart's objectives were only attainable by the methods which he has outlined in his broadcasts, to the limited extent that I am familiar with them, the details that he has given would certainly be of primary importance.

"This is certainly not the case, and should Mr. Aberhart be placed in a position of responsibility in regard to the attainment of these objectives, it is most improbable that he would either have the time or the inclination to deal with the purely technical aspects of the matter. While my contact with Mr. Aberhart has been of the slightest, and is in fact confined to two short interviews in which only the most general aspects of the matter were discussed, I am informed that he also takes up this position.

"In addition to this, it has to be recognised that the correct methods of dealing with the technical problems involved in the attainment of the objectives put forward by Mr. Aberhart are difficult to bring to the comprehension of even a small number of highly educated men, chiefly because they involve conceptions with which only a small number of experts are intimately familiar, and because they traverse the common and erroneous conceptions held in regard to matters of finance.

"It appears to me to be quite reasonable to assume that a popular leader, as distinct from a scientific exponent, is chiefly concerned with presenting an understandable picture rather than with great accuracy in detail.

"As a matter of opinion, I think Mr. Aberhart has made the common tactical mistake of elaborating his detail to a general audience to too great an extent, but if this detail is to be taken seriously I think that Mr. Aberhart should as a matter of courtesy be asked whether such details are, or are not, a matter of principle with him.

"With these preliminary remarks, which I should like to be regarded as an integral part of my criticism of the attached paper, I may say that the explanation of the Just Price is not that which can be applied to the same phrase as used in the responsible literature of

Social Credit, and that the explanation given can best be described as a proposal for regulating Price Spreads together with a Processing Tax.

“The proposal appears to contemplate a fixed price regardless of costs, which seem to be assumed as constant, and this price includes something labelled “the unearned increment” which has, however, no relation to that phrase as used in the Social Credit literature. So far from such a proposal increasing purchasing power it is a form of taxation which in all probability decreases purchasing power by raising prices. It involves a confusion between price values and the purchasing power to liquidate them. There is also a suggestion of a common form of the Velocity of Circulation theory, to the effect that purchasing power is increased by rate of turnover. Both under the form in which it seems to be expressed here, and not less in the form in which it is quite frequently quoted by orthodox bankers, it is demonstrably incorrect. For an examination of it I might refer you to my small booklet, “The New and the Old Economics”, of which no doubt a copy will be locally available. I am sorry I have not a copy with me.

“Generally speaking, it would appear upon the face of it that Mr. Aberhart has not grasped that Social Credit involves the *creation* of additional purchasing power, either by the reduction of prices below cost, for the purpose of enabling the consumer to obtain more goods for a given amount of money in his possession, while the financial deficit thus caused is made up to the producer in fresh credit, or by issuing additional sufficient purchasing-power which is not passed through the costing system and therefore does not increase prices, in the form of a National Dividend, or more probably by both of these methods together.

“But, as I have previously said, these ideas are not easy to put over to large masses of people, and unless Mr. Aberhart were to persist in actually attempting to attain an increase of purchasing power by the processes he discusses I should not myself be inclined to take a political speech containing them with too much seriousness.

“Yours sincerely,
“C. H. DOUGLAS.”

The publication of this letter was met on the part of Mr. Aberhart by the completely effective reply, however, that as Official Adviser to the Government I should be called upon at once in the event of his accession to power.

I much regret to say that any popularity I may have had with the Conservative press in Canada disappeared with the publication of the Report, and I left for England amidst quite unrestrained opinions of my intelligence, coupled with hints of the fate which awaited me on my return.

PART II

CHAPTER VI

A DIGRESSION ON DEMOCRACY

It is possible that there exists, somewhere upon this planet, a country which is satisfied with its government, but if this is so, the location of it has escaped me. The problem posed by this elusiveness is not new, but dates from the birth of society. The record of governments is a record of precarious and frequently inglorious tenure, terminated, or at any rate punctuated, by violent upheaval and modification, if not in fact, at least in name.

It might with some justification be contended, on a dispassionate examination of this dolorous history, that the idea of government is itself thereby discredited. This is an argument which has been effectively used to justify anarchy, and it is by no means an argument lightly to be ignored. It is possible to make out a case which would go towards proving that government costs more than it comes to, and that many, if not most, of the ills from which mankind suffers have been intensified, if not originated, by institutions deriving their sanction from the State.

Another criticism which, although the fact may not be recognised by its proponents, is essentially of the same nature, is that of the internationalists. To them, wars arise out of the existence of nations, and would therefore be cured by the abolition of nations in anything but name. It is a naive suggestion, attractive in its simplicity, and it has readied such lengths that one of its advocates, Professor Arnold Toynbee, of London University takes credit for having been engaged for years in undermining British Sovereignty.¹ This variant does not, however, usually arrive at the same conclusion as that of anarchy, being in general pathetically trustful of law as a medicine for human ill. It would, however, substitute world government for local government, not, so far as I am aware, making any essential change in the nature of the government, other than that involved in transcending the boundaries of its present autonomies.

¹ Paper read at Copenhagen, June 8, 1931 and reported in the *Journal of the Royal Institute of International Affairs*. November, 1931.

It is significant that world hegemonies of this nature find support almost exclusively from individuals having no direct experience of industry, and that international bankers, while arguing that the reign of law should supersede that of force, do not omit to construct ever more formidable strongholds or to equip their officials with firearms.

But I think that the argument for pure anarchy, which is derived from the moderate popularity of modern governments, can be held as equally an argument for the inherent necessity of government. It is sound logic to contend that an institution which is apparently almost coterminous with human nature itself, and has such serious shortcomings, must have an inherent validity, or it would not survive. This contention seems to be reinforced if we recognise the indisputable fact that the only result of a violent upheaval against governmental institutions is in general to restore the fundamental fact of government in a more acute and frequently more burdensome form until, as at present, we find the comparatively mild governments of the early and middle nineteenth century developing, or regressing, according to the point of view, into tyrannies more effective, because more scientific, than those which existed in the Middle Ages.

Along with the efficiency of governments (and it would be absurd not to recognise that modern governments, considered simply as governments, are astonishingly efficient, although considered as social agencies they may leave much to be desired) we find a wide and growing feeling that so far from embodying Abraham Lincoln's definition of democratic government as being "of the people, by the people, for the people," they are coming to be instruments for the expression and furtherance of interests which in many cases threaten the general population with

catastrophe. Whatever may be said of the futility of pacifism in the world as it exists at the present time, he would be a hardy individual who would justify the influence of the international armament firms upon world politics,¹ although even here it is easy to mistake a symptom for the deeper-seated disease which is its origin.

¹ Speech by Senator Borah, U.S. Senate, March, 1934, and Senate Committee on Armament Sales. September 1934.

Now if we find, in a human individual, that some one interest has become such an obsession as to cloud his judgement in regard to everyday matters, we say that he has become unbalanced, and if the unbalancing proceeds beyond a certain point, we say, and I think we are justified in saying, that he is insane. Such an individual rules his actions, but he does not rule them with a just appreciation of all the circumstances. It is as if the centre of a revolving disc had become displaced, causing the normally smooth rotation of the disc to be replaced by violent oscillations ultimately tending to disruption. The nature of the insanity is not that there is not government, but that the government is misused, or misplaced.

That the world at large is suffering at the present time from something which it is not too much to call "collective insanity" seems to be beyond reasonable doubt, but it is also unfortunately true that we are witnessing from time to time only the substitution of one form of insanity by another form more violent.

II

The Anglo-Saxon communities have been engaged throughout the present historical era, that is to say from about the eleventh century, in a continuous struggle for something called "liberty." All realists understand that liberty is a conditioned state of existence, but that is not to say, as it is becoming fashionable to say, that there is no such thing as liberty. I have previously defined it as "freedom to choose or refuse one thing at a time,"¹ and it follows from this that only those reactions which arise from the nature of our actions, and are genuinely inescapable, are consistent with genuine liberty. It is important to make no mistake on this matter.

¹ "Social Credit," page 38.

We are aware of two descriptions of law, one of which we commonly term "natural law," such as the relation which covers the fall of bodies through space, and a second which we associate with human governments. This second description of law is, from its essence, a genuine infringement upon fundamental liberty, in that it superimposes a chain of consequences upon our acts which do not arise from any natural law that covers those actions. It is quite possible that laws of this nature form a convenient mechanism for accelerating the progress of society, but it is none the less from them that we derive many of our difficulties. It is much easier to pass a law forbidding the driving of motorcars at more than thirty miles an hour than it is to make a sufficient number of roads to render travel at sixty miles an hour safe. The type of mind that would deal with every difficulty by restrictive legislation is exactly the type of mind which is least effective in creative activity, with the unfortunate result that legislation has a strong tendency (arising out of its origins and nature) to be both predatory—in the sense of transferring the results of creative activity to those with the restrictive type of mind—and, in consequence, ultimately to become a hindrance to creative activity itself.

The urge towards liberty, perhaps largely unconscious, has in the main been directed to obtain control of the restrictive mechanism of law. It has, in short, been more a battle for the control of the negative, than for the positive forces of society. This is true equally of the comparatively modern industrial conflict and of the political conflict which preceded it. Trade union movements have been in essence more concerned with demanding that industrialists should be restrained from doing thus and such, rather than that they should be encouraged to do this and that. To admit that the industrialist has on the whole afforded an easy target for restrictive legislation does not, I think, diminish the essential misfortune of this tendency.

In the years that have succeeded the European War, this negative tendency has become more marked, and its logical consequences more obvious. The “interference of governments in business,” as the phrase goes, has been rendered easier, and indeed inevitable, by the restrictions placed upon the system of private finance of industry through predatory taxation and by monetary policies which, whatever their ultimate objective, have placed industry at the mercy of banking institutions. The reaction to this situation was, and is, the cry that democracy has failed, that liberty is a myth, that the individual exists only for the benefit of the state, and that man is happiest when he is a well-fed slave. What has happened is now well known to those whose interest in these matters is reasonably comprehensive. We have, in our interest in the negative or restrictive aspect of society, allowed the positive aspect to become the perquisite of international finance.

No attack upon institutions of such magnitude as, for instance, that which we know under the loose term “the British Constitution,” with its Parliamentary and electoral systems, can hope to be effective or can be a genuine cause for anxiety to those who believe in the value of tradition, unless the institution which is attacked is, in fact, failing to justify its existence. Those who look with apprehension upon the advance of dictatorship, either under the name of Fascism, or Communism, or camouflaged under the terms “Planned Economy,” or “Rationalisation,” can do the cause of democracy no greater disservice than to claim that any democracy of which we have at the moment experience, is satisfactory. *That democracy consists in empowering a set of pseudo-experts, elected by majorities of non-experts at stated intervals, to pass highly technical laws which are ultimately enforceable by all the tremendous powers of the state, and become effective upon those institutions and organisations which perform the positive functions of production and distribution—institutions which do, in fact, provide the primary excuse for the existence of the state itself—is, and must be, an illusory conception.* It is this conception which is attacked when democracy is honestly attacked, and if it were the only conception possible, the doom of democracy would be automatic and inevitable. Even so, it is yet insufficient to provide an explanation for the chaos in present society for which, from its nature it can only negatively be responsible. Attack upon it, however, diverts attention from the positive misdemeanours of the financial system, and provides an argument for the setting up of an autocracy which would render these misdemeanours permanent. On the other hand, there is a procedure and strategy of representation which would appear to require special training.

Most unfortunately the case for a dictatorship is precisely that type of case in regard to which the average individual is unfitted to express an opinion. He is not trained to separate economics from politics, and so far as the Anglo-Saxon is concerned, he has never lived under anything which was *called* a dictatorship, although he has, in fact, been brought increasingly under the dictatorship of finance. But this dictatorship, he has been told, is Liberty. Every concrete feature of it, from grinding poverty at its lower end, to taxation, psychological unrest, and antagonism between producer and consumer, trader and buyer, which are inherent in its most successful aspects, he dislikes and condemns. In the abstract, however, he has a strong tendency to uphold it, possibly as a result of misdirected education, containing a strong strain of Puritanism. We see, in fact, the phenomenon which has arrested the attention of all students of public affairs, a determination to attribute perfection to institutions which are in themselves the primary cause of discomfort to individuals, and the defects which they exhibit to the shortcomings of human nature. As Mr. Winston Churchill has remarked, “All sound finance is unpleasant finance,” and there is a tendency to believe that good government is bound to be unpleasant, just as not very long ago no medical remedy could hope for attention which was not unbelievably nauseating.

But the inability of the untrained judgement to form satisfactory opinions of governmental systems unfortunately goes much further. The average individual, in considering the foregoing criticism upon a spurious democracy, would probably express agreement as to the undesirability of the second-rate expert, but would regard that as merely an argument for the appointment of the first-rate expert, and a further condemnation of the possibility of democracy. But there is much justification for the belief that the last thing which we ought to desire is the unfettered rule of the expert, if by that we mean anything beyond the legitimate hierarchy which is in the nature of functional creative activity. The genuine expert is an enthusiast, and rightly so. To him, there is nothing like leather, and his own particular brand of leather is best of all. His proper function in society, however, is to produce the various leathers that society requires, not to turn Society into a

society for producing leather.

The question of the expediency of the rule or otherwise, of the expert, forms a valuable clue, by the pursuit of which we may obtain a conception of the kind of democracy which will work. It may be noticed that in Great Britain we have always repudiated the expert as a politician, not, of course, by any reasoned processes, since logical reasoning is both painful to, and almost impossible for, the typical British mind, and is therefore greatly distrusted. The conclusion has been reached by the same obscure processes which impel dogs to chase cats, and may not be unconnected with the supercilious attitude of the cat when under the safe protection of its mistress.

However this may be, it cannot in our days be said to extend so far as to deny the expert his place, and an important place at that, in the social organisation. Nor is it difficult to determine the nature of this place. To say that a country shall not be ruled by doctors, lawyers, or soldiers as such, is a different matter from saying that non-experts shall be allowed to practise medicine, the law, or be allowed to sacrifice, for want of knowledge, the military forces of the Crown. The place of the expert is in functional activity, and not in the formulation of general policy. He should be on tap, not on top. He is, in the widest sense of the word, a producer; and the nature of things places a producer always in the position of a taker of orders in regard to objective, while being a giver of orders in regard to method.

Sir James Fraser, in his exhaustive work "The Golden Bough" has shown how a primitive king was, in fact, the servant of his people, and not, as he became in the Middle Ages, their master. Failure to render satisfactory service was visited by the final form of dismissal, death. In our modern complex form of government, we still maintain that ancient convention, although our power to dismiss our masters has left us. Officials of the Inland Revenue still subscribe themselves as "Your obedient servant" when writing to you on various coloured papers on matters in regard to which you have probably given no orders.

Remembering this indication of the original nature of society, we may become conscious of the curious fissure which has opened in the body politic. We refer to this when we speak of the antagonism or, if it be preferred, the interference, of Government in business, whereas, in fact, the state is business and business is the state. To say that a clerk in Whitehall, whose life's business it is to devise ingenious methods of reducing the purchasing power of the general population, is a public servant, while the builder of an Atlantic steamship for the use of the general public is not, is a statement which will be found difficult of belief by the historian.

It is not too much to say that the practical aspect of all modern social problems is bound up with the over-riding problem of an effective democracy. If we cannot face the issue squarely, we cannot hope for anything but the succession and multiplication of crises, which now are almost our normal existence. The issue can be stated without difficulty. *Either the normal desires of the community when they are capable of realisation, are entitled to recognition and satisfaction, and the whole machinery of government exists to that end, or they are not.* If they are not, there presumably exists somewhere an alternative set of desires of which the government is the representative. If this is so, we ought to know it, and we can then face the prospect of resigning ourselves to a life conducted as a school, by Masters of superior intelligence, whom it would be foolish as well as impracticable to resist, on the one hand; or, on the other hand, we can judge from the chaos from which we are suffering that, whatever the risks of democracy may be, they are preferable, and, indeed, insignificant, as compared with those to which we are submitted under the control of our taskmasters.

A democratic Parliament is therefore from its inherent nature an assembly of *representatives*, not of *delegates*.

It is concerned with impressing the *will* of the people upon the institutions of industry, agriculture, and commerce, and that will can only be concerned with *results*. *Methods* are for experts, and popular election is an unsound method by which to appoint an expert.

PART III

CHAPTER VIII

THE FINANCIAL COUNTER-OFFENSIVE

ON August 24, 1935, I received a cable in London from Mr. Aberhart announcing his victory at the Provincial election, and at once made preparations to leave England for Edmonton. Although the west-bound traffic is heavy in September, the necessary steamship accommodation for myself, Mrs. Douglas, and a considerable volunteer staff, which previous experience had indicated would be necessary, was arranged for September 14. In view of the special circumstances surrounding the election, I was somewhat surprised that a suggestion made by cable to Mr. Aberhart for a telephone conversation with him was not adopted. From the publicity given to the election result in the London press and elsewhere, however, a publicity far exceeding that ever given to any previous Provincial election, together with suggestions of financial panic and administrative disorganisation, it was not difficult to realise that the new Government was faced with a formidable problem. The United Farmers' Government resigned on September 3 and on September 4, I received a cable from which it appeared that my presence in Alberta was not for the moment desired. In consequence, the arrangements made were cancelled.

In the preceding month Mr. Montagu Norman, Governor of the Bank of England, ostensibly for the purpose of a holiday on the Maine Coast, had crossed the Atlantic and for some weeks had been a daily visitor to the newly-formed Bank of Canada. There is little doubt that the situation in Alberta had received close attention, and the policy to be adopted in the case of a Social Credit victory was laid down at this time if not previously. An experienced politician, familiar with the devices and diplomacy employed to discount a political victory, and thoroughly case-hardened against the flattery so deadly in its effectiveness against ruthless action, would have found himself in a sufficiently difficult position. Mr. Aberhart was not experienced, and his special and undoubted abilities did not include indifference to flattery.

After making appointments to his Cabinet, of which probably the most significant were those of Mr. Hugill, the Attorney-General, Mr. Ross, the Minister of Mines, Mr. Cockcroft, Provincial Treasurer, Mr. Manning, Provincial Secretary and his own Deputy, Mr. Aberhart decided to travel to Ottawa with a view to meeting the financial crisis which had been engendered by the refusal of the banks to provide money for Ways and Means purposes, as well as by the withdrawal of large quantities of saving certificates, the latter action being unquestionably inspired by financial interests. The procedure adopted by the new Premier was understandable. But it was exactly the procedure which the Dominion Cabinet with Mr. R. B. Bennett as Prime Minister had no doubt anticipated after consultation with Mr. Graham Towers, of the Bank of Canada, and Mr. Montagu Norman. In the circumstances and considering the lack of disinterested and experienced advice, together with Mr. Aberhart's obvious disinclination to avail himself of any warnings offered to him, it was fatal.

Nothing can be easier in connection with this situation than to under-rate his difficulties and to provide a facile programme of alternative action to that which he did in fact pursue. But making allowances for this, there can be little doubt that the determination to treat his remarkable electoral success as arising out of maladministration on the part of his predecessors, with the assumption, implicit in that idea, that under the same conditions of finance he, with his mainly inexperienced Cabinet, would do much better, was at the root of the trouble which followed. While I have no authority for such a statement, I have little doubt that, had it been possible to provide him with a just conception of the situation, a bridge could have been made which would have linked all parties in Alberta, with the exception of a small minority indissolubly connected with financial interests in the East.

No Government was ever elected with a clearer mandate or with less excuse for delay, and whether shock tactics, peculiarly advisable in view of the imminent Dominion elections, or an immediate advance upon a limited objective, would have been better is largely immaterial. The

sheer weight of popular enthusiasm would at this time have justified bold action. Orthodox retrenchment and departmental reform were not even mentioned in the Social Credit platform, and if necessary could well have been delayed until something more vital had been accomplished.

However that may be, there is no doubt as to what happened on the visit East. Transformed overnight from a provincial schoolmaster to the Premier of a country nearly three times the size of Great Britain, and representing a policy as challenging as it was novel, Mr. Aberhart with his newly-appointed Attorney-General, Mr. Hugill, moved in a blaze of publicity, probably exceeding for the time being that of the Prime Minister of Great Britain. Whilst Mr. R. B. Bennett, then Prime Minister of Canada but faced with an election at an early date, was careful to explain that the loan which Mr. Aberhart required could be granted only to an extent that would meet the necessities of the Province for the very short period of life of the expiring Dominion Parliament, he assured Mr. Aberhart of his good wishes and saw to it that he was entertained, introduced, and given every opportunity to express his views upon Finance and otherwise. It was in particular made clear to him that great relief was felt that he would be in a position to embody his own ideas on the subject of Social Credit in the Province, rather than the fantastic theories which had become associated with my own name.

Finally, through the good offices of Mr. Graham Towers of the Bank of Canada, Mr. R. B. Bennett, Prime Minister, enabled Mr. Hugill, the Alberta Attorney-General, to recommend to Mr. Aberhart the disinterested services of Mr. Robert J. Magor, a gentleman who combined and, no doubt, combines, the chairmanship of the Committee on Sound Finance in Government, with the chairmanship of many committees dealing with Church activities of the highest respectability. He had previously been Relief Controller of the Island of Newfoundland, and was later requested to assist in the securing of funds for the meeting of the interest on the National Debt of Newfoundland in 1931 and 1932. This was achieved by disposing of the petroleum monopoly of the island to the Imperial Oil Company.¹ During the period of his services to Newfoundland in this connection Mr. Magor strongly recommended the procedure, which was afterwards adopted, of depriving the island of the sovereign rights which it had enjoyed as Britain's oldest Dominion, and placing it under the unrestricted control of a Financial Commission appointed from England for the purpose of safeguarding the financial and other interests of British, American, and Canadian bond-holders.

¹ It is of interest to note that by common report the immense oil resources of Alberta have, during the past year, been monopolised by the same Company.

Mr. Aberhart, upon his return to Edmonton, announced, both through the press and by means of radio broadcast, that Mr. Magor would assist in reorganising the Province and would deal with the matters of taxation, bond interest, and general Government reorganisation, for which his previous experience in Newfoundland so signally fitted him. Although chairman of the National Steel Car Company with large interests in New York and elsewhere, Mr. Magor's charitable instincts induced him to spend several months in Edmonton at a nominal direct cost to the Alberta Government. Unfortunately, the reorganisation to which he devoted himself was, like that of Newfoundland, of a type most appreciated by non-residents of Alberta.¹

¹ For a review of the tragic conditions which have been imposed on Newfoundland by the Commission, see *Manchester Guardian*, February 17, 1937.

In the meantime, however, the Dominion election became imminent and the Dean of Canterbury, with immense courage and energy, undertook to visit Canada and to carry through a speaking tour from one coast to the other, with the object of rousing the general Canadian public to support in the Dominion House of Commons the efforts which were to be made in Alberta. While there is little doubt that immense attention and interest were aroused, the grip of party politics upon the general Canadian public was too strong. Mr. Mackenzie King was returned to power in place of Mr. Bennett, the Liberal landslide being so overwhelming that the small body of seventeen Social Credit Members from the West became the second largest party in Opposition, the Conservatives under Mr. Bennett returning forty members. Mr. Aberhart made strenuous

efforts to secure the unopposed return of Mr. Bennett. In this he was unsuccessful, but Mr. Bennett was nevertheless returned by a considerable majority.

An interesting feature in the election was the secession from the official Conservative Party of Mr. H. H. Stevens, Minister of Trade and Commerce in the defeated Government. He had resigned his portfolio some months earlier in protest against the failure to take action on the evidence offered to the Price Spreads Committee. This Committee had been investigating the proportion of the price charged to the ultimate consumer which was due to the various interests through whose control production passed in the processes of industry and commerce, and the revelations had been somewhat startling.

Mr. Stevens was probably the ablest Minister in Mr. Bennett's Cabinet, and it is interesting to recall that in 1923 he was my severest critic when I was giving evidence before the Committee on Banking. Much of the matter used by him in his endeavour to form a separate party in 1935 could fairly be said to be derived from Social Credit propaganda. *E pur se muove*. I hope to see Mr. Stevens leading a Social Credit Government at Ottawa in a year or so.

But the time at his disposal was too short, and the party organisation of the orthodox Conservatives too strong, to enable him to achieve any considerable success, and although returned himself as an Independent Member, all the seats contested by his adherents under the title of Reconstruction Candidates were lost to Liberals as a result of the split vote.

Mr. Mackenzie King, Leader of the Liberal Opposition, former Prime Minister, and recognised as closely identified with Wall Street, and St. James's Street, Montreal, the homes of American and Canadian finance respectively, was nevertheless equally emphatic, in carefully chosen words, as to the iniquity of the present banking control of credit, and there is little doubt that many thousands of votes were given to him and to his party in the belief that his appeal for support might lead to something tangible. His exact words, spoken at Saskatoon on September 21, 1935, are, perhaps, worthy of record. "Canada is faced with a great battle between the Money Power and the People, a battle which will be waged in the new Parliament. I plead for a sweeping Liberal victory to carry out my policy of public control of currency and credit. Until the control of currency and credit is restored to the Government, all talk of the sovereignty of Parliament and democracy is idle and futile." Exactly what he had in mind, and to what "Government" the restoration was promised, perhaps Mr. Montagu Norman could tell us.

On his return to power, one of Mr. King's first acts was to recall from private life Mr. Dunning, a Finance Minister regarded with affection by the financial districts of New York, Montreal, and London. Mr. Dunning lost no time in initiating the strategy which was to be opposed to Mr. Aberhart, by now in urgent need of further monetary assistance and faced with the onset of winter on the prairie.

Accompanied by Mr. Magor as Adviser, Mr. Aberhart again journeyed to Ottawa, not, I think, so wholly convinced as on his first visit that the position of a Social Credit Premier was one of unalloyed enjoyment or that the bankers, who had entertained him so lavishly upon his first visit, were actuated solely by motives of pure philanthropy. Once again, however, he was assured that financial matters might be arranged. There was just a little condition. It was that in common with those of the other Provinces who were also asked to agree, all applications for loans should in future be dealt with by a Loan Council to be composed of, for the moment, Mr. Dunning, Mr. Graham Towers of the Bank of Canada, the Prime Minister of Canada ex-officio, and the Treasurer of the Province which might be applying for a loan. The arrangement was almost identical, both in form and intention, with the Loan Council which, imposed upon the Australian States under the satirical label of "The Premier's Plan," had placed the whole of the Australian States at the mercy of the Australian banks. To quote Professor Gordon Mackay, M.A.: "There is every reason to think that its [Federal Loan Council's] functions will expand until it will eventually take over the whole management of Australia's public indebtedness. During 1924-25 the whole of the loans raised in Australia were raised in accordance with the plans adopted by the Council. During 1925 it was concerned with the conversion of the £67,000,000 war loan, and during this

operation it allowed no other loan operation to take place. Up to 1925 it was customary for the Commonwealth and the States to raise their own loans in London or elsewhere, after the amounts had been previously agreed by the Council, but about the middle of 1925 the Council assumed the responsibility of raising the loans in addition to determining how much was to be raised. In 1930 it extended its activity to that of exercising some control over other loan operations for public bodies, such as water supply.”¹

¹ “The Australian Banking and Credit System.” By A. L. Gordon Mackay, M.A., M.Ec.

Although I had received no official information from the Alberta Government either in regard to its policy, or as to when my presence in Edmonton would be acceptable, unofficial sources of information were available which had enabled me to offer what I hoped might be useful advice and also to estimate the strategy which was to be opposed to Mr. Aberhart. In regard to the latter, the following letter seems to have been generally correct:

10th September, 1935

“THE HON. WILLIAM ABERHART, M.L.A., B.A.

“DEAR MR. ABERHART, The following extract is from a well-informed correspondent: ‘Mr. Weir, head of the Bankers’ Clearing House Association, dropped in for a chat last night and I gathered that it has been agreed for a long time that if Aberhart comes in in Alberta that their plan would be to separate him from Douglas and urge him bit by bit into co-operation with the banks, and then put in Banking Committees to control the finance of the Province as in Newfoundland.’

“Yours very truly,
“C. H. DOUGLAS”

It was clear enough that the correct procedure of the financial interests operating through the Dominion Government would be, rather to allow a Provincial Legislature labelled with the name of “Social Credit,” but not sufficiently experienced to deal with the problems involved, to become thoroughly unpopular by its own mistakes, than to oppose it. It is perhaps the greatest possible testimony to the soundness of a genuine Social Credit policy that it was evidently considered fatal to allow such a policy to materialise. The appointment of Mr. Magor and the consequent dismissal of Government employees, the imposition of a two per cent sales tax, the increase of income tax by sixty per cent, high gasoline and automobile taxes, and even the compulsory reduction of the interest rates upon the Provincial Debt, to all of which subsequent reference will be made, seem to have been nicely calculated to create as many enemies as possible without affording to the general population of Alberta any justification for the faith that was in them.

By the end of October it was fairly clear, both from the reports which were reaching me from unofficial sources and from such replies to my letters as I did receive from Mr. Aberhart, that the strategy was already a success. Information of the appointment of Mr. Magor reached me, still from unofficial sources, and it was evident that much more experience would be required on the part of the new Administration before it would be possible to make them realise the absurdity of allowing the taxation, budgetary and general routine financial policy of the Province to be arranged and administered by a nominee, open or concealed, of the Eastern financial interests with the backing of the Dominion Government, while at the same time endeavouring to institute a modified financial system requiring radically different policies in connection with each of the items in regard to which control had already been relinquished.

It did, however, appear possible that an opportunity of exposing the situation would arise at the spring meeting of the Legislature, and Mr. Aberhart was informed that, while I regarded it as being essential that matters which had been removed from the sphere of my advice (which were, moreover, specifically dealt with in my report to Mr. Reid’s Government and to Mr. Reid personally, and were contemplated and referred to in the contract which I had with the Government of Alberta) should be again referred to me, I should defer action in order that he might himself deal with the matter. The correspondence which covers this situation, together with the remainder of the correspondence with Mr. Aberhart, is included in Appendix III.

It became obvious that Mr. Aberhart intended to pursue a policy combining parts of the New Deal in the United States and the monetary theories of Silvio Gesell. What was clear, and fatal in the circumstances, was that the underlying idea of all the policies was restriction and taxation, both ideas fundamentally opposed to those of the Social Credit school of economics.

At this time, the *Albertan*, a leading Calgary daily newspaper of Conservative tradition, became the official organ of the Government under somewhat obscure conditions. Its leading articles were in many cases indistinguishable from the publications of the chartered banks. Much of its space was devoted to the exploitation and advertisement of the oil resources of the Province.

Even the rigidly orthodox amongst the city populations of the Province, bitterly opposed as they were to any suggestion of financial experiment, revolted against the measures suggested by Mr. Magor and subsequently embodied in the 1936 Budget. A member of a well-known brokerage house in Edmonton reported the policy as being explained by Mr. Magor in the following words: "We must balance the budget at all costs. Expenditure must be cut down, and the Province must live within its income from now on. Not a cent must be expended on new roads for ten years and reductions must be made in social service outlays in order to bring the expenditure within the income of the Province." The comment on this, which was made was that, while Alberta is a perpetual corporation which must be kept going, the measures suggested were nicely calculated to reduce it to a state of chaos and bankruptcy.

They were, however, imposed upon the Province, and the default upon the Provincial debt which followed at the beginning of April, 1936, was the result of them.¹

¹ See Appendix III, letter to Mr. Aberhart dated February 24, 1936 containing suggestions for the avoidance of this default.

One definite and most important achievement must be credited to Mr. Aberhart at this time. He refused to consider the proposal for the formation of a Loan Council and was no doubt largely instrumental in the decision arrived at by Mr. Dunning to drop the project for the moment.

CHAPTER IX

EMPLOYMENT AS A MAJOR OBJECTIVE

To understand the divergence between the fundamental idea of economic emancipation, which was implicit in the pre-election statements of the Alberta Social Credit Party and the policy adopted by Mr. Aberhart on his accession to power, it is necessary to glance at the fundamentals of the New Deal policy of President Roosevelt in the U.S.A., which formed a model for the various codes imposed upon Alberta, and also at the principle of the Prosperity Scrip which was the first positive innovation in the local currency system.

The essential point to notice in regard to the first of these is that President Roosevelt and his advisers did not criticise the objective of industrial civilisation in the smallest degree. This assumes that you cannot have too much industrial effort so long as it does not produce unemployment, and that it is a sound and safe policy to set the whole of an immense population permanently to the task of remaking the physical face of the earth in sublime disregard of the consequences which have already ensued from this policy and the dangers which threaten its extension.

To understand the position in the United States it is necessary to recall that in March, 1933, at the time at which President Roosevelt assumed office, the economic system in the United States was rapidly moving to a complete breakdown. Over 2,000 banks had closed their doors, and in some large towns not a single bank remained open. Nearly the whole of the farms of the Western States were, as in Alberta, hopelessly mortgaged, and from the ordinary point of view insolvent, and only businesses either possessing quite unusual reserves or, on the other hand, being so heavily indebted to the banks that they could not be allowed to fail, were allowed to carry on. To what extent the coincidence of this unparalleled economic crisis and the assumption of office by a President representing, if not new interests, at any rate an alternative political party, could be regarded as accidental, it is difficult to say.

After the Inaugural Address, which was remarkable alike for its outspokenness, for its careful emphasis upon the deficiencies of individuals, and for its avoidance of anything which might be construed as the condemnation of the banking *system*, the new Administration acted with unexampled vigour, and the primary embodiment of its policy was contained in a measure entitled "The National Industrial Recovery Act," commonly known as the N.R.A.¹

¹ I am indebted for much useful information in regard to N.R.A. to the members of the Brookings Institute, and to "The ABC of the N.R.A.", which is issued by them.

President Roosevelt, when affixing his signature to the National Recovery Act on June 16, 1933, stated that:

"History probably will record the National Industrial Recovery Act as the most important and far-reaching legislation ever enacted by the American Congress.

"It represents a supreme effort to stabilise for all time the many factors which make for the prosperity of the nation and the preservation of American standards.

"Its goal is the assurance of a reasonable profit to industry and *living wages for labor*,¹ with the elimination of the piratical methods and practices which have not only harassed honest business but also contributed to the ills of labor."

In order that there may be no doubt as to the motive which is behind the policy of the Roosevelt administration the following quotation is worthy of remark:

"The National Industrial Recovery Bill has as its single objective *the widespread and permanent re-employment of workers*² at wages sufficient to secure comfort and decent living. The bill marks a far-reaching departure from the philosophy that the government should remain a silent spectator while the people of the United States, without plan and without organization,

vainly attempt to achieve their social and economic ideals. It recognizes that planlessness and disjunctive efforts lead to waste, destruction, exploitation and disaster and that purposive planning awaits the substitution of regulated co-operation in place of the unlimited and frequently pernicious competition which we have heretofore regarded as the sole guardian of the public welfare. This trend in thought and action is accompanied by a public interest. . . . Competition is not abolished; it is only made rational. In this bill we say that business may not compete by reducing wages below the American standard of living, by sweating labor, or by resorting to unfair practices. Competition is limited to legitimate and honorable bids in the market and real gains in technical efficiency.” 73 Cong. 1 sess. *Unemployment*, Hearings on S. 1712 and H.R. 5755 before the Committee on Finance, pp. 1-2.

¹ My italics.

² My italics.

The implication of this policy, therefore, is beyond dispute. It is (*a*) that the fundamental system under which the business of the United States has been carried on is not regarded as being primarily at fault, nor is it motivated incorrectly, but that the personnel by which it has been carried on is faulty and must be brought under the control of a series of officials who are better instructed and therefore able to set it right, and (*b*) that the power unquestionably exists to impose whatever regulations are necessary for this purpose.

It has been indicated in the foregoing pages that in my opinion the idea which is contained in (*a*) is based upon unsound premises. The very moderate success achieved at the time of writing (the beginning of 1937) would seem to confirm this impression. In regard to (*b*) however there can be little discussion. Whether or no the regulations imposed upon traders and farmers in the United States have been desirable and have achieved their objective they have, in fact, been successfully imposed. The mechanism by which they were imposed is by the provision of what is in effect a licensing system, commonly known as the Blue Eagle. No undertaking which had not agreed to conduct its affairs in accordance with the codes imposed upon it by the administration was allowed to make use of this emblem, and was thus pilloried as refusing to co-operate with the Government in its efforts to recovery, and debarred from any governmental contracts, the whole of this being without prejudice to further coercive powers to any extent necessary to insure compliance.

Turning now to the application of the ideas of Silvio Gesell as embodied in the Alberta Prosperity Certificate, the essential principles will be found, I think, to involve the same obsession with “production” as an end in itself. It is probably unnecessary to emphasise the value of much or most of Gesell’s work in the relationships to which it applied, and no attempt to depreciate it is contemplated. The Prosperity Certificate, which in the circumstances Gesell would probably himself have disowned, took the form of a dollar bill, to which, in the first place, a two cent stamp had to be added every week, in order to retain its value. Looked at from the ordinary point of view it is, of course, merely a hundred and four per cent capital levy payable over a period of one year. Subsequently a one cent stamp was substituted. The idea of this disappearing money is to discourage the saving of money and to encourage the purchase of production, and it has the effect of introducing a new psychological factor into economic organisation; or, to state the objective another way, it encourages the hoarding of goods and the stimulation, in particular, of the purchase of durable goods, whether actually needed or not, in place of the saving of money; and since goods are only one form of wealth, whereas money is a call or demand upon any form of wealth which is available, the result is to decrease the economic security of the individual and, ultimately, to stimulate an excessive production of durable or capital goods. It is a theory which is coming into high favour with banking authorities, since it constitutes the most stupendous taxation upon money resources that has ever been proposed, and increases the power of those who have the monopoly of creating money to an extent which for all practical purposes renders it absolute. It is clearly true that any kind of money is better than no money at all, which is conceivably the argument in the minds of the apologists for this proposal, but, as coming from a Government which was promising enhanced economic security, it is obvious that a dollar which disappeared almost while you looked at it, and which, quite naturally, no banker would accept, was not likely

to appeal as an improvement over a dollar which you could deposit in a bank and upon which you could draw three per cent interest while it remained there.

How much of this outlook upon the problems which faced him was native to Mr. Aberhart and how much was suggested to him upon his early visits to the East, I am not, of course, in a position to know. But a comparison between it and the suggestions included in the correspondence (Appendix III), which preceded his final repudiation of my advice, is sufficient to indicate the difficulty of accommodation between them. During the First Session of the Alberta Legislature, no action which could by any stretch of imagination be referred to the principles of Social Credit appears to have come under consideration, and the increased taxation which was authorised, as well as the extension of Government interference with business involved in the business codes proposed—but for the most part allowed to lapse—would have wrecked any administration which had not the advantage of a declared policy of social amelioration. The excuse put forward to justify the measures which were passed under the advice of Mr. Magor was that the Province had no alternative. With every sympathy for the gravity of the problem with which its untrained legislators were faced, there can still be little doubt that this excuse had no justification in fact, and that in itself it constituted an initial victory for the forces of reaction.

That during the first year of the Social Credit Government its enemies were successful all along the line it is impossible to deny. Better trained, better disciplined, understanding thoroughly the issues involved, and thoroughly aware that the new Legislature did not, it would have been something of a miracle if this had not been so. Nevertheless, I am inclined to believe that the Eastern money interests overplayed their hand. Hardly any section of the population, even the most Conservative, escaped penalisation, while the failure to implement the promise of monthly dividends brought pressure upon the Members of the Legislature from their constituents which local circumstances rendered peculiarly effective.

Towards the autumn of 1936 it became evident that Mr. Aberhart was being pushed a great deal further than he had had any original intention of going. A short Session of the Legislature which was convened—a most unusual procedure in Canadian Provincial politics—introduced a Bill with the title of “An Act to provide the People of Alberta with Additional Credit,” which in effect provided for the constitution of a system of branch banks with facilities but without the power to issue notes. The text of this perhaps unnecessarily complex measure is included in Appendix IV.

Of more immediate importance was the re-enactment of a Reduction of Debts Act to protect the hopelessly mortgaged farmer and to restore to some extent the immunity which he had under the preceding Administration—an immunity removed by Legislation rushed through the First Session under the influence of Eastern financial interests. Important as an amelioration measure, it did not however involve any new principle or do more than still further legalise default, and limit interest.

At this time serious differences of opinion in the Cabinet and Legislature became apparent, and it was obvious that the failure at least to attempt to implement the promises made before the Election would not be allowed to continue. The resignation of Mr. Ross, the Minister of Lands and Mines, was followed by that of Mr. Cockcroft, the Provincial Treasurer, and it is now obvious that a new policy is the only alternative to political and administrative disintegration.

Meanwhile the financial interests are moving to what may prove to be a crushing offensive. On February 17 the appointment of a Royal Commission under the Chairmanship of “a distinguished British economist” was announced. This is the procedure which was employed in connection with the reduction of Newfoundland to the condition of a vassal colony.

On February 20 Mr. Justice Ewing, of the Alberta Supreme Court, declared that the Reduction and Settlement of Debts Act to which reference is made above, was beyond the powers of the Province, and on February 23 Mr. Justice Ives declared the Provincial Securities Interest Act equally invalid. The rulings, if sustained, remove money from the domain of property and civil rights.

CHAPTER X

GREEK CHORUS

“I do not know of a single step for the inauguration of Social Credit in Alberta since the Aberhart Administration came into power. The people of Alberta are further away from Social Credit and from dividends than at any time since the last Election.

“The Premier’s policies have, so far, resulted in greater chaos than ever before in the Province, all caused in the name of Economic Reform.” (P. J. Rowe, Member of Parliament, Athabaska Division).¹

¹ Mr. Rowe was expelled from the Social Credit Party for the publication of a letter containing the above words. He continues to sit at Ottawa as an Independent Member.

I DO not suppose that any considerable amount of argument is necessary to gain acceptance for the proposition that a fertile, rich, and reasonably developed country, having an area several times that of Great Britain, ought to be able to support a population of less than one million in complete comfort and security. So far from this being the case in Alberta, desperate poverty at the lower end of the social scale, and economic and political insecurity amongst all classes not in actual want, is increasing. There is no question, I think, that the main argument which secured the return to power of the Provincial Government in 1935 is as sound as it was at the time that it was then put forward.

Neither do I subscribe, without reservation, to the suggestion that it is the personnel of the Cabinet and Legislature which can alone be blamed for the complete failure, up to the present, to institute effective measures to deal with the situation.

It must, unfortunately, be recognised that the Eastern financial interests, acting through the Dominion Cabinet and otherwise, are implacably opposed to any effective action which would divest them to the slightest extent of the tremendous power they have achieved by their monopoly of financial credit. With a full recognition of the gravity of the statement, I believe that these interests are capable of sacrificing the population of Alberta to any extent which may be necessary to maintain their power, and are, either from lack of imagination, or from less excusable causes, insensible to the suffering which may be involved. It has been to their advantage that any action which would not produce the requisite results should be encouraged, so that the prestige with which the Social Credit Government, carefully advertised as such, came into power, might be diminished, and with it the ideas upon which it was founded, might be discredited. A sufficiently long period of ineffectiveness would make it possible, and probably has made it possible, to block, openly if necessary, any effective step which Mr. Aberhart might now be induced to take. Such open opposition, if it is required, will be justified by the suggestion that the Province, as part of Canada, has already been subjected to a sufficient number of disastrous experiments. Disinterested Eastern opinion, quite willing in 1935 to keep the ring for an energetic policy, has by now become indifferent or cynical.

It is conceivable that a highly trained body of men, approximately of the standard of a professional civil service, elected under the quite exceptional circumstances which attended Mr. Aberhart, could have utilised their prestige to put into operation a plan which, by its immediate effect upon the welfare of the general population would have made interference by the Dominion Parliament a political impossibility. Miracles *do* happen, and this would have been one of them, since it is improbable that basic reforms, which are necessary, are achieved in this manner. No such policy of machine-made Legislation at the present time has, in my opinion, at least, the faintest chance of success.

The course which offers the greatest and probably the only hope is that which is based upon the essential nature of democracy, on the one hand, and the primary cause of Mr. Aberhart’s Electoral success, on the other. The Provincial Government has, under existing circumstances, certain sanctions which are quite undoubted, and chief amongst these is its power of legal en-

enforcement of its decrees. Every care should be taken that the vital nature of these sanctions is broadcast in Alberta. In particular, Ministers should refuse to recognise or to give evidence before any Royal Commission not appointed by themselves, and should, if necessary, organise a parallel Commission under the Western Provincial authorities. Without, for the moment, entering into details, the Cabinet and the Legislature should abandon the position of technical and legal experts and entrench themselves strongly as representatives of a Mandate to secure for the people of Alberta a dividend of twenty-five dollars per month. To this, in my opinion, should be joined, both for political and economic reasons, a demand for the drastic reduction of taxation. The general population should be mobilised to demand absolute priority for these results however obtained.

Both of these demands are indissolubly connected with the creation of credit instruments, which, for present purposes, we may call money. So far as currency-notes are concerned, it is clear that the Province of Alberta has no power to issue them. I do not think that this prohibition extends to the issue of cheques, but even this is largely immaterial. The Province has the power to make it impossible for any bank to operate within its borders, to prevent it enforcing its claims for debt, to make the business of money-lending illegal and impossible, to publicise banking practice, and in many other ways to inflict severe penalties upon the financial interests. I do not suggest that the financial interests in their turn have not the power to inflict damage upon Alberta, but I do not believe that that power, if seriously challenged, is anything like so great as it is popularly supposed to be. Nor do I think that the condition of affairs in Alberta would be very much worse, except possibly for a very short time, if such very ill-advised action upon the part of the financial authorities were put to the test. The financial system is essentially a system of black magic, and one of the best protections against black magic is not to believe in it.

In a speech in Liverpool in October 1936, I made the suggestion that the superior officials of banking institutions should be licensed, much as is the case with the smaller description of money-lender, or pawn-broker. Any refusal on their part to carry out a policy legally imposed by the Government should result in the withdrawal of a sufficient number of licences, which would only be reissued at a very largely enhanced sum, the licence fees going to the reduction of general taxation. It is fairly obvious that such a suggestion is merely one made for the purpose of indicating a principle, but it is that principle which, in my opinion, alone can place the financial system upon its defence, and remove from it the entirely legitimate excuse that the banking business, being an expert business, cannot be run by amateur politicians.

Nevertheless, although it might, with some justice, be said that almost every mistake of strategy which could be made in Alberta has been made, I find myself in complete disagreement with those who regret that the adventure should ever have been embarked upon or suggest that it must inevitably fail. One of the most remarkable features in the situation is the unshakeable grip which the idea of financial emancipation has obtained upon the Western population, not merely in Alberta, but to a growing extent in British Columbia, Saskatchewan, and Manitoba. I do not believe that those populations will ever abandon the vision that they have seen. By a process of trial and error and with more or less struggle and suffering, the money-changers will be cast out of the Temple, and it will become impossible for human-beings to starve in the midst of plenty.

APPENDIX I

MAY 23, 1935

DEAR MR. REID,

With this letter I am sending you the original and duplicate of my First Interim Report to your Government on the Possibilities of the Application of Social Credit Principles to the Province of Alberta.

You will notice that in this Report I have taken the line that action initiating in Alberta, though quite possibly not ultimately confined in Alberta, is both possible and desirable, and that such action must have as its first objective access to the financial credit which is properly based upon the resources and the people of Alberta itself.

To put this matter beyond possibility of misapprehension, I might state that in my opinion no mere redistribution of the purchasing power already available in Alberta can be effective in attaining, at any rate with sufficient rapidity, the results demanded both by the general situation and by public opinion, and that there is no likelihood of credit being obtained from ordinary sources upon such terms as would be suitable, to the extent which is required.

I feel sure that you will agree that before I can proceed very much further I must have some decision as to the general policy which is to be pursued, and I am aware myself that you will require a Mandate for such a decision.

In regard to this matter, and assuming accordance with the general underlying policy, I should suggest that a Mandate be asked, as far as possible, for objectives rather than for mechanisms. These objectives in my opinion should be firstly those contained in the last section of my First Interim Report, and should be supplemented by a statement of ultimate objectives of which the following are fundamental:

- (1) A drastic reduction of taxation, particularly upon real property.
- (2) A maintenance dividend as of right, possibly small at first, and graded so as to be at a maximum after middle age.
- (3) Measures designed to produce a low price level within the Province, with adequate remuneration to the producer and trader.
- (4) Development of internal resources based rather upon physical capacity than upon financial considerations.

All of these objectives can be attained, and can only be attained, by access to control of the local credit.

The problem is at least as much a political as a technical problem, and if I might venture to make two tentative suggestions in regard to the former aspect of it, they would be (1) that, if not at present, at some suitable time, as early as possible, a coalition government should be formed, and (2) that a Department of Public Relations should be organised specifically to deal with criticism from the public both with a view to keeping the general public informed and also for the purpose of discouraging by suitable methods loose accusations of defective administration.

It does not appear that I can do very much more in Alberta which will be immediately effective until the general situation is cleared upon the lines I have just indicated, and I am therefore devoting my attention to collecting information which will enable me to proceed in accordance with the instructions of the Government when they can be given.

If this would meet your views, I propose to leave Alberta about the 31st instant, with sufficient information in my possession to enable several months' work to be carried on in England.

Yours very truly,
C. H. DOUGLAS

FIRST INTERIM REPORT
ON THE
POSSIBILITIES OF THE APPLICATION OF SOCIAL CREDIT PRINCIPLES
TO THE
PROVINCE OF ALBERTA

(Submitted to His Majesty's Premier and Legislative Council of Alberta, at Edmonton, Alberta, May 23, 1935.)

PREAMBLE

In order to provide an understandable background for this Report, it seems necessary to recall certain general considerations.

Stripped of unnecessary complications, a community such as the Province of Alberta, with a governing body entrusted with certain powers, may be considered as an association of individuals to obtain conditions of life, both social and economic, which could not be obtained without organisation. It is not only an association for the purpose of working effectively, but also an association to enable the eventual objective of the work to be realised in enjoyment.

The essential wealth of such a community, looked at from its productive side, consists in its physical assets, either in the state in which they are found in nature, or as improved by the application of labour, and in particular modern industrial methods, and even more importantly in its vital assets, represented by its population and their state of education, intelligence, morals, health and social well-being. That is to say "wealth" is not "money."

It is a matter of universal experience, however, that none of these forms of real wealth, enumerated above, can come into the possession and control of the individual without the use of this device, commonly called money, but which is more comprehensively defined, and in fact more easily understood by its technical term "effective demand."

Effective demand originated in the barter system, that is to say, individuals parted with a surplus of real wealth in their possession to obtain in exchange real wealth of a different variety for which they had a need. The barter system became modified when the idea of a third factor, erroneously considered as the embodiment of wealth, for instance gold and silver, came into use as the common method of exchanging real or useful wealth. The fact that gold and silver are themselves commodities, having certain uses, for ornament or otherwise, no doubt served to intensify this idea. The great increase of wealth of a genuinely useful kind, as compared with the symbols of wealth supplied by the precious metals, forced the introduction of other forms of symbolic wealth, still carrying with them the barter conception, but being in fact merely claims on wealth of the same nature that a railway ticket is a claim upon transportation, while having no value in itself, a condition of affairs which exists at the present time in relation to the specific form of ticket that we term a dollar bill.

In the modern world, however, the preponderating feature in effective demand which is universally employed to carry on the world's business is what is technically called a "credit instrument," of which there are several forms. For the purposes of this preamble it is only necessary to consider the cheque.

The cheque is essentially a draft upon an allotment of the public credit, by which is meant the well-founded belief that certain quantities of real wealth, having price figures attached to them, corresponding to the amount of the cheque, and produced by unspecified members of the public, will be delivered in return for the cheque, and a cheque is therefore, so far as it is accepted as money, a form, and the most common form, of effective demand.

While it is clear that under a barter system there is always sufficient effective demand although it may be inequitably distributed, under a money or cheque system both inequitable and ineffective demand are certain unless production and demand are consciously and systematically related.

Cheques are drawn upon deposits, and it is admitted by all responsible authorities that deposits are created, to a major extent, by purely book-keeping transactions on the part of banking institutions. It is therefore correct to say that banking institutions are in a position to create, claim as their property, and to lend upon their own terms, effective demand which is the only method by which real wealth produced by the general public can be transferred from the producer of it to the user. The question as to the legal right of banking institutions to claim effective demand of public property, thus created, as their own exclusive property, and to lay down the terms upon which it shall be issued and the conditions under which it must be repaid, together with the price which shall be paid for the temporary use of it, will be examined in the main body of this Interim Report. At the moment it is sufficient to emphasise that the whole economic environment of the individual, his level of education, and to a large extent the conditions of his physical, mental and moral development, are controlled by the provision or withholding of this effective demand which is in essence merely a book-keeping process.

While it is probably true to say that, as at present conducted, the art of banking consists essentially in "fooling some of the people all of the time, and all of the people some of the time," it would be a mistake to overlook the fact which must proceed from the obvious importance of finance, that the conditions of material progress and the possibilities of a continuing and improving standard of living have been and are being achieved within the framework of the financial system. While it is generally agreed that this is so, it is not widely understood that modifications are essential to enable these processes to be continued. Without going too far into this aspect of the matter, it may be said that the financial system in its orthodox form has worked fairly successfully during an age of expansion in which preponderatingly large quantities of capital goods, not intended to be used directly by individuals, have been produced, and the purchasing power or effective demand which has been distributed to individuals as an inducement to produce other capital goods has been available to them as effective demand for a sufficient quantity of consumable goods. Since this process of expansion is beyond question proceeding at a much slower rate, while the debts which have been contracted in regard to previous expansion are becoming increasingly onerous, sufficient purchasing power for the use of the general population does not become available through orthodox methods, and if it did, by excessive concentration upon capital production or Public Works, the breakdown of the system owing to intolerable debt charges would only be accentuated.

In regard to the Province of Alberta, therefore, it appears to me to be evident that little which is effective can be done to relieve the economic difficulties which exist unless a departure is made from methods which were moderately effective in the past but are no longer suitable to conditions which have changed fundamentally. Any attempt to deal with the situation, which does not recognise its fundamental cause, must discredit the Administration and eventually result either in an abolition of organised forms of government in favour of a pure financial hegemony, or in a continuous disintegration of social morale, possibly ending in something approaching anarchy. Both Europe and America, under the Bank of England and the Federal Reserve System respectively, have been subjected to almost a complete financial hegemony for the past fifteen years, with results which are evident.

If this aspect of the matter were that alone requiring consideration, it does not appear probable that any government could hesitate in immediately instituting modifications designed to rectify the situation. Unfortunately, however, this monopoly of the creation of effective demand, which has been allowed to pass for the most part into the hands of the banking system, from its very nature constitutes a formidable power, having objectives of its own not those of the general population, and it is therefore entirely proper that the consequences of challenging its interests should be examined.

THE NATURE OF THE PRELIMINARY ENQUIRY

1. At the outset, it must again be emphasised that a distinction should be drawn between any particular plan for the utilization of the public credit, when control of it has been acquired, and a strategy for acquiring the power to deal with the public credit. If this distinction be understood, it will be realized that plans for dealing with the public credit are wholly premature, while the power to deal with it has not been attained. For this reason I propose to confine myself in this preliminary report to possible methods and strategy in regard to the preliminary objective, that of obtaining access to the public credit.

2. It does not require much consideration to realize that it is not very probable that an effective strategy can be pursued to a successful conclusion with the whole-hearted co-operation of those operating a financial system which already possesses the monopoly of credit, with all the powers and privileges which that situation implies. To put the matter concretely, every step in this direction will be opposed, and must inevitably be opposed, by e.g. the Bank of Canada, acting for the International Bankers. It is not so certain that, under the changed conditions, the same remark applies wholly to the Chartered Banks, as, for instance, in Great Britain, a sharp cleavage is developing between the Joint Stock Banks and the Bank of England. It is, perhaps, however, safer to assume that the banking system of Canada would unite against any steps in this direction.

3. The first consideration which arises is as to the legality of the claim of the banking system to public credit, taking the law as it stands. It is obviously a consideration secondary to this, to consider what sanctions, due to the power of public resentment against an usurped and anti-social claim, could be raised, even though this claim had become legalized. In regard to the first question, in the Province of Alberta the matter is by no means clear. The power of printing legal tender money, or that which passes as money, undoubtedly belongs to the Dominion, and has now been delegated to the Bank of Canada. But it cannot be contended that this disposes of the question, since, if it did, banks would be prohibited from issuing cheques, which quite unquestionably pass as money, and are not Dominion or Bank of Canada documents.

Further than this, matters of property and Civil Rights are the exclusive domain of the Provincial Government, and it is difficult to contend that it is not a Civil Right for an individual to write an order upon himself calling for the delivery of a portion of his property. Such an order is effective demand. Further than this, the Provinces are specifically granted the right to raise loans upon the sole credit of the Province. Such loans are raised in money or credit instruments, and have to be repaid in money or credit instruments, and the interest upon them has to be paid by credit instruments. Therefore, if it be contended that the Provinces have no power to issue credit instruments, the phrase "the sole credit of the Province" has no financial meaning, although it may have a realistic meaning.

In this connection, I should like to acknowledge the valuable assistance of Mr. Gray of the Attorney General's Department, and the Brief kindly submitted to me by Mr. Herbert C. Boyd, M.A., LL.B., of Edgerton, Alta, both of which information's so far as they go, seem to confirm my own view of the position.

4. It would therefore seem that there is room for considerable action on the part of the Province without placing the Province in danger of the invocation of legal sanctions against it, by the banking system, acting on the premise that it has sustained a tort. The second obvious sanction (and one not contained in the legal system) to be considered is the effect which might be produced by a refusal of financial facilities from the existing financial system, together with an attack of a psychological nature upon the action of the Province.

5. It is clear, and all experience confirms this view, that if credit instruments can be issued under the sanction of the constituted legal authority, in this case the Province, no difficulty arises in obtaining their universal acceptance within the range of the jurisdiction of the governing body. This has been successfully demonstrated beyond question in many instances and under the most

unfavourable conditions, during the past twenty years. In Great Britain, in 1914, the whole population was accustomed to handling actual gold coins, and, in fact, strongly disliked the only existing paper money, the Bank of England note. Within a week of the outbreak of War a complete change from gold metallic currency to a paper currency was instituted without visible shock, in spite of the well-known existence of enemy *agents-provocateurs*, using all possible efforts to destroy confidence in the new money. Under conditions which could never be paralleled in this country, and alter calculated inflation never before known in history, one series of paper Marks after another has been accepted and has functioned in Germany with no tangible backing other than the mere declaration that it was legal tender. No difficulty might be expected, therefore, if certain cheques were made legal tender.

6. A difficulty does arise, however, where a considerable portion of the commodities required have to be imported from outside the credit area over which the Government has jurisdiction, and it is essential for the practical solution of this that a considerable amount of what may be considered as foreign currency or credit should be accumulated. I have given considerable attention to this aspect of the matter, and I do not believe that it is insuperable in regard to Alberta, more particularly since the fear of repudiation has raised in the mind of the external bond holder a recognition that his debtor has claims upon his consideration, particularly if no suggestion of fundamental repudiation is contemplated.

7. The sanctions, therefore, that can be applied to penalize action against the existing monopoly of credit, so far as Alberta is concerned, do not appear to be legal, and do not appear to extend so far as to render an internal credit system unworkable. They appear to be more formidable in connection with the exchange problem which is raised between Alberta production and imports to be exchanged for the surplus of it, but even so they are not novel, and methods for dealing with them have been successfully applied both in Russia and Germany.

8. On the other hand it is important to realize that the sanctions are not wholly upon one side. To use the vernacular, the whole world is becoming "money-conscious." While revolt against financial mismanagement appears to be for the moment more vocal in the Western Provinces of Canada, it is by no means non-existent in the East. It has grown rapidly, and is powerfully represented in the Senate and Congress of the United States, and is becoming a popular movement on the Pacific Coast. It is highly probable that the next Government of New Zealand will be committed to some form of Social Credit, and in the state Governments of Australia, as distinguished from the Federal Government, its power is growing so rapidly that it is not easy to state the present position. There is much discussion of the subject in South Africa. In Great Britain the position is probably even more important, though less apparent to casual observation, in view of the closely-knit Press organisation and the monopoly of broadcasting, which is intimately associated with the Bank of England.

9. The practical importance of this in regard to Alberta is that vindictive action by the financial authorities could be pilloried, through the agency of Press and broadcasting, to an audience which is already sufficiently instructed all over the world to grasp the questions that are at stake, and has a pronounced bias against the banking system as it exists at the present time.

10. Further, sanctions, which do not contemplate essential repudiation, exist in the external debt of the Province, and in the circumstance that the producing organizations external to Alberta are just as anxious to receive orders upon any terms which will enable them to meet their financial commitments as Alberta could be to receive their product.

11. It may not be out of place to comment at this point upon the rise of the idea of secession. In this connection it should be noticed that disintegrating influences are evident, not merely all over the British Empire, but in such countries as Spain, Southern Germany, and the Western States of America. In every case with which I am acquainted the disintegrating influence is financial and so far from a modified financial system tending towards a secessionist policy, any informed examination of the question seems to indicate that it is the existing financial system

which is the seed-bed of disintegration, and that a modification of it, which, if successful, could not fail to spread with immense rapidity, would be the shortest method of disposing of such disintegrating influences. That, in fact, it is only insistence upon an ineffective financial system which raises the question of secession into the sphere of practical politics. The real secessionists, therefore, are those who insist upon an orthodox financial policy, regardless of its consequences to the population affected.

12. To summarize the position, therefore, the alternatives lie between a surrender to interests whose legal position is doubtful, and whose power, though admittedly great, is neither impregnable nor free from serious attack in quarters outside Alberta, on the one hand, and measures designed to free the Province from external financial control on the other. The result of the former line of action can be judged from past experience, and in my opinion must involve failure to solve the so-called unemployment problem, a stationary or only very slowly increasing population in this Province, inability to develop the resources of the country, and political and social disintegration. Orthodox financial assistance would, however, be available, by the adoption of this policy, although accompanied by a rise in the public debt, and a continuous drain on individual financial resources through rising taxation. If this policy is adopted all experience tends to show that preparations for severely repressive measures, through increased police organisation, are essential.

13. The consequence of the adoption of the second policy, if properly conducted, might mean temporary difficulties in regard to the import of articles not produced in the Province, a certain amount of political conflict with the Dominion Government, and a good deal of misrepresentation as to the actions and policies which accompanied this general attitude.

14. On the other hand, it would be possible, within a very short period of time, to minimize the unemployment problem in the Province, to increase the general standard of living of the whole population without decreasing that of any of its members, and to embark upon a systematic development of the resources of the Province on a scale otherwise unattainable.

15. In general, and without at the moment going into too much detail, the preliminary steps to be taken in this direction are, in my opinion:

(1) The systematic provision of a News circulating system under the unchallengeable control of the Province, particularly in regard to radio facilities of sufficient power to cover a wide geographical area.

(2) The organisation of some Credit Institutions, either under the Dominion Bank Act, or otherwise, which will give access to the creation of effective demand through the credit system, on principles already well recognised and established.

(3) Systematic organisation directed to the accumulation of what, for the purposes of this report, may be termed "foreign exchange," i.e. effective demand not subject to attack as being recognisable as having been created within the Province.

(Signed) C. H. DOUGLAS

Chief Reconstruction Adviser to His Majesty's Government of Alberta.

APPENDIX II

Members of Executive Council

Hon. William Aberhart	Premier and Minister of Education
Hon. John W. Hugill	Attorney General
Hon. Charles Cockcroft	Provincial Treasurer, Minister of Municipal Affairs
Hon. E. C. Manning	Provincial Secretary, Minister of Trade and Industry
Hon. W. N. Chant	Minister of Agriculture
Hon. Dr. W. W. Cross	Minister of Health
Hon. Charles C. Ross	Minister of Lands and Mines
Hon. W. A. Fallow	Minister of Public Works

Legislation enacted at the First Session of the Eighth Legislature, February 6—April 17, 1936

Agricultural Industries Stabilization Act Repeal Act.
Agricultural Relief Advances Act.
Agricultural Societies Act, Amendments.
Alberta Insurance Act, 1926, Amendments.
Alberta Live Stock and Live Stock Products Act.
Alberta Municipal Assessment Commission Act, Amendments.
Alimony Orders Enforcement Act, Amendments.
Appropriation Act.
Bills of Sale Act, Amendments.
Brand Act, Amendments.
Bread Act, Amendments.
Bureau of Relief and Public Welfare Act.
Calgary School Board Borrowings Act.
Chiropractic Act, Amendments.
Companies Act, 1929, Amendments.
Coroners Act, 1927, Amendments.
Corporations Taxation Act, Amendments.
Corporations Temporary Additional Taxation Act, Amendments.
Demise of Crown Act.
Department of Trade and Industry Act, Amendments.
District Courts Act, Amendments.
Domestic Animals Act (Municipalities) Amendments.
Domestic Animals (Unorganized Territory) Act, Amendments.
Dominion Agricultural Credit Company Ltd., Guarantee Act.
Dominion Housing Act. Mortgages Act.
Drainage Districts Act, Amendments.

Electric Power Taxation Act. Amendments.
Engineering Profession Act. Amendments.
Exemptions Act, Amendments.
Feed Grain and Fodder Advances Act, 1934, Amendments.
Fort Saskatchewan Hospital Fund Act.
Fuel Oil Licensing Act.
Fuel Oil Tax Act, 1936.
Game Act, 1932, Amendments.
Government Liquor Control Act of Alberta, Amendments.
Hospitals Act, Amendments.
Imperial Bank of Canada, Guarantee Act.
Improvement Districts Act, 1927, Amendments.
Income Tax Act, Amendments.
Industrial Standards Act, Amendments.
Interpretation Act, Amendments.
Irrigation Districts Act, Amendments.
Irrigation Rates and Drainage Rates Penalties Act, 1936.
Judicature Act, Amendments.
Labour Disputes Act, Amendments.
Land Titles Act, Amendments.
Legal Profession Act, Amendments.
Legislative Assembly (Recall Act).
Lethbridge Northern Colonization Act, Amendments.
Licensing of Trades and Businesses Act.
Limitation of Actions Act, 1935, Amendments.
Loan Act.
Local Authorities Borrowings Guarantee Act, Amendments.
Local Tax Arrears Consolidation Act, 1933, Amendments.
Local Tax Arrears Consolidation Act, 1934, Amendments.
Local Tax Arrears Consolidation Act, 1935, Amendments.
Male Minimum Wage Act.
Married Women's Act, 1936.
Mental Diseases Act, Amendments.
Minimum Wage Act, 1925, Amendments.
Mothers Allowance Act, Amendments.
Municipal District Act, Amendments.
Municipal Hospital Districts of Cardston and Myrnam Confirmation Act.
Municipal Hospitals Act, 1929, Amendments.
Oaths of Office Act.

Official Guardian Act, Amendments.
Provincial Industries Development Act.
Provincial Loans Refunding Act.
Public Health Act, Amendments.
Public Service Vehicles Act.
Public Utilities Act, 1923, Amendments.
Religious Societies' Lands Act, Amendments.
Retail Sales Tax Act.
Revised States Act, 1936.
Rural Mutual Telephone Companies Act, Amendments.
Sale of Goods Act, Amendments.
School Act, 1931, Amendments.
School Assessment Act, 1931, Amendments.
School Grants Act, Amendments.
Security Frauds Prevention Act, 1930, Amendments.
Seed Grain and Other Advances Security Act.
Seizures Act, Amendments.
Slot Machines Act, 1935, Amendments.
Social Credit Measures Act.
Social Services Tax Act.
Societies Act, 1924, Amendments.
Solemnization of Marriage Act, Amendments.
Special Municipal Areas Act, Amendments.
Taxation of Interests in Crown Lands Relief Act, Amendments.
Tax Consolidation Act, 1927, Amendments.
Tax Recovery Act, 1929, Amendments.
Teaching Profession Act, 1935, Amendments.
Timber Areas Tax Act, Amendments.
Tort-Feasors Act.
Town and Village Act, Amendments.
Trade Schools Regulation Act, Amendments.
Tradesmen's Qualification Act.
Tuberculosis Act.
Ultimate Purchasers Tax Act.
Unemployment Relief Act, 1933, Continuation Act.
Vehicles and Highway Traffic Act, 1924, Amendments.
Water Resources Act, Amendments.
Water Well Drilling Act.
Wild Lands Tax Act Repeal Act.

Workmen's Compensation Act (Accident Fund), Amendments.

The whole of the preceding legislation was "considered" and passed into law in less than nine weeks by a Cabinet and Legislation having no previous experience of Government!

APPENDIX III

*Letters and Cables between Major C. H. Douglas and the Government of Alberta
August 24, 1935— March 24, 1936.*

CABLE.

24th August, 1935

MAJOR DOUGLAS,
Fig Tree Court, London.

Victorious when could you come? — ABERHART.

CABLE.

26th August. 1935

WILLIAM ABERHART,
Calgary.

If necessary could sail middle September. Suggest calling me telephone ten morning Ed-
monton time—DOUGLAS.

CABLE.

28th August, 1935

ABERHART,
Calgary, Canada.

Dean of Canterbury agreed commence speaking tour across continent September eighteen
Montreal will turn election if suitably supported—DOUGLAS.

CABLE.

30th August, 1935

ABERHART,
Calgary, Canada.

Buy me five Alberta dollar bonds sixes ninety or lower further five eighty five or
lower cheque on receipt account—DOUGLAS.

CABLE.

4th September, 1935

MAJOR C. H. DOUGLAS,
Fig Tree Court, Temple, E.C.4.

Cables gratefully received before taking further action Executive Council wishes full
information by letter or preliminary directions—Aberhart.

CABLE.

5th September, 1935

WILLIAM ABERHART,
Alberta, Canada.

Cable received letter follows by quickest route—DOUGLAS.

5th September, 1935

THE HONOURABLE WILLIAM ABERHART. M L.A., B.A.,
Premier of Alberta,
Edmonton. Canada.

DEAR MR. ABERHART,

I have this morning received your cablegram reading as follows: "Cables gratefully received before taking further action Executive Council wishes full information by letter or preliminary directions."

I have deferred writing to you, as you are necessarily involved in unavoidable routine business for a time, but I take this opportunity of assuring you that you have a solid body of many millions all over the world behind you, and that anything I can do to bring these forces to bear to insure your success will be done. I am attaching you a statement which I have put out through many sources in the Popular Press in England, which has had a circulation of eight or nine millions.

Coming to the subject matter of your cable, it is probably unnecessary to emphasise the immense importance of getting the largest possible favourable "bloc" of members at Ottawa in the coming Federal Elections. It is quite possibly impracticable to obtain a majority at this Election, but a large body would have a strong moral effect and could harass the flanks of the Parties which will support the Bank of Canada's certain offensive against you. You will probably also realise the importance of maintaining permanent touch with the electors of Alberta and of broadcasting as far as possible the efforts made to hinder you in obtaining your objective.

Immediate Measures

- (1) It is, of course, difficult at this distance to know the exact alignment of forces in the Province. I should suggest that *every* advantage be taken of the coming visit of the Dean of Canterbury to place the moral obligation of supporting you squarely on the shoulders of the well-to-do and more conservative section of the population. I feel sure that he will have considerable success in this direction, but after making every effort of this description, I should not hesitate to pillory by name, either through the Press or through the agency of Radio, in every possible way those who refuse to assist.
- (2) There has been a suggestion in certain quarters that one of the Chartered Banks would assist you. While I should like to have had the opportunity of assisting you personally at an interview which might be arranged with such a bank, it may not be possible to defer this until such time as I may be in Alberta. I should, therefore, after most carefully preparing the ground and endeavouring to avoid any Conference which seems likely to produce a refusal make the following suggestion.
- (3) That the bank should credit the account of the Provincial Government with a sum of, say, five million dollars, such credit to be free of interest and non-callable, i.e. the property of the Government, and that the bank should be paid for its services one sum of, say, 1½ per cent. The bank should be paid further sums to cover cost of book-keeping. This account should be drawable upon only by cheque and such cheque should be specially marked "For deposit only in the (let us say, Imperial Bank)." Such proviso would, of course, prevent any variation in the banks' cash ratio and could not subject them to any financial difficulty whatever. You will understand that such cheques when paid in would be credited to a separate account which could not be "cashed."
- (4) Every effort should be made to accumulate Dominion. English, or American credits by exchanging cheques upon the account explained in (3) for cheques payable at

any other bank, without restriction. The cheques should be popularised by giving them 5 per cent, premium in payment of taxes.

- (5) Should it be impossible to obtain the cooperation of any bank upon these lines, a census of the stocks and shares held by private individuals in Alberta should be conducted as rapidly as possible, and the owners should be asked to exchange these stocks for short-date Alberta Bonds bearing interest at 1 per cent on condition that they also receive the interest of the original stocks, but have no lien on the stocks. The banks should then be approached and the best terms obtained for a short-date loan on ordinary commercial conditions issued, the private stocks obtained in the preceding paragraphs being used for securities for the loan. The bonds should be retirable either by payment of the face value in Dominion currency or the return of the stock.

I make these suggestions as being, possibly, helpful in meeting your immediate requirements. Somewhat more drastic suggestions are at your disposal if these cannot be negotiated. The general outlines of a permanent plan are well under way, but it seems expedient not to commit them to paper at the present moment, in case the information should come into wrong hands.

I am,

Yours very truly,

C. H. DOUGLAS

PS. On the face of it, it seems desirable that any visit I might make to Alberta would be more useful after the Federal Election.

DEAR MR. ABERHART,

My letter of the 5th inst. in reply to your cable, which I am sending via the Dean of Canterbury was written under the impression derived from the Press here, that you were being subjected to an immediate financial economic blockade and that immediate and emergency measures were necessary. I am still sending you this letter in question, but I see from this morning's "Times" that you are going to Ottawa with a view to getting Federal assistance on orthodox lines.

I quite agree with this policy if on reasonable terms, and will write you at length by next mail on the assumption that the immediate situation has been met.

Yours very truly,

C. H. DOUGLAS

CABLE.

6th September, 1935

ABERHART,
Premier,

Edmonton, Canada.

Strongly advise you see Bowman Ottawa Citizen on arrival—DOUGLAS.

CABLE.

10th September, 1935

ABERHART,
c/o Bowman,
Citizen, Ottawa.

Please cable Dominion Office London I be granted all diplomatic facilities—DOUGLAS.

CABLE.

11th September, 1935

ABERHART,
Citizen Newspaper,
Ottawa.

Important resist formation Loan Council refer Ogilvie Premier Tasmania—DOUGLAS.

11th September, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.
Premier of Alberta,
Canada.

Confidential

DEAR Mr. ABERHART,

The Press in London are making a good deal of play with Mr. Bennett's desire to help, his emphasis on the Debt situation, and the desirability of meeting it by the formation of a Loan Council.

You will, of course, form your own opinion upon these matters, but I am, myself, a little sceptical as to the bonafides of these pronouncements, and suspect that, though the voice may be that of Mr. Bennett, the policy is that of Mr. Montagu Norman, and is an attempt to repeat the tragic history of Australia, in Canada, if necessary by the imposition of methods similar to those now operating in Newfoundland. It is, of course, obvious that Mr. Bennett cannot make arrangements of this description operative in the life of this Federal Parliament, but I think that you would be well advised to obtain from, say, Mr. Ogilvie, the Premier of Tasmania, his views upon this matter, in order that you may use them as evidence against it. I, therefore, cabled you this morning as follows: "Important resist formation Loan Council refer Ogilvie Premier of Tasmania."

The Policy of the Bank of England has been uniform in these matters, and it is clear that it is proposed to repeat the strategy used in Australia, with a view to making it impossible for any Province to direct its own financial affairs.

Yours faithfully,
(Signed) C. H. DOUGLAS

10th September, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton, Canada.

DEAR MR. ABERHART.

The following extract is from a well-informed correspondent:

"Mr. Weir, head of the Bankers' Clearing House Association, dropped in for a chat last night and I gathered that it has been agreed for a long time that if Aberhart comes in in Alberta that their plan would be to separate him from Douglas and urge him bit by bit into co-operation with the banks, and then put in Banking Committees to control the finance of the Province as in Newfoundland."

Yours very truly,
(Signed) C. H. DOUGLAS

9th October, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.
Premier of Alberta,
Edmonton, Canada.

DEAR MR. ABERHART,

I cabled you some time ago authorising the purchase on my behalf of five Alberta 6 per cent Bonds at 90, and a further five at 85. This cable, was, of course sent you in order to express my faith in the future of Alberta, and as it has probably by now served its purpose and the bonds have not fallen to these figures, I should be glad if you would consider this order to buy as cancelled.

If the Bonds have been bought at this date. I will, of course, pay for them.

Yours sincerely,

C. H. DOUGLAS

September 24th, 1935

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, E.C.4, London.

DEAR MAJOR DOUGLAS,

Your letter of the 5th at hand, and I have noted its contents very carefully.

The matter of the largest possible favourable bloc of members at Ottawa in the coming federal elections is being handled by the social credit organizations throughout the country. We feel that we may be able to secure quite a number of members.

We quite appreciate the need of getting the information to the electors of Alberta and of broadcasting it so that everyone will know what is being done. Thus far the papers have been very friendly to us indeed, and are giving us the publicity that we need.

In connection with the visit of the Dean of Canterbury, we find that the arrangements concerning his visit have been placed in the hands of those who have opposed social credit generally, while at the same time declaring that they are your followers. I hope that his visit therefore, may not be hindered in its full effect.

I am trying to be careful not to cause antagonism unless it is absolutely necessary. I have found that we get greater support by presenting our case rather than attacking the enemy.

It is true that the managers of the chartered banks and some of the financiers of the East have treated us very courteously in our recent visit there, but as long as we are carefully watching every move I feel that we need not fear any grave results.

Your suggestion that the banks should credit the provincial government account with, say, five million dollars, and should be paid, say, one and one-half per cent, for it, is a matter of detail that will have to be taken up later when we are prepared to start the system.

The matters upon which we had hoped to have received direction from you were rather those of detail in the matter of registering our people and taking a survey of the potential capacity and actual goods that were at present available. We also felt that the liabilities of the province, not only provincial and municipal, but individual as well, should be ascertained as far as possible. We wondered if you had any instructions or advice to give us along this line.

I do not quite understand what you mean by having restricted cheques issued on any account

which is guaranteed by the government. It is questionable whether we need to popularise these cheques by giving any premium. However, this is a matter that you can make clear to us when you arrive.

I am looking forward to receiving the general outlines of a permanent plan which you are preparing. I feel satisfied that you need not hesitate to let us have these in definite form at your earliest possible moment. I am sure the government will be careful not to let the information fall into the wrong hands.

The question of your remuneration in the matter of your second visit to the province in any one year is very important. As you are aware, our treasury has been greatly depleted. We would, therefore, like to hear from you regarding this.

We hope also that you may see your way clear to give us the necessary advice regarding the plan that you are preparing in detail, so that we will be able to form our own conclusions and make every preparation for your arrival.

Permit me to say in conclusion that we were not able to secure the bonds at the low price that you quoted. Our bonds are very much higher than that. In fact, the low prices quoted were merely bids. I do not believe very many of the holders of our bonds have sold their holdings.

Trusting to hear from you soon, I am.

Yours truly,
WILLIAM ABERHART,
Premier

September 24th, 1935

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, E.C.4, London.

DEAR MAJOR DOUGLAS,

Your letter of the 10th of September received, in which you have informed me of a chat you had with the head of the Bankers' Clearing House Association.

You need have no fear regarding the bankers separating me from you in this great movement: I have every determination to carry this through to a successful end. If the bankers imagine that they are going to carry out a policy as that, you can take it from me that they will be disappointed.

I do hope, however, that you will be perfectly frank with our government, and let us have the details of your proposals as early as possible so something may be done. We are for the most part unable to take any definite action for fear of running ahead of your advice, and we need to have definite instructions as to what should be done by way of preparing for the introduction of the social credit plan. At present we are doing everything we can to clean up house and put everything in first-class order. We hope to hear from you in the very near future.

Yours truly,
WILLIAM ABERHART,
PREMIER

September 24th, 1935

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, E.C.4, London.

DEAR MAJOR DOUGLAS,

Your letter of the 10th at hand, and in reply I should say that I am very sorry that the London papers are taking such an antagonistic position in regard to the introduction of social credit in Alberta when our own papers across the continent are more or less favourably inclined to its introduction. We find that the farther away from the provinces we get the more confused and hopelessly muddled become the statements of the press. You Social Crediters in the Old Country must do what you can to prevent this misrepresentation and spreading of confusion.

The suggestion of Prime Minister Bennett to form a Loan Council was a matter of small moment when you bear in mind that the provinces have full autonomy of their own credit, and no action that the federal government could take can remove that right from them. I can quite understand how the federal government might want to organize the loans for the provinces in such a way that there would be some uniformity of issue of bonds. It would keep the market from being glutted at certain periods of the year and having no sale at other times. However, this is a matter of little importance to us just now.

I may say that the Right Honourable Mr. Bennett treated us very courteously; in fact he is a personal friend of ours. His constituency, as, of course, you know, is West Calgary.

I am quite satisfied that the situation in Australia is an entirely different setting to that of Canada. The provinces of Australia have not the autonomy which the provinces of Canada have. However, I will not take time to discuss this matter further with you.

The point of extreme importance to our government is the information outlining the steps of procedure that must be taken before inaugurating any scheme of social credit. Is it essential to you or your plan that we should make a survey of the whole province in order that we may know the total potential resources of the country, the total liabilities standing against those resources, the extent of the population, their various abilities and capacities? Would it be advisable for us to issue prosperity bonds to the extent of one hundred million dollars and sell the same to our own citizens?

Your suggestion that we get a census of the stocks and shares held by private individuals in Alberta and ask the owners to exchange these stocks for short-date Alberta bonds bearing interest at one per cent, I am sure would alarm our citizens to a very grave degree, and would give the opponents a splendid opportunity to attack viciously the whole method of procedure.

I assure you that every step we take must be taken with a measured tread and should be taken only after determining the absolute necessity of that step.

We are awaiting the definite outline of your plans so that we may come to some conclusion as to what is definitely necessary.

In the meantime, may I suggest to you that we are not going to expect opposition until that opposition shows its head: then we will be able to deal with it in no uncertain way.

Awaiting your further instructions, I am,

Yours very truly,
WILLIAM ABERHART, *Premier*

15th October, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton, Alberta, Canada.

DEAR MR. ABERHART,

Thank you for your three letters of September 24th, which I have just received.

As the Dean of Canterbury will be back about the end of next week, I am deferring any very detailed reply to them until I have had an opportunity of talking with him. In the meantime, however, I may say that I am delighted to hear that you are not, so far, encountering opposition, and should this most desirable state of affairs continue it is quite conceivable that it might not be necessary for me to make a visit to Canada for some time, so that the question of expense would not arise. I need hardly say, of course, that it would not occur to me to visit Alberta except upon your express invitation. From a private point of view, I should much prefer not to make a second visit in the early future, since the sum agreed upon does not, in fact, nearly compensate me for the direct and indirect cost of a visit to Alberta. This matter is, of course, within limits secondary to the main objective.

In order that there may be no misunderstanding and delay, I might, perhaps, point out that my first Report was made to the *Government of Alberta* and would have been identical in substance, if not in form, had it been made to yourself rather than to Mr. Reid. That is to say, the recommendations of that Report are not affected by the result of the Election. I just refer to this because of the paragraph on page 2 of one of your letters of September 24th, which suggests that my suggestion to you in my letter of September 5th that the banks should credit the Provincial Government with five million dollars, is a matter of detail. So far from this being the case, although the figure itself has no special significance, the nature of the transaction which is involved is quite fundamental and vital, and is in a line with the second recommendation on the last page of my first Interim Report. I should like to make it clear beyond any possible misconception that no genuine Social Credit scheme, in the accepted meaning of the word, can be financed out of taxation, and that no progress with any kind of scheme and, in fact, no sound formulation of any scheme, can be made until the method by which access to the Public Credit, in the same sense that the banks now have access to the Public Credit, has been decided upon.

The first point, therefore, to enable me to proceed with the recommendation of a specific scheme, which requires the attention of your Government, is either:

(a) Can you make an arrangement with any existing banking institution by which it will hand over to you, not as a loan but as a creation on your behalf and subject only to the disposition of your Government, sums of financial credit as may be required from time to time, being merely paid one sum for the book-keeping transaction of creating such credits, and possibly a small sum additionally to cover the book-keeping of accounts which may be based upon such credits. The essential difference between this transaction and a loan based upon present principles is, of course, that the banks would have no right to recall, and would be paid no interest as such during the existence of the credits, but would be merely paid for actual services performed.

(b) If you cannot arrange that existing banks will carry out such functions on these principles you must organise either a bank under the Dominion Bank Charter Act, or devise, with the aid of your local legal advisers, some method by which an institution can be organised outside the Dominion Bank Charter Act, not issuing notes, but creating and granting credits to the Government as may be required and issuing cheques along familiar lines, so that no unnecessary difficulty may arise between the boundaries of Alberta and the rest of Canada. May I repeat that action along these lines, or lines having the same objective, is quite fundamental.

I regard the survey of production, resources, etc., to which you refer, as being quite secondary to action of the character I have outlined, and consider that the existing data is quite sufficient for the purpose of inaugurating a sound Social Credit system once the Province has mechanism to enable it to create its own credit upon its own terms.

I shall be glad to have information as to what lines you propose to take, in order that I may assist you to the best of my ability.

Yours very truly,
C. H. DOUGLAS

29th October, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton, Alberta, Canada.

DEAR MR. ABERHART,

In further reference to my letter of the 15th October, I have now had the advantage of a conversation with the Dean of Canterbury, who has put your views to me with his customary efficiency, and have also heard from various well-informed sources in Eastern Canada in regard to the general situation in Alberta, more particularly in respect to the services of Mr. Robert James Magor, who I am informed is the nominee of a group of Montreal bankers, and was intimately connected with and in favour of a suspension of Parliamentary Government in Newfoundland and its rule by a financial commission, a policy which has been murderous to the population of Newfoundland though satisfactory to the Bank of England.

(1) You will recall that in reply to a cablegram from you, reading, "Victorious, when can you come?" sent on the evening of the Election on August 22nd, I replied, "If necessary could sail middle September, suggest calling me telephone ten morning Edmonton time." The early date given in this cablegram was arranged at considerable inconvenience to myself, and I did, in fact, remain at my office telephone for about a week in the evening in case the suggestion of a telephone conversation proved acceptable. I mention this to indicate the importance I personally placed upon the first steps which were to be taken by the new Government. In the expectation of the urgent necessity of a conference I have from time to time reserved Transatlantic passages, beginning on September 14th.

(2) No direct information as to the policy to be pursued had reached me from official sources until I gathered from your letter of the 24th September that you prefer to work in co-operation with the banks.

(3) In my first Interim Report I made it clear, I think, that the problem to be faced by Alberta, if it is to depart from purely orthodox lines, is that of emancipation from the power of banking and international finance, and that the primary steps to this end were, not the formulation of a specific plan to deal with Provincial finance when this emancipation had been achieved, but were in the nature of inroads upon the monopoly of credit, which were bound to be resisted, since they were directed against the continuance of banking and financial dominance.

(4) A policy which apparently aims at defeating the banks with the assistance of the banks themselves, under the supervision of an agent of the banks, seems to be so dangerous that I do not feel that it has a reasonable chance of success, especially as it appears to be associated with a suggestion that the difficulties of the Province are due to maladministration on the part of the Government. I am wholly indifferent to Party Politics, either in Alberta or elsewhere, but I feel that a suggestion of this character has the undesirable effect of splitting the Alberta Electorate while exonerating the financial system at the expense of Governments in general, which is exactly the excuse which the financial authorities are endeavouring to provide everywhere, in order that Governments may be replaced by Financial Commissions.

(5) While I am, of course, deeply concerned with the success of the first titular Social Credit Government, and recognise to the full the difficulties of your own position and the fact that you are bound to be solely concerned with the affairs of Alberta, I am, for my part, obliged to bear constantly in mind the growing importance of Social Credit in other parts of the world and to safeguard these interests to any extent which lies within my power. Under these circumstances, and in view of the situation created by the acceptance of Mr. Magor as adviser in connection with the Debt of Alberta, which is, of course, an integral feature of the plan to modify the Alberta financial system, I feel that it would be desirable that the contract I have with the Alberta Government should be terminated by mutual consent, as it is obviously impossible to pursue the policy of my first Interim Report under the circumstances which appear now to exist.

(6) Should, however, you feel at the end of six months from this date that I can advise you to advantage, I shall be most happy to consider the situation in the light of circumstances existing at that time.

(7) I do not propose to take any action in this matter until the 27th November, in order to give you an opportunity of communicating with me by cable or telephone.

(8) Might I add that you have my most sincere wishes for final success by whatever means it is attained, and that it is only a clear conviction of the risks which are involved in allowing financial interests to deal with Alberta affairs in any capacity whatever, which forces me to dissociate myself from such a policy?

Yours faithfully,
C. H. DOUGLAS

CABLE.

15th November, 1935

MAJOR DOUGLAS,
8, Fig Tree Court, London.

Letter received you have been misinformed Magor here our own request to effect reorganization and economies letter following keep steady—

ABERHART.

15th November, 1935

THE HONOURABLE WILLIAM ABERHART,
Premier of Alberta, M.L.A., B.A.,
Edmonton, Alberta, Canada.

DEAR MR. ABERHART,

I have to acknowledge the receipt of your cable received this morning, reading, "Letter received you have been misinformed Magor here our own request to effect reorganization and economies letter following keep steady—Aberhart," by which I am obliged. I am awaiting receipt of your letter.

Yours faithfully,
C. H. DOUGLAS

November 27th, 1935

MAJOR C. H. DOUGLAS.
8, Fig Tree Court,
Temple, E.C.4, London, England.

MY DEAR SIR,

Your letters of October 15th and 29th reached us, and we noted the contents carefully. It would seem to us that you are paying too much attention to the press reports or false statements sent to you by those who are anxious to produce a breach between you and our government.

When we took over office we found that the treasury was entirely empty, and that we would be unable to pay even the salaries of the civil servants due on the 15th of October. We supposed that in your investigations while here you must have discovered this state of affairs. There was absolutely no use trying to bring you here in September or October without having even money or financial credit enough to pay your expenses.

We therefore proceeded at once to re-establish our position temporarily so that we could at least have time and facilities to lay our plans without being hampered on every side with side-issues and interference from those whom we might call our creditors. You, no doubt, quite realize the immense problem we have in regard to relief, and the suffering of those who are without the necessities of life. There were some of our political opponents who did their very best to stir up feeling against us so that there might be hunger marches and riots; so far these have been averted.

Further, we found that which you must also have discovered in your investigation, namely that there was much overlapping in the organization—unnecessary commissions and so forth—which were really causing an additional overhead burden. We therefore proceeded to consolidate and reorganize the whole government machinery, and thereby rather strengthened our position with the public.

It was at this point that Mr. R. J. Magor came into the picture. He was not the nominee of a group of Montreal bankers; you have been wrongly informed about this. Some of the social creditors from New York who are, we understand, writing to you regularly, proposed that we secure the advice of American economic engineers to help us get re-established. We preferred our own Canadian men, so I suppose we have incurred their displeasure. I trust that you will give us a little confidence in this matter. We are trying to be honest and sensible in it all.

We realize that the British papers have adopted the most virulent form of misrepresentation possible, and their declarations are being copied by the eastern papers of Canada, who assert that you have criticized our method of procedure, that our policy is not social credit at all, and that you may not come to advise us. You can quite imagine our surprise on receiving your letter to find that they were more or less accurate in their publications. We were more than chagrined to read the statements in the "Social Credit" published by the London secretariat, in which it was suggested, among other things, that I had had an interview with Sir Montagu Norman. This is absolutely false and diabolical. Surely if the London Secretariat wished to do anything to hinder social credit they could do no more than they are doing.

I wired you immediately on receipt of your letter asking you to keep steady and not be disturbed by the forces of the opposition. Surely you will allow us the right to use our best judgement in all these affairs, and you will fulfil your engagement as our reconstruction adviser to the best of your ability. Nothing can be gained by your assuming the position of dictation rather than that of advice. You have already told us that the survey of the production, resources and so forth, and the registration of our citizens are quite secondary in importance. You have asked us to approach the banks for a credit of five to ten million dollars, with no promise to return same or pay interest on it. Our Executive Council feels that it cannot approach any bank with such a suggestion at the present time. You have evidently misunderstood our letters when you say that we prefer to work in co-operation with the banks. This is hardly true. We are not trying to stir up opposition and conflict with them, however.

What we are anxious to have from you as our adviser is the definite outline of some course in more or less detail, showing what steps you feel we ought to take when we begin to establish social credit. We understand from your contract that while you are only to remain here three weeks at a time in any one year, you will be ready and willing to give us definite advice and

direction at any time during the year as to what steps to take in this whole matter.

It would seem to us that in your examination of the financial condition of the province while you were here you must have discovered that, apart from party politics, much of the state of the province was due to maladministration on the part of the previous government. We have never at any time suggested that the whole cause of the present depression is due to maladministration of government, but we do know that if we ever hope to bring about a better condition we cannot continue to be wholly indifferent to party politics. We are not exonerating the present financial system: such a suggestion is preposterous and very much ill-advised.

Now we urge you to keep steady. Do not let any misrepresentations upset you. You need not depend upon the newspapers for your reports, nor even upon well-informed eastern correspondents. It is your duty, surely, under contract, at least to complete your agreement. So we therefore ask you to communicate at your earliest convenience your detailed advice regarding our steps of procedure. Be more specific.

We are at present preparing with the other Premiers of Canada to meet the federal government in Ottawa on the 9th of December. It is expected that there will be a common drive for the reduction of interest rates on bonds. We are carefully watching the situation, and will maintain our own autonomy at all costs.

We assure you that Mr. Magor has nothing whatever to do with the introduction of social credit in any way, shape or form.

We would also like your advice as to the probable best time for you to visit us in the near future. We feel the Christmas season is a bad time to begin. The first meeting of the parliament will take place on the 6th day of February. Now the question arises, would it be better for you to come early in January, or would your visit be more effective if it occurred immediately after the session of parliament? You can quite understand, I am sure, that the cabinet and the members of parliament are very busy during the session period. We trust you will be frank with us in this matter, and give us your best advice. We do not suggest that you book a passage until we have had time to consider what you may feel is for the best advantage of all.

We await an early reply,

Respectfully yours,
WILLIAM ABERHART,
Premier

CABLE.

5th December, 1935

Aberhart,
Premier, Edmonton.

No letter received. Will you announce resignation or shall I?—DOUGLAS.

CABLE.

6th December, 1935

MAJOR C. H. DOUGLAS,
8, Fig Tree Court, London.

Letter mailed week ago have patience one year not up till March—PREMIER ABERHART.

6th December, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton, Canada.

DEAR SIR,

On behalf of Major Douglas I would acknowledge with thanks your cable received this morning reading as follows: "Letter mailed week ago have patience one year not up till March. Premier Aberhart."

Yours faithfully,
N. C. EDES,
Private Secretary

11th December, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Ottawa, Canada.

SIR,

I am obliged by your letter of November 27th, which I have just received.

I would repeat that I am fully conscious of the difficulties of your position, so much so that they received my attention in anticipation of your election.

My Contract with the Alberta Government was specifically drawn with a full appreciation of the fact that before any policy for the disposition of the Social Credit of the Province of Alberta could have any value, it would be necessary to secure control of Social Credit. My first Interim Report, to which I must again refer, was devoted solely to this aspect of the matter.

In my Contract with your Government there is no mention of the word "Social Credit," and by reference to clause 3 you will see that the duties of "such Principal Reconstruction Adviser to the Government shall be to advise and give directions upon all questions and problems of or arising in relation to the present financial and economic conditions of the said Province of Alberta and to advise and or give directions upon any matters desired by the Government relating thereto."

The matters to which you refer are wholly concerned with the matters covered by this paragraph of the Contract. It was, in my opinion, absolutely essential to the proper performance of my duties that my advice should have been sought in regard to the best course to be pursued. The present Conference in regard to the British North America Act is included in this category, together with the conditions under which the external loans of the Province might be validated.

Your own pronouncements in regard to the balancing of the Budget and the economies to be effected in administration are integral parts of a policy directly opposite to that to which your Government is by name committed, and render it increasingly difficult to make good the promises made to your Electorate. Under these circumstances, I regret that I must adhere to the terms of my letter of October 29th. It is probably unnecessary to point out that the consultation of various authorities on financial matters without reference to me, and the appointment of a technical adviser reporting direct to your Government without consultation with me, is both a breach of contract and of the ordinary courtesies and formalities of administration.

While I feel that the circumstances make it imperative that I should regain my liberty of action, I am most anxious to retain such unofficial relations with your Government as will enable me to render you assistance, should an opportunity arise to do this under conditions which offer a reasonable chance of success, and I therefore again suggest that the Contract should be dissolved by mutual consent, and that no further payments be due to me under it. Failing this, I shall be obliged to consider that a breach of contract has been committed.

Yours faithfully,
C. H. DOUGLAS

CABLE.

19th December, 1935

MAJOR C. DOUGLAS,
8, Fig Tree Court,
Temple, E.C.4, London.

Council decided to request you come to Alberta not later than January Sixth if possible stop Parliament meets February Sixth we are now prepared to receive your full counsel—

WILLIAM ABERHART

20th December, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton,
Alberta, Canada.

DEAR SIR,

On behalf of Major Douglas I would acknowledge with thanks your cablegram received this morning reading as follows: "Council decided to request you come to Alberta not later than January sixth if possible Stop Parliament meets February sixth we are now prepared to receive your full counsel. William Aberhart."

Yours faithfully,
N. C. EDES,
Private Secretary

CABLE.

23rd December, 1935

MAJOR DOUGLAS,
8, Fig Tree Court,
London.

Impossible to meet Ottawa end January Stop Legislature meeting February sixth causes rush Stop We expect you to fulfil contractual obligation you have no responsibility apart from Government we do not understand your attitude —

ABERHART.

23rd December, 1935

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton, Alberta, Canada.

DEAR SIR,

On behalf of Major Douglas I would acknowledge with thanks your cable received this morning reading as follows: "Impossible to meet Ottawa end January Stop Legislature meeting February sixth causes rush Stop We expect you to fulfil contractual obligation you have no responsibility apart from Government we do not understand your attitude."

Yours faithfully,
N. C. EDES,
Private Secretary

CABLE.

27th December, 1935

Kindly forward copy Magor Contract report recommendations and proposed action thereon. If assistance practicable will sail fourteen days after receipt— DOUGLAS.

CABLE.

31st December, 1935

DOUGLAS,
8, Fig Tree Court,
Temple, London, E.C.4.

No written contract Magor also no recommendations regarding Social Credit yet proposed Stop. If cannot come at once postpone visit until after Legislature meets.

—Executive Council.

31st December, 1935

THE EXECUTIVE COUNCIL,
Province of Alberta,
Legislature Buildings,
Edmonton,
Alberta, Canada.

GENTLEMEN,

I am obliged by your cable of the 31st inst., reading as follows:

"No written contract Magor also no recommendations regarding Social Credit yet proposed Stop If cannot come at once postpone visit until after Legislature meets. Executive Council."

I may, perhaps, make my own position clearer if I emphasise the point which does not appear to be clear in your esteemed communications, although I have on several occasions referred to it in various forms. What is referred to by you as "Social Credit" is merely a different method of dealing with the credit of the country than that which is commonly employed by bankers and financiers at the present time. While it is my contention, in common with that of most other serious students of the question, that the credit of no country is either employed to the full or employed in the best interests of the population, it is, of course, beyond question that the available credit of any country has a certain maximum practical rate of exploitation. In your cable you inform me, if I read it correctly, that Mr. Magor has made no recommendations regarding Social Credit. I can draw no distinction between recommendations regarding so-called Social Credit and recommendations regarding any other description of credit which can be dealt with by your Government, and consequently dealing with a portion of it must affect plans for

dealing with the remainder.

While I am fully conscious of the implacable hostility of the influences which, in the main, control the London Press, it is recognised that the more reputable newspapers never permit themselves to be convicted of a mis-statement, although they may suppress matter which has a vital bearing on the statements which they *do* print.

From the London Press and other similar agencies which have, so far, been my only source of information, I understand that the past very vital months of your administration have been solely devoted to the question of dealing with the external debts of Alberta, the cost of administration, methods of balancing the budget, and similar matters, all of which are indissolubly bound up with the use of public credit. If I have made myself clear, I trust that you will realise that it is quite impossible for me to advise you with any intelligence unless I am fully informed in regard to these matters, your proposed attitude towards them, and the advice on which you propose to act in regard to them. It was with these matters in mind that I cabled you on December 27th.

As I gather from your cable that it is impracticable for you to let me have this information at the present time for me to consider before arriving in Edmonton at a time which would be convenient to you, I would suggest that you let me have it as early as possible, allowing at least one month from the date of its despatch to the date you wish me to arrive in Edmonton, in order that I may make the necessary arrangements, since you will realise, of course, that my time is very fully occupied.

Yours faithfully,
C. H. DOUGLAS

24th January, 1936

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, E.C.4,
London.

DEAR SIR,

Your letter to the Executive Council reached me in due course, and I was very glad indeed to hear from you.

I can but reiterate my sincere desire to have you understand clearly our position in this whole matter. We have no desire to minimise the importance of your position, and have never had any such desire. It did not seem to me to be any interference with your method of procedure for us to make immediate arrangements to look after the civil service and necessary conduct of the affairs of government. I assure you that nothing has been done that will cripple you in your effort to establish social credit on a sound foundation in this province. If it was possible for you to introduce social credit with the conditions as they were when the former government was in power, I assure you that conditions are in a better shape today for you to perform the same act. It is true that anything that is done by the government has a financial aspect, but I distinguish details that have a bearing on social credit from other details that have no particular bearing on the use of our credit generally. I trust that you will understand me to be sincere, and I hope that you will fully realise that a construction adviser is not an executive officer.

You will be compelled just the same as I have been to sell your theories and proposals to the members of the government and the citizens in general. We have worked to the end of securing the offices of a daily newspaper and a broadcasting station. We have refused to agree to a federal Loan Council that might have power over our credit arrangements.

Mr. Magor is simply in much the same position as our official auditor. You might as well complain that we have a Provincial Treasurer who sells our bonds or exchanges them on the

market as object to Mr. Magor.

You will pardon me, I am sure, when I say that I personally do not intend to sink my right as Premier to express my opinion upon your advice or that of any other person in the employ of the government. I am responsible to the people, and I of course shall be called to account for any mistakes that are made.

May I submit to you the following information in reply to your letter:

External Debts:

The interest on the external debts of Alberta has been on an average, 4.89. We are demanding that this be reduced to 2.5 or 2.75.

We had a bond issue of two and one-half million dollars that came due on January 15. We refused to accept the Dominion Loan Council as controlling our credit on condition that the Dominion refund this amount. The Dominion refunded it just the same. We have another issue coming due some time in April but this we can deal with later on.

The Cost of Administration:

No doubt you found while you were here that there was unnecessary duplication, that many of the departments were over-manned and unnecessary. We have been trying to organize our administration in a sane, sensible and efficient manner. It has not been our desire to reduce the salaries of our employees, but rather to make our administration more efficient.

Balancing the Budget:

The reduction of the interest charges on bonds, the reduction of our relief costs and the economical reduction of administration charges are the methods by which we are attempting to prevent temporarily the further grip of finance upon our province.

We are at present in the process of preparing enabling legislation to go forward with the establishment of social credit immediately after the session of Parliament. We are hoping that by the end of March we will be able to have you come and advise us in the method of procedure.

I shall be glad to hear from you in the meantime, and hope that you will appreciate our efforts.

Yours truly,
WILLIAM ABERHART,
Premier

6th February, 1936

THE EXECUTIVE COUNCIL,
Legislative Assembly,
Edmonton,
Alberta, Canada.

DEAR SIRS,

I notice from a statement in the Press, on which I am obliged to rely for lack of official information on the matter, that it is proposed, during the coming Session of the Legislative Assembly, to place the collection of Income Tax wholly in the hands of Federal officials. Assuming this statement to be correct, it seems desirable to place upon record that such a modification of the existing taxation arrangements would still further deprive the Province of certain powers which are indispensable in connection with any modification of the existing financial arrangements.

Upon the information furnished to me by the preceding administration to your own on my last visit to Edmonton, the amount of the Federal subsidy was not substantially different from the amount collected in Federal Income Tax. In other words, the Province merely collected from its own population its own so-called Federal subsidy.

From every possible point of view in existing circumstances, it would be desirable to abandon the subsidy and collect its equivalent, if possible by a Provincial tax, and to close the federal Income Tax Offices, thus restoring control over taxation to the Province, rather than extending the power of the Federal Government. This is not to assume that the collection of a heavy Income Tax is fundamentally necessary or need continue.

Yours faithfully,
C. H. DOUGLAS

6th February, 1936

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, E.C.4, London.

DEAR MAJOR DOUGLAS,

We have completed a two day caucus of our members prior to the opening of the Legislature which takes place today. The indications are that the session will be over early in March, and we are looking forward to having you with us at that time. Our people on every side are anxiously waiting for definite action.

As I indicated in my previous letter we are putting through a bill of enabling legislation leading to the formulation and adoption of a plan based upon the principles of Social Credit. This is being done so that there may be no impediment in the way of immediately considering the introduction of Social Credit.

We have one very grave problem to face when on April 1st three million two hundred thousand dollars of our bonds fall due. If you have any suggestions to offer as to any method by which this maturity could be handled, we would be glad to have them at your earliest convenience. We would also be pleased to receive from you any further suggestions as to definite steps you think we should take in preparation for the establishment of Social Credit.

Up to the present we have refused to accept the Loan Council arrangement. It seemed to us that the Dominion Government was attempting to deprive us of our autonomous rights with respect to borrowing. Our last maturity of two million dollars was covered by the Dominion Government to the extent of one million five hundred thousand dollars in order to save us from default.

You will be interested to know that the Alberta Social Credit League has taken over the *Calgary Albertan*, a daily morning paper. We are thus assured of continuous press support. The radio station owned by the *Calgary Albertan* has also come under the control of the Social Credit League, and arrangements are being made for regular broadcasts. We feel that these developments are in line with the recommendations as submitted in your interim report.

I shall anticipate hearing from you in the near future.

Yours truly,
WILLIAM ABERHART,
Premier

13th February, 1936

*The Honourable William Aberhart, M.L.A., B.A.,
Premier of Alberta,
Edmonton,
Alberta, Canada.*

DEAR SIR,

I am much obliged by your letter of January 24th.

Without dealing with your letter in detail, since the major points have been covered in previous correspondence, may I assure you that my connection with the Government of Alberta is, on my part, as I feel sure it is on yours, actuated solely by a desire to forward the cause with which, to some extent, we are associated not merely in Alberta but over the rest of the world?

As a result of twenty years' experience in these questions, it is my opinion which, of course, may not be your own, that it is impossible to dissociate the matters upon which you are being advised by Mr. Magor (and also those with which it is intended to deal in the revision of the British North America Act) from the sound use of Social Credit.

I am, however, anxious not to engage in controversy in this matter, but, on the contrary, to insure that everything possible is done to assist in the attainment of that end. As I have previously written, I wished to have had the opportunity to consult with you, so that, in the present Session of the Legislature steps might be taken to deal with the situation which is created by the exposure of the strategy of the International Financial Monopoly. Put briefly, this strategy is to disclaim any intention of interfering with plans for the realisation of Social Credit, but, on the one hand, to surround it with such legislative and administrative difficulties as to make effective action increasingly difficult or impossible, and, on the other hand, to claim (as is being done by the present Federal Government at Ottawa) that the major issue at the present time is the control of credit by the people and, under cover of this indisputable declaration, to take such legislative action as will place the armed forces of the State (which is at present quite incorrectly identified with the People) at the disposal of a group of international financiers by means of so-called Nationalisation of Central Banking, along the lines of the Commonwealth Bank of Australia. This Central Bank is the titular property of the people of Australia and administers their credit. It has been their chief instrument of oppression.

It is my opinion, as Adviser to your Government, that it is essential that the *comprehensive* nature of this problem, as dealt with in my First Interim Report, must be understood if the Province of Alberta is to take serious steps to achieve the control of its own financial credit, and, subsequently, to place it at the disposal of its population. If it decides not to proceed to this end, the reasons for the decision should be most carefully explained while there is yet time. For this reason, I should suggest that, in the present circumstances, every effort be made to hinder any *legislation*, either Provincial, Federal, or Imperial, which alters the legal status of the Province, whether in regard to taxation or otherwise, and that *administratively* everything be done to transfer control over its Police Force and Public Services to the Province and to withdraw from the use of Federally controlled institutions of this character.

On the conclusion of the present Session of the Legislature, I should strongly advise that, in preference to a visit on my part to the Province, you should adopt the excellent plan, which I noticed you made public some time ago, of paying a visit to this country, in order that we may discuss the whole situation under conditions which will be more favourable than those which could obtain in Alberta, and, subsequently to such a discussion, decide when it would be desirable for my next visit to be made. It would give me great personal pleasure to be your host during your stay in London.

In conclusion, may I repeat my conviction of the gravity of the issues with which you have to deal, and express my sense of responsibility, not merely to Alberta, but to other parts of the world in which the ideas of Social Credit have taken root, either to see that those ideas are embodied in effective action, or, if

this must be delayed, that the causes of such delay, and the responsibility for it, are given the widest possible publicity. I feel sure that you will be at one with me in this view.

Yours very truly,
C. H. DOUGLAS

18th February, 1936

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton,
Alberta, Canada.

DEAR SIR,

Since despatching to you my letter of the 13th inst., I have read in the London "Times" a statement to the effect that you have written to me asking me to leave for Alberta on March 15th. I have not, of course, so far, received such a letter, but assume that it will arrive in the course of the Mails.

I hope that it may be possible for you to agree to the suggestion made in my letter of the 13th February—that you should proceed with your plan of paying a visit to London, but, if this should prove impracticable, I am prepared to leave for Alberta about the date mentioned in the "Times," under the following conditions.

I must confirm the view which I have expressed in my letters of October 29th, 1935, and December 11th, 1935—that the appointment of Mr. Magor, his continued dealing with matters affecting the finances and economic future of the Province without reporting to me, and the failure to provide me with information in regard to these and other matters, constitute a breach of my Contract with the Province, and involve a situation which was not contemplated when the Contract was drawn up. I must, therefore, regard it as terminated, and, while I am desirous that it should be terminated by mutual consent, I must reserve any rights I have in the matter. If it is terminated by mutual consent, however, I am willing to visit Alberta and to confer with yourself and your Ministers, it being understood that the visit is made without obligation on either side, and that I am entirely free, at my own discretion, to make public my views upon the situation in Alberta, or elsewhere, and to confer with and advise any persons or parties in Alberta who may be wishful to further the successful achievement of satisfactory financial reform. Under these conditions, I will relinquish any claim under the Contract that I have with your Government, to the remaining portion of the specified fee. On the other hand, your Government will pay to me in advance the sum specified to cover the expenses of a trip to Alberta, i.e., two thousand dollars, and a cheque for this amount will be sent to reach me on my arrival in Eastern Canada. The salary and expenses of my Private Secretary will also be paid during the time from my arrival in Canada to my departure from Edmonton. On my previous visit this amounted to about three hundred and fifty dollars.

I am writing you this letter in advance of the receipt of your own in order that there may be no delay, and I shall be much obliged if you will cable me upon receipt, either "Plan No. 1 agreed," in which case I shall hope to have the pleasure of seeing you in London at your convenience, "Plan No. 2 agreed," in which case I shall assume that you agree to the termination of the Contract and to my visit on the terms of this letter, or "Neither Plan acceptable," in which case I shall assume that you do not feel that I can be of further use to the Province, in which case I can only assure you of my very best wishes for any action that you may take, either under other advice or independently.

Yours faithfully,
C. H. DOUGLAS

20th February, 1936

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, E.C.4, London.

DEAR MAJOR DOUGLAS,

Your letter of February 6th, addressed to the Executive Council, has been handed to me today by the Clerk.

I appreciate the disadvantage of your being so far removed from the source of official information. We are sorry that you did not see your way clear to come here early in January so that you could have obtained first-hand information by thoroughly acquainting yourself with the situation here. However, we hope that nothing will occur to interfere with your arrival in Alberta during the early part of March.

In regard to Income Tax collection I am advised that in normal years our Dominion subsidy is about equal to the income tax collected by the federal government in this province. In recent years, however, the subsidy has exceeded this tax by something over a quarter of a million dollars. The stability and regularity of the subsidy as a source of revenue is a factor of considerable importance in our provincial future.

I may say that no definite action has been taken with respect to the suggestion that the federal government collect our income tax. The only thought in mind was the possibility of saving for ourselves about sixty thousand dollars in administrative costs by eliminating the duplication of machinery for the collection of income tax.

I am glad to have your suggestion in this connection, and can assure you that it will be borne carefully in mind.

Yours truly,
WILLIAM ABERHART,
Premier

CABLE.

21st February, 1936

MAJOR DOUGLAS,
8, Fig Tree Court,
Temple, London, E.C.4.

Executive Council deems it necessary that you be here by March ninth cable reply—

WILLIAM ABERHART

CABLE.

23rd February, 1936

ABERHART,
Premier,
Alberta.

Subject your decision on my letter February Eighteenth arrive Edmonton March Thirtieth earliest advising you bond maturity by letter—

DOUGLAS

24th February, 1936

EXECUTIVE COUNCIL,
Province of Alberta,
Edmonton,
Alberta, Canada.

GENTLEMEN,

I have to acknowledge receipt of your cable reading as follows: "Executive Council deems it necessary that you be here by March ninth cable reply—William Aberhart," and in reply cabled you as per attached confirmation.

Yours faithfully,
p.p. C. H. DOUGLAS
N. C. EDES,
Private Secretary

24th February, 1936

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta,
Edmonton,
Alberta, Canada.

Strictly Confidential to Executive Council of Alberta

Dear MR. Aberhart,

Thank you for your letter of February 6th. I hope that you will find it possible to adopt one of the two suggestions covered by my letters of the 13th and 18th inst., in which case I shall have the pleasure of seeing you at a comparatively early date.

Obviously the immediately urgent matter is the method of dealing with the Bond Redemption which falls due on April 1st, more especially as this affords an opportunity of a practical step towards the use of Social Credit, and I much regret that you have not found it possible to give me earlier notice of it. This seems to be a suitable occasion on which to emphasise the proposition that a Balanced Budget is quite inconsistent with the use of Social Credit in the modern world, and is simply a statement in accounting figures that the progress of the country is stationary, i.e., that it consumes exactly what it produces, including capital assets. The result of the acceptance of this proposition is that all capital appreciation becomes quite automatically the property of those who create an issue of money, and the necessary unbalancing of the Budget is covered by Debts.

Nevertheless, it is possible to deal with the specific instance with which you are confronted, and I would suggest that the following action be taken.

- (1) That the Federal Government should be asked by letter, formally to take over the Loan, renewing it on a 2½ per cent, basis, there being no obligation on the part of the Province to do other than to provide this interest. Notice that the provision of *money* has been specifically claimed by the Federal Government but that of *credit* has not been yielded by the Provinces. As I see it, the raising of Loans by the Provinces without protest by the Federal Government in the past was an admission that the Provinces controlled their *real* credit, and a denial of their right to issue *financial* credit is a denial of their right to do their own book-keeping.
- (2) It can be assumed that the Federal Government will refuse to comply other than on conditions which you will not be able to accept. The following arrangement should then be made public. Within three months of the due date of redemption, all bonds which are raised upon the credit of Alberta should be presented in Edmonton for stamping, together with the names and addresses of their owners (which will, in all probability, be found to be

chiefly financial institutions). Holders of not more than five hundred dollars of bonds should be offered an alternative of renewing on the existing terms of the bonds or of paying off by the mechanism described in (3). A statutory declaration of beneficial ownership should be required.

- (3) All holders of more than five hundred dollars of the issue falling due, and such holders of smaller amounts electing to be dealt with in this manner should be informed that a credit in Alberta of the amount of the face value of the bonds, plus 15 per cent, has been opened with the State Treasury in their favour, and that this credit will be available for the purchase of any product, whether wheat or otherwise, available for sale in Alberta at the prices ruling at the time that the credit is drawn upon. At the same time it should be explained by Radio, in "The Albertan," and otherwise, that the necessity for dealing with the matter in this way is the result of the refusal of the Bank of Canada on behalf of the Federal Government to grant to the Provincial Government financial credit corresponding to the existing real credit which forms the security for the Provincial Debt. Cataloguing of articles and materials available should be prepared, and holders of the credits assisted to sell them to prospective purchasers of Alberta produce.

I might, perhaps, add that the method which is suggested is a modification of the mechanism of "blocked marks" in Germany and elsewhere, and has, amongst other effects, that of greatly stimulating trade within the area in which the blocked credits circulate.

Drafts upon these credits opened might be made on suitable forms devised by your Legal Department, in regard to which I will make suggestions should I visit Alberta, and the suppliers of the material which would be supplied against these credits might be partly reimbursed by a rebate in taxation and partly by the opening of a Government credit in their favour, which would, in effect, amount to a transfer of credit from the original holders of the bonds to themselves, in return for the supply of materials or services.

You will readily recognise that such a proposal forms a basis for the re-assumption by the Province of its own credit. It was obliquely referred to in my Interim Report, page 13, section 10.

I am of the opinion that the mere publication of this proposal would tend to bring the Bank of Canada to terms, but, even if this is not the result, it can be put into operation and is far better than to drain the Province of its existing Dominion credits or to pile up fresh liabilities.

I have further suggestions to make to deal with the interest upon the Loans, but these methods will require some time to organise, and had better be deferred until I have an opportunity of discussing them with you.

It would have been highly desirable to raise this question immediately on election.

You will understand that as I have not the terms of redemption of the Bond Issue before me I cannot fully advise you of the most desirable wording in regard to each of the clauses of these proposals. I feel sure that it is unnecessary to warn you that the wording is highly important.

Yours very truly,
C. H. DOUGLAS

CABLE.

4th March, 1936

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, E.C. 4., London.

Social credit members in caucus unanimously request you come Edmonton as per original contract about March thirtieth cable reply—ABERHART

CABLE.

4th March, 1936

ABERHART,
Edmonton.

Desirous to assist please communicate to caucus confidential sealed advice sent you Campbell also cancel additional suggested taxes substitute Interim Budget last year's basis reject Loan Council cable decision caucus on foregoing—DOUGLAS

CABLE.

7th March, 1936

MAJOR DOUGLAS,
8, Fig Tree Court,
Temple, E.C. 4, London.

Cannot discuss details by cable await reply *re* arrival March thirtieth—ABERHART

CABLE.

9th March 1936

ABERHART,
Edmonton.

Early reductions of taxation on individuals and property rejection of Loan Council's redemption and the eventual extinction of Alberta's debt by Alberta's credit as explained not details but urgent primary and essential steps to social credit and social dividends until main policy agreed visit by me premature—DOUGLAS

CABLE.

13th March, 1936

MAJOR C. H. DOUGLAS,
8, Fig Tree Court,
Temple, London, E.C.4.

Your refusal to come makes co-operation most difficult we wholeheartedly accept the social credit principles underlying your suggestions government willing to co-operate fully when you come here—ABERHART

13th March, 1936

The Honourable William Aberhart, M.L.A., B.A.,
Premier of Alberta,
Edmonton,
Alberta, Canada.

DEAR MR. ABERHART,

In order to avoid any possible misunderstanding, may I again make clear to you the nature of the problem confronting Alberta and the world, as I see it? In order to emphasise the consistency of the view that I am putting forward, I would refer you to page 7, paragraph 1 of my First Interim Report.

Since your election, you have taken the view that my function in connection with the Government of Alberta was to provide a "Social Credit Plan." The only meaning that I can attach to this

attitude may be illustrated by a homely simile. You appear to consider that the problem in Alberta may be compared to the provision of an improved automobile, while I have consistently endeavoured to make it clear that there is a monopoly of gasoline and that the problem is to get sufficient gasoline before worrying about improvements to the automobile.

As I have been compelled, by the prevalence of this misconception, to make public, my original Contract with the Alberta Government was concerned, primarily, with the existing economic system in its relation to credit supply, and only by implication with what is referred to as a "Social Credit Plan."

In pursuance of your conception of the position, you have deemed it desirable to appoint an Adviser to deal with all questions (pursuing the above simile) concerning the control of the gasoline, with the result that by taxation and otherwise it is proposed still further to restrict the supply, and, although I have from time to time made you specific and important recommendations in regard to this matter, you have suggested that they are matters of detail and in any case have not taken any action with a view to accepting the advice I have felt it necessary to offer. I can only assume, therefore, that in the matter which is of primary importance, you prefer other advice to my own.

I feel bound, again, to make it clear, in the words of my First Interim Report, in the paragraph to which reference is made above, that "Plans for dealing with the public credit are wholly premature while the power to deal with it has not been obtained."

I am fully conscious of the difficulties of your position, all of which were considered in the same Report, but I am equally conscious of the absurdity of supposing that you are going to win a war of the nature of that with which you are confronted and to which by your Mandate you are committed, without fighting a battle. In my opinion, the advice I have already given you is still the best which can be applied to the situation, and I suggest that if you do not wish to challenge Financial Dictatorship, the matter may be made as clear as possible to the public of Alberta by the publication of the whole of the correspondence, both mailed and cabled, which has passed between us from the date of your election to the present time, in order that your constituents may judge which of the two policies considered in my First Interim Report they wish to pursue, instead of, as at present, pursuing, under a misconception, the policy of capitulation to orthodox finance under the label of a Social Credit Government.

Until actual steps are taken to carry out the advice I have already given to you I feel that further advice would be useless and even presumptuous. As you quite specifically warn me with complete propriety in your letter of January 24th, the responsibility for any action taken or not taken is yours, and I am merely concerned to see that so far as is possible the situation is widely understood.

Yours faithfully,
C. H. DOUGLAS

CABLE.

13th March, 1936

ABERHART,
Edmonton,
Alberta.

All action taken to strengthen your Social Credit hand propose should send qualified colleague assist implement suggestions already made followed by visit from me initial cost expense basis strongly advise acceptance—DOUGLAS

CABLE.

17th March, 1936

MAJOR DOUGLAS,
8, Fig Tree Court,
Temple, London, E.C.4.

Whom do propose stop for what length of time estimated expenses therewith when could you come—ABERHART.

CABLE.

17th March, 1936

ABERHART,
Edmonton, Alberta.

English professional administrator stop about three months stop about three thousand dollars stop about August if policy pursued stop congratulations pass buck where it belongs—DOUGLAS

CABLE.

20th March, 1936

MAJOR DOUGLAS.
8, Fig Tree Court,
Temple. London, E.C. 4.

Send contract suggested for your colleague stop accompany same with letter stating qualifications and experience—ABERHART

CABLE.

21st March, 1936

PREMIER,
Edmonton.

No contract stop terms plan two letter February eighteenth offer of colleague for acceptance Tuesday latest otherwise do best locally—DOUGLAS

24th March, 1936

THE HONOURABLE WILLIAM ABERHART, M.L.A., B.A.,
Premier of Alberta.
Edmonton,
Alberta, Canada.

DEAR Mr. ABERHART,

I have received your cable reading as follows: "Send contract suggested for your colleague stop accompany same with letter stating qualifications and experience," to which I have replied in the following terms: "No contract stop terms Plan Two letter February eighteenth offer of colleague for acceptance Tuesday latest otherwise do best locally."

I feel obliged to point out that the assistance and advice which it is desired to render to the Alberta Government in connection with the reformation of the monetary system is offered at considerable personal loss and inconvenience to those who offer it, since they are not remunerated by financial institutions, and in every case have important responsibilities outside the question of monetary reform, which require their attention. Although I have, on my own account, kept myself at the disposal of the Alberta Government from time to time, I do not feel that it is reasonable that

this principle should be extended indefinitely, more especially as it is difficult to see why the generous offer on the part of a colleague to visit Alberta on the terms that I suggested to you on February 18th for my own visit, that is to say on an expense basis and without fee, should offer any excuse for delay, if the best available advice is desired.

You will remember that I have already strongly advised the acceptance of this offer, and I much regret that, in common with all the previous advice given to you, you have felt unable to take advantage of it. I can only assume that you must have in mind the pursuit of some policy which does not require the assistance of those who are familiar with the advice already given, and I feel that it would be much better if this policy were disclosed, in order that the public may not be confused in regard to the steps to be taken to implement your Election promises.

Should you feel that you can proceed without further advice from outside Alberta, I am confident that it is desirable that you should obtain the co-operation of Mr. Spenser, the late M.P. for Battle River, Mr. Herbert C. Boyd, M.A., of Edgerton, and Mr. Larkham Collins, F.C.A., of Calgary. I trust that you will feel as I do, that the issues involved are much too serious to allow any question of Party affiliation to influence the action taken.

Yours faithfully,
C. H. DOUGLAS

APPENDIX IV

TEXT OF ALBERTA CREDIT HOUSE ACT BILL

An Act to provide the People of Alberta with Additional Credit

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 Alberta Credit House Act.”

2. In this Act, unless the context otherwise requires—

(a) “Alberta Credit” means the facilities provided by the Credit House for facilitating the exchange of goods and services within the Province;

(b) “Board” means the Board of Management of the Credit House;

(c) “Credit House” means the Alberta Credit House established pursuant to this Act;

(d) “Currency” means the current money of Canada;

(e) “Person entitled to Alberta credit” means every person of the full age of twenty-one years, who is for the time being resident and domiciled in the Province who is either: —

(i) A British subject who has been continuously resident and domiciled in the Province since the first day of January, 1935, and continues to be so resident under the provisions of this Act;

(ii) A British subject who becomes resident and domiciled in the Province at any time after the first day of January, 1935, and supports himself thereafter for three successive years and who registers under the provisions of this Act;

(iii) A person not being a British subject who is resident and domiciled in the Province and who has been so resident and domiciled for five years and who has applied for naturalization as a British subject and who has become registered under the regulations pursuant to this Act; or

(iv) Any person who may become registered as a person entitled to Alberta credit pursuant to the regulations made pursuant to this Act;

(f) “Superintendent” means the Superintendent of the Credit House appointed pursuant to this Act.

3. The administration of this Act and the Superintendent, Board and all other persons engaged therein shall be subject to the direction of such member of the Executive Council as may be designated by the Lieutenant-Governor-in-Council as the Minister charged with the administration of this Act.

PART I

PRELIMINARY

4. Applications for registration under this act shall be made to any registrar appointed pursuant to this act in the case of persons who are producers, manufacturers or dealers in commodities at any time and in the case of all other persons in the months of August and September in the year 1936 and in the month of June of every subsequent year.

5. (1)—Every person entitled to Alberta credit may become registered under this act by appearing before any registrar appointed pursuant to this act and delivering to the registrar his application for

registration in the prescribed form setting forth therein truthfully all the information required thereby and executing the agreement in the prescribed form applicable to such persons.

(2)—The said forms shall be such as may be from time to time prescribed by the Lieutenant- Governor-in-Council.

6. Any person who at any period appointed for registration by section 4 is then under the age of twenty-one years and who will become of the age of twenty-one years subsequently thereto and before the commencement of the next ensuing period may become registered during the first mentioned period as if he were then a person entitled to Alberta credit; but any such registration shall have force and effect only on, from and after the first day of the month next following the month in which such person becomes of the age of twenty-one years.

7. (1)—A certain order-in-council, dated the twenty-ninth day of July, 1936, and numbered O.C. 1092-36, and made pursuant to The Social Credit Measures Act, is hereby confirmed, ratified and validated, and every person who applied for registration under the provisions of the said order-in-council and signed the appropriate agreement thereby prescribed, and became registered under the provisions of the said order-in-council, shall be deemed to have become registered under the provisions of this act unless such person, not later than the thirtieth day of September, 1936, sends by mail in a prepaid cover addressed to the Superintendent of the Credit House, Edmonton, Alberta, a notice in writing to the effect that he desires such registration to be cancelled.

(2)—Every agreement made upon registration as aforesaid shall be construed as a declaration by the registrant of the manner in which he is willing to co-operate upon the receipt by him of Alberta credit and as a condition thereof, and as a declaration in general terms on the part of the government of the various measures for the benefit of the registrant which the government intends to bring into effect as soon as may be convenient or practicable in the circumstances; no action or proceeding of any kind shall be maintainable in any court of the province in respect of any matter or thing contained in any such agreement.

8. The superintendent may by writing under his hand cancel the registration under this act of any person upon being satisfied of the existence of any of the following circumstances:

(a) That in his application for registration, the applicant has made any serious, willful and material mis-statements;

(b) That such person has ceased to be bona fide resident and domiciled in the province for a period of more than one month without the approval in writing of the superintendent;

(c) That such person has made default in the performance or observance of any of the provisions contained in any agreement signed by him upon his becoming so registered.

9. (1)—Whenever the registration of any person is so cancelled the superintendent shall cause to be sent by mail to the person whose registration is cancelled addressed to his post office address a notice of such cancellation and thereupon the registration of such person as well as the agreement entered into by such person on registration shall become null and void and of no effect and all rights and duties thereby created shall utterly cease and determine and no action or other proceeding of any kind shall be maintainable by either party to the said agreement or by any other person in respect of anything therein contained.

(2)—The fact that the previous registration of a person entitled to Alberta credit has been cancelled shall be no disqualification to his becoming subsequently registered with the consent of the board.

10. The right to receive any benefit under this act of any person who produces, manufactures or deals in any commodity or renders any service shall be subject to the condition that any Alberta credit received by him for any commodities or services may, upon being transferred in the Credit

House, be subject to a levy at such rate as may from time to time be prescribed by the Lieutenant-Governor-in-Council as representing the unearned increment in the price paid for any such commodities or services for the purpose of preventing redundant credit and maintaining the proper equation between consumption and production.

PART II

CONSTITUTION OF THE ALBERTA CREDIT HOUSE

11. There is hereby constituted and established a Credit House to be called "The Alberta Credit House" and the same is hereby declared to be a body corporate.

12. (1)—The head office of the Credit House shall be in the City of Edmonton.

(2)— The Credit House may establish branches and appoint agents at such places in the province as may be approved by the Lieutenant-Governor-in-Council, and shall establish branches at such places in the province as may be designated by the Lieutenant-Governor-in-Council as places at which branches are to be established.

13. (1)—The Credit House shall be under the management of a board which shall consist of such persons, not more than five in number, who shall be appointed by the Lieutenant-Governor-in-Council and one of such persons shall be designated as the superintendent of the Alberta Credit House, and all such persons shall hold office during pleasure and shall receive such remuneration as may be prescribed from time to time by order-in-council and each such person shall devote so much of his time to the discharge of his duties as may be from time to time prescribed by order-in-council.

(2)—The nature of the duties of the board and the manner in which the same shall be discharged shall be such as may be prescribed from time to time by the Lieutenant-Governor-in-Council.

14. (1)—The superintendent shall be the chief executive officer of the Credit House and shall, on behalf of the board, have the direction and control of the business of the Credit House with authority to act in connection with the conduct of the business of the Credit House in all matters which are not by this act or by any regulations made pursuant hereto specifically reserved to be done by the board.

(2)—The Lieutenant-Governor-in-Council designate any member of the board as deputy superintendent and in the event of the absence or incapacity of the superintendent from whatever cause arising, the deputy superintendent shall have and may exercise all the powers and functions of the superintendent.

15.(1)—With the approval of the Lieutenant-Governor-in-Council, the board may employ such registrars, officers, clerks and employees as may be necessary and prescribe the remuneration, duties and conditions of employment of any persons so employed.

(2)—The superintendent, members of the board and employees of the Credit House, other than temporary employees, shall be deemed to be employees within the meaning of The Superannuation Act and shall be subject to and entitled to the benefit of all the provisions of that act.

16. Neither the superintendent nor any member of the board nor any employee of the Credit House shall communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Credit House nor allow any such person to inspect or have access to any books or documents belonging to or in the possession of the Credit House and relating to the business thereof.

17. The Credit House shall commence its operations only with the approval of the Lieutenant-Governor-in-Council.

PART III

18. The principal function of the Credit House is to furnish to persons entitled to Alberta credit facilities for the exchange of goods and services in the province in order to effect equation between the purchasing-power of such persons within the province and production within the province, and for the purpose of discharging that function the Credit House is empowered, subject to the other provisions of this act and any regulations made pursuant thereto:

(a) To provide every person entitled to Alberta credit with the amount of any Alberta credit to which he may become entitled in such manner as may be prescribed by the Lieutenant-Governor-in-Council;

(b) To receive deposits of Alberta credit vouchers and of transfers of Alberta credit made in conformity with this act from any depositor thereof and to keep an account of all such Alberta credit so received and to keep an account of any transfers of Alberta credit made by the depositor; and

(c) To receive currency and all kinds of negotiable instruments from any person and to convert the same into Alberta credit for an amount expressed in terms of currency equal to the currency and negotiable instruments so received and to make available to such person Alberta credit for the amount thereof.

19. The person to whom Alberta credit is made available shall be entitled to transfer the same by means of instruments of such nature and description as may be prescribed by the Lieutenant-Governor-in-Council.

20. Every transfer of credit made in conformity to this part shall become effective upon the presentation or delivery thereof to the Credit House or any branch thereof.

21. No person whatsoever shall be entitled to demand from the Credit House any payment in currency or otherwise in respect of any Alberta credit provided pursuant to this act to which he may be entitled, regardless of the nature of his title.

22. Subject to any regulations, the Credit House is empowered to accept deposits of currency and securities from any person and to deal with the same in such manner as may be agreed upon between the Credit House and the depositor.

23. (1)—Subject to any regulations made pursuant to this act, the Credit House is empowered to provide an advance of Alberta credit to any person engaged in agriculture or manufacture or industry in the province, and to any person entitled to Alberta credit, to defray any of the cost of the building of a home or the establishment of such person in any business, vocation or calling.

(2)—The amount of Alberta credit which may be advanced shall be subject to the direction of the board and shall be repayable within such period as may be agreed upon.

(3)—Before provision is made of any Alberta credit by way of loan pursuant to this section, the recipient shall give to the Credit House such security for the due restoration of the Alberta credit to be provided, as the board may direct for an amount in terms of currency equal to the amount of the Alberta credit which is to be provided and without in any way restricting the nature of the securities by way of a mortgage upon any growing crop notwithstanding anything contained in The Bills of Sale Act or any other act to the contrary.

(4)—No interest is to be payable in respect of any credit so provided.

(5)—Notwithstanding the provisions of any other act of the province, every person who has received an advance of Alberta credit under this section shall, upon the day fixed for that purpose, restore to the Credit House the difference between the amount of Alberta credit which he then has

as shown by his Credit House transfers of Alberta credit to the amount of such difference or by the payment to the Credit House of currency equal in amount to the amount of such difference expressed in terms of currency.

(6)— Upon the making of any advance of Alberta credit the Credit House shall make a charge not in excess of two per centum per annum on the amount expressed in terms of currency of the advance, and such charge shall be payable upon the making of the advance either by a transfer to the Credit House of an equivalent amount of Alberta credit or in currency at the option of the recipient of the advance, and such charge shall be in addition to any disbursements for the registration or filing of any security taken for the advance.

(7)—In case default is made in the restoration of any advance of Alberta credit upon the day fixed for that purpose and no arrangement is then made for the restoration thereof, the Credit House may at any time after the occurrence of any default enforce, sell, realize and dispose of any securities held by it to the extent that may be necessary to realize the amount then due in terms of currency to the Credit House in respect of the advance of Alberta credit to which the securities relate.

24. The Credit House is empowered to make such charges in respect of any service for which no charge is expressly provided by this act in relation to any deposit of any kind made with the Credit House or any other service or facility provided by the Credit House pursuant to this act as may be from time to time prescribed by the board and approved by the Lieutenant-Governor-in-Council.

25. (1)—Notwithstanding any provision of any act to the contrary, no person shall be subject to any disqualification as a candidate for election as a member of the Legislative Assembly or, as a member of the Legislative Assembly, by reason of his receipt or acceptance of any Alberta credit provided for him under any provision of this act by way of any dividend or by reason of his right to receive or accept any such Alberta credit.

(2)—No Alberta credit dividend shall be deemed to form any part of the income of the person for whom the same is provided nor shall it be subject to taxation as income nor shall it be regarded or taken into account in making any computation of the amount payable on account of the remuneration payable to any person by the province or the amount payable to any person in pursuance of any act of the province in the nature of pensions, allowances or relief.

26. The Credit House shall pay into a special fund all money received by it in return for or on account of any Alberta credit and all other money received for the purposes of the Credit House, and such funds shall be kept in a chartered bank or other place of safe-keeping approved by the Lieutenant-Governor-in-Council and shall be used for the following purposes and not otherwise, namely:

(a) For the defrayal of the expense of operation of the Credit House;

(b) For the conversion into currency of any Alberta credit which any person has with the Credit House for the purpose of paying to such person currency equal to the amount of Alberta credit expressed in terms of currency to the extent to which such conversion and payment is for the time being authorized by the regulations; and

(c) To acquire any security issued by the province under the provisions of any act, or any security issued or guaranteed by the Dominion of Canada.

27. (1)—The Credit House shall, whenever directed so to do by order of the Lieutenant-Governor-in-Council, place at the disposal of the Provincial Treasurer Alberta credit to such amount, expressed in terms of currency, as may be specified in the order.

(2)—With the approval of the Lieutenant-Governor-in-Council the Provincial Treasurer is hereby authorized to transfer any Alberta credit so placed at his disposal to persons who are willing to accept the same in full or partial satisfaction, as the case may be, of any claim against

the province for the payment of money if such claim is one which is payable out of a vote of the Legislative Assembly.

28. Notwithstanding the provisions of any act, the Provincial Treasurer, with the approval of the Lieutenant-Governor-in-Council is hereby empowered:

(a) To accept transfers of Alberta credit in satisfaction or partial satisfaction of any claims which the province has against any person for taxes; and

(b) To use any Alberta credit so accepted by making transfers thereof to persons who are willing to accept Alberta credit in satisfaction or partial satisfaction of any claims against the province.

29. Notwithstanding the provisions of any act, every corporate body which is a city, town, village, municipal district or school district is hereby empowered:

(a) To accept transfers of Alberta credit in satisfaction or partial satisfaction of any claim which the corporate body has against any person for rates, taxes, services or otherwise; and

(b) To use any Alberta credit so accepted by making transfers thereof to persons who are willing to accept Alberta credit in satisfaction or partial satisfaction of claims against the corporate body in respect of its ordinary services or in payment of relief or the carrying out of any public work.

30. The Lieutenant-Governor-in-Council may from time to time make regulations:

(a) Prescribing in terms of currency the amount of Alberta credit which shall be provided by the Credit House from time to time for persons entitled to Alberta credit upon registration;

(b) Establishing classifications of persons entitled to Alberta credit who have been registered having regard to any circumstances relating to purchasing power and or production and or economic conditions;

(c) Prescribing from time to time the amount, expressed in terms of currency, of Alberta credit which shall be provided by the Credit House for each person entitled to Alberta credit who is registered or for each person included in any classification established pursuant to this section and may prescribe different amounts in respect of different classifications;

(d) Prescribing the amount of Alberta credit which shall be provided by the Credit House and issued to any classification of persons in respect of specified products or commodities by way of a bonus upon the conversion into Alberta credit of the proceeds of sale of any such product or commodity, and generally as to the conditions under which any such Alberta credit shall be so issued;

(e) Prescribing the amount of Alberta credit which shall be provided by the Credit House and issued to any classification of retailers in respect of any specified commodities by way of a compensating discount in respect of commodities sold at a price which is less than the ordinary price thereof, and generally as to the conditions under which any such Alberta credit shall be so issued;

(f) To regulate the amount of Alberta credit for the time being issued and cancelled having regard to the amount of the production and consumption respectively of commodities;

(g) To prescribe the rate by which any Alberta credit transferred in the Credit House by a person who produces, manufactures or deals in any commodities or renders any services may, upon being so transferred, be subject to a levy representing the unearned increment included in the price of commodities and services; and

(h) Prescribing as to the manner in which any function, proceeding or transaction authorized

by this act shall be carried out and the forms to be used in relation thereto.

31. (1)—For the purpose of giving effect to the intent and purpose of this act, the Lieutenant-Governor-in-Council is empowered by order to vary, add to or supplement with new provisions any of the provisions of this act for the purpose of providing for matters arising out of the operation of this act for which no express provision is made.

(2)—Every order-in-council made pursuant to this and the last preceding section shall be published in *The Alberta Gazette* and upon publication shall have the same force and effect as if it had been enacted as a part of this act and shall take effect upon publication or upon such later date as may be specified for that purpose.

32. The board shall cause a true and correct record to be kept of all its business affairs and transactions and such record shall be kept in such form and manner as may be from time to time approved by the provincial auditor.

33. The provincial auditor shall at least once during each fiscal year and whenever required to do by the Lieutenant-Governor-in-Council or by the board, make an audit of the business affairs and transactions of the Credit House and shall make a report thereon to the Lieutenant-Governor-in-Council; and a copy of every such report shall be submitted to the Legislative Assembly at the session commencing next after the making of any such report along with and as an appendix to the statement of the public accounts made pursuant to The Treasury Department Act.

34. The Provincial Treasurer is hereby authorized with the approval of the Lieutenant-Governor-in-Council to pay to the board out of the general revenue fund such sums as may be required by the board for the defrayal of any expenditures incurred by the board with the approval of the Lieutenant-Governor-in-Council in connection with the operations of the board.

35. This act shall come into force upon a date to be fixed by proclamation of the Lieutenant-Governor-in-Council.