

# SOCIAL CREDIT'S FIVE YEARS IN ALBERTA

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THE overwhelming victory of Social Credit in Alberta, in 1935, was not due primarily to the belief of Albertans in the efficacy of Social Credit proposals for economic reform, though such proposals may have helped to sway public opinion in its favor. The Social Credit triumph was, rather, an open expression of the feeling of revolt of an industrially undeveloped, predominantly agricultural and debtor community, against an industrial, urban and creditor class who had invested heavily in the province. It was merely a repetition of what has so often happened in other parts of the North American continent—notably in the United States. The same forces that led Andrew Jackson to destroy the United States Federal Bank in 1832, and later led the American farmer to pass the *Granger Laws* and support William Jennings Bryan in his campaign for silver in 1896, led the people of Alberta to elect Social Credit to power.

Alberta has been, and still is, largely a pioneer and frontier settlement (over sixty per cent of the people reside in rural areas), and it has had to face most of the problems common to such settlements. It has needed large amounts of capital for its development, and thus has had to borrow extensively, both publicly and privately. Sparsity of population and a wide dispersion of settlers has meant relatively high *per capita* costs for the social services—for education, irrigation, road-building, telephone communication and so on. Again, agriculture, the province's chief industry, has had to maintain itself in a fiercely competitive and world-wide market, while agricultural capital goods and equipment have had to be bought in a protected and fairly stable market. Finally, freight rates have been higher in Alberta than in the other provinces.

It was not, however, until the depression of 1929 that the people of Alberta really began to feel the weight of the problems that were confronting them. From 1929 on, the price of wheat fell rapidly. This caused the already relatively high costs of the social services to become, relatively, still higher. In addition, credit had been easy to obtain prior to the depression, and there had been a period of large-scale borrowing, governmental,

and other. With the slump in the price of wheat, it became increasingly difficult to pay either principal or interest on the debts that had been incurred as a result of this borrowing. Alberta's gross bonded debt in 1936 amounted to \$128,142,260, while the Alberta Debt Adjustment Board estimates that private debts for the same year (mainly in the form of farm mortgages) totalled \$395,000,000 or more.<sup>1</sup> To make matters worse, the United Farmer government, that had ruled Alberta for fifteen years, prepared for an election in 1935, leaving behind it an empty treasury and a long series of budget deficits.

Such was the somewhat discouraging situation that Mr. William Aberhart, a Calgary High School teacher, proposed to remedy with his Social Credit scheme.

This scheme is based on the familiar theory that the economic ills of the world are due to a lack of purchasing power in the hands of the consumer. Social Credit would remedy this lack by issuing gratis to the consumer so called *National Dividends* at regular intervals. According to Social Creditors, these *National Dividends* would be backed in some mysterious way by the *Natural Wealth* of the country. To prevent inflation, governmental price control would be instituted and a *just price* decided upon. Production would be kept ahead of the payment of the National Dividends through the governmental control of banking and credit. Interest-free loans would be issued by the state to desirable industries, and thus production would be indirectly regulated. In brief, stripped of all superfluous verbiage, Social Credit stands for the socialization of banking and credit, payment to the consumer of monthly National Dividends, fixation of prices and semi state-economic planning.

It might seem surprising that traditionally conservative, land-owning farmers should vote for such a mixture of Fascist-Socialist economic principles; but Mr. Aberhart was careful to modify Social Credit philosophy to suit the psychological susceptibilities of Alberta's country folk. He was at pains to reiterate that Social Credit was "not based on any confiscation scheme by which the wealth of the rich or well-to-do" was taken "to give to the poor".<sup>2</sup> The means of production would remain in private hands, and the farmer's land (his most prized possession) would not be seized by the government. Mr. Aberhart also succeeded admirably in twisting the *Douglas Social Credit* plan into

1. This is not to say that Alberta's debt problem was any more acute than that of other provinces. In the same year, British Columbia, for example, had a gross bonded debt of \$144,398,236 while Saskatchewan had a gross bonded debt of \$124,446,374 (p. 916 *Canada Year Book*, 1939).

2. Aberhart, William, *Social Credit Manual*, 1935, p. 7.

a plan for reforming our entire economic system without, in any way, violating Capitalism's waning doctrine of *laissez-faire*. At the same time, while emphasizing the Social Credit aspect of his programme, he gave still more lime-light to Alberta's debt situation, and aroused debt-ridden farmers to a frenzy of anger against financiers and bankers in general. The results of his strategy were promising. Social Credit swept to power in August 22, 1935, winning fifty-six of the sixty-three seats in the provincial legislature.

The Social Credit victory, as has been said, was, essentially, an open expression of a feeling of revolt against debts, debt interest and mortgages, and Mr. Aberhart capitalized on that feeling. Faced with an empty treasury, a current deficit of some \$2,000,000, maturing bonds and maturing interest payments, he began—legally or illegally—to cut debts right and left. He suspended the payment of provincial Saving Certificates soon after he entered office. By a *Provincial Loans Refunding Act* he reduced the interest on bonds from 5% to 2½%, and extended the time of repayment of both principal and interest. At the same time, he asked the Federal Government for a loan of \$18,000,000, at a low interest rate. Because he refused to accept the regulations laid down by the Dominion, he was given only \$2,000,000.

He turned, next, to fill the empty treasury through taxation.<sup>1</sup> First, the *Industries Regulating Act* was passed, authorising proficiency examinations for industrial workers and the consequent licensing of industrial establishments. Then the provincial income tax was appreciably increased. Finally a retail sales tax of two cents was imposed on all consumer goods, except the most essential.

When the general public heard of these acts, the first signs of anti-Aberhartism became apparent. Capital fled from the Province. Bondholders and financiers attacked the debt legislation. Farmers criticized the increased taxation. A demand began to arise for the promised establishment of Social Credit. Unfortunately Mr. Aberhart had asked a Montreal financier to come to Alberta to advise the government on financial problems. This so annoyed Major Douglas, the uncompromising foe of high finance who had come from England the year before to act as reconstruction adviser to the United Farmer government, that he accused the premier of not trying to implement Social Credit at all. Then he repudiated all connection with the Al-

1. One of the main items of the Social Credit platform was the immediate reduction of taxation.

berta Government, and returned to England. As a result ardent Aberhart supporters grew sceptical, and Social Creditors split into opposing groups.

Social Credit's second year proved almost as hectic as its first. A Debt Adjustment Act was passed forbidding the collection of debts from farmers and home owners without consent of the Alberta Debt Adjustment Board. In March of the same year, further debt defaults were condoned, and a \$3,200,000 bond maturity remained unpaid. There were further tax increases. And, as a concession to laborers, extensive minimum wages and hours bills were passed.

But the crowning acts of the year were those designed to appease the many looking forward to the rapid introduction of Social Credit, and to win over the group of anti-Aberhart Social Credit members in the Legislative Assembly. These Acts provided for the issue of Prosperity Certificates to the tune of \$200,000, and the setting up of credit houses to handle the certificates. The certificates were in \$1 denominations, and must have a two-cent government stamp affixed to them once each week. When \$1.04 worth of stamps had been affixed, they were to be redeemed for Federal currency at one of the Credit Houses. It was thought that the necessary weekly affixing of stamps would cause holders of the certificates to pass them on rapidly, and thus increase the speed of their circulation and, with that, the number of commercial transactions.

Opposition to these Acts arose almost immediately. Farmers and merchants looked on the Prosperity Certificates as a gigantic taxation scheme. Many Albertans charged the government with erecting the Credit Houses to give its friends political jobs with fat salaries. Most of the population refused to take the certificates. Consequently the scheme failed.

Meanwhile Social Credit was meeting other obstacles. The *British North America Act* had laid it down that only the Federal Government had the right to issue currency and regulate money. The various Social Credit Acts were tried for their constitutionality, in the courts, and were declared *ultra vires*. Mr. Aberhart, finding his methods of cancelling debts illegal, had to devise other means, and soon thought of the moratorium.

The 1937 sessions of the Provincial Assembly were every bit as stormy as the sessions of the two previous years. To begin with, anti-Aberhart Social Creditors refused to vote the budget for the current fiscal year, and it had to be drastically

changed before it was finally passed. The premier, frightened that this opposition might end in his defeat in the Assembly, sent the chairman of the provincial Social Credit Board to England to heal the breach with Major Douglas. The latter proved responsive and sent two Social Credit experts to Alberta, to act as advisers to the government.

At their inducement, the government passed the *Credit of Alberta Regulating Act*. This Act authorized the licensing of all banks and bank employees doing business in the province, and provided that employees, failing to obtain licences, should be subject to a fine of \$100 or a year's imprisonment. Another clause stipulated that such employees should be barred from pleading their cases in the courts.

Violent protests greeted this fresh batch of legislation. Mass meetings were called throughout the province. Electors talked of using the Recall Act to oust Mr. Aberhart, but the latter promptly saw to it that the Act was repealed. The Press, which had been consistently opposed to Social Credit almost to a voice since the eve of its 1935 triumph, poured the full might of its scorn on the new laws. The premier, who had often attacked the Press because of its attitude towards his government, replied by passing a Press Act. Articles hostile to Social Credit were to be signed, and the source of information stated. Space was to be reserved in every newspaper for a Social Credit page written by the supporters of Social Credit. Newspapers refusing to obey were to be suppressed.

More angry protests followed. More mass meetings were held. Feelings ran high on all sides. At this point the Supreme Court stepped in again, and declared the Credit Act and the Press Act unconstitutional. Once more Mr. Aberhart was thwarted, and Social Creditors talked of secession from the Dominion. Fortunately it did not go any further than talk.

The October session of the legislature found the government defying the ruling of the Supreme Court. The *Credit Regulating Act* was re-enacted, and a "confiscatory" tax was imposed on reserve funds of the banks. The government was unable to enforce the laws, however, and the Acts died a natural death.

In the interim another blow had fallen on the shoulders of the Social Credit cause. One of the experts Major Douglas had sent from England, infuriated at the opposition of the banks, attacked bank managers and others verbally. As a result, he was sued for criminal libel and given a six months' suspended sentence. Quietly the experts departed for England, and Mr. Aberhart was left alone to carry on the fight.

However, repeated defeat had evidently discouraged the government, for, apart from an extension on the debt moratorium, an ineffective *Social Credit Realization Act* and a completely unsuccessful campaign in Saskatchewan in June of 1938, the next two years were relatively calm ones in the government's history. Legislation was confined to routine and orthodox matters. Attacks on the banks grew sporadic, and much less vigorous. And Social Credit topics ceased to fill the pages of newspapers and magazines.

The approach of elections in March of this year, however, fanned Alberta's political scene to fever heat once again. Even the European war was forgotten, as the various factions prepared for polling day. Charges and counter charges were hurled with an undimmed intensity. Opposition parties accused Mr. Aberhart of desiring to be the province's Huey Long. He in turn accused the opposition parties of being the tool of Canada's "fifty big shots". The contest soon became one of the fiercest that Alberta had ever experienced.

At one time it looked as though each of five parties—the Canadian Commonwealth Federation, Social Credit, Liberals, Conservatives and United Farmers—would place separate candidates in the field. But as early as 1937 the Liberals, Conservatives and United Farmers began to draw together, and eventually formed the Unity Party or People's League. This reduced the number of contending parties to three—Social Credit, C. C. F. and Unity.

The outcome was somewhat unexpected in some quarters in view of the international situation, which was such as usually turns the minds of men from thoughts of social reform to grimmer things. The C. C. F. got no showing, probably because of its attitude towards the war. But even Unity did not win, though it reduced the Social Credit majority from 51 seats to twenty. Despite the fact that in war-time men tend to be much more conservative than otherwise, the Alberta farmer still proved to be in a mood of stubborn rebellion.