

Mr. E. C. Manning

Interview #13

June 23, 1980

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LS: Before getting into the historical survey that we're doing, Mr. Manning, I'd like to talk about a current issue. The papers this weekend carried a number of stories about the current discussions that Mr. Leitch and the Government of Alberta, and Mr. Lalonde and the Government of Canada, have been having about oil pricing. I'm interested to have your thoughts about those talks, especially as concerns the constitutional questions involved.

And secondly, I would like to talk to you about some of the things Mr. Lalonde has been quoted as saying, in the Edmonton Journal of June 21st.

But first of all, and most importantly, what's behind the talks in terms of the implications and issues vis-a-vis the Constitution?

ECM: The specific talks between Mr. Lalonde and Mr. Leitch came to a head at this time because the agreement which has been in effect for several years between Ottawa and Alberta on oil pricing expires at the end of July, and what they have been working on for a long time is to try and get a new agreement in place before the old one expires. As of now, it doesn't look very hopeful.

They did agree at the talks you referred to, to extend the date for 30 days, that is, continue the old agreement for another 30 days to give them longer for the discussions. The matter of oil pricing and an agreement on oil pricing does not necessarily have to be tied in with the question of the constitutional reform talks. Although, as I understand the position of the Government of Alberta, they feel that these two things must be kept very closely related because perhaps Alberta's greatest concern in the constitutional proposals is to have made clear in any change in the constitution that the ownership and management of natural resources is exclusively in the hands of the provinces. That is the position today, or at least that is the most widespread interpretation of the BNA Act as it is today - that the ownership and management is in the hands of the Provinces. But Premier Lougheed is very insistent that that be clarified

in any revision of the constitution. And it's from that standpoint that he has argued that an agreement on oil pricing should be consummated before the constitutional proposals are consummated. So that this carry-over of entrenchment of that right of the province in the new constitution can be dealt with.

The talks between Mr. Lalonde and Mr. Leitch of course were private talks, so the only information available is what has been revealed in the media. It seems quite clear that very little progress was made. The Federal Government and the Alberta Government are still far apart on the basic issues of a new oil pricing agreement. And it was obvious that there was no hope of getting agreement by the time the old one expires at the end of July, because it was within three weeks of that date. This was the reason, undoubtedly, why they did agree to a month's extension of the old agreement.

The core of the dispute between the two governments, of course, is that Alberta currently is selling its crude oil within Canada at \$14.75 a barrel, whereas the world price now is \$32 a barrel with spot sales going as high as \$38 or even \$40 a barrel. Which means that Alberta is selling its oil at significantly more than 50% less than the world price.

The Federal Government's argument is that this is necessary in the national interest, and they are subsidizing the difference between the Alberta price and the imported price of the oil that is being imported, to have one uniform price across Canada at the refinery level, which in turn gives an opportunity for reasonably uniform prices at the gas pumps.

Alberta, on the other hand, takes the position (and I think very justifiably) that this is the sale of a depleting resource. Our conventional oil supplies are definitely on the decline. They're not going to last many more years. The people of Alberta own 85% of these oil resources (that's something that's very important to keep in mind). These are not owned by oil companies. The development is by oil companies, but all that development is taking place under lease agreements, and Alberta citizens as the owners are getting their return from the royalties

collected on the product as it's produced. And of course the royalty in turn is geared to the market price of the oil. When you hold down the domestic price of the oil, you're holding down the royalty returns to the owners of the resource, which in this case are the citizens of Alberta.

The Alberta Government argues that because it's a depleting resource, the Province must accumulate a capital fund to invest in diversification of the provincial economy so that you have an alternate source of economic activity and revenue source when the oil wells are no longer producing.

The position between the two governments is very wide on both of these points.

I should put something on the record at this point, because there have been a lot of inaccurate statements made on this. Understandably, the Federal Government has received very strong support from the Province and Government of Ontario because they are the largest energy-consuming province, and have the most at stake in the domestic price of crude oil in Canada. If the price of Alberta crude within Canada goes up to anything approaching the world price, it's going to mean a very substantial increase in energy costs, which will hit Ontario very hard because they are such large consumers of oil.

It has been repeatedly said that Alberta is arguing for the world price for its crude oil. That is not the case. As I understand the position of the Alberta Government (and it has been expressed publicly on a number of occasions), what they are proposing is not a world price but a domestic price that should be approximately 85% of what is referred to as the Chicago Composite Price or Chicago Gate Price. The Chicago Gate Price is lower than the world price. It's a price arrived at by a mixture between world price oil that comes into the United States, and domestic oil in the United States. It's a blended figure which is under the world price. I think at the present time it's under by about \$2 a barrel--it's not a big difference, but it is a difference.

What Alberta is asking for is 85% of the Chicago Composite Price. At

present figures this would probably work out at a price in the neighborhood of \$28 a barrel, as against \$32-38 a barrel which is the world price. The price, of course, would be geared to the world price so that if the world price goes on up, and the Chicago Composite Price goes on up, the domestic price in Canada would be, say, 85% of that price.

Furthermore, the Alberta Government has said publicly that they are quite agreed to phasing in that increase over a period of two or three years. So they're not talking about jumping from \$14.75 a barrel to, say, \$28 a barrel at one swoop. They're talking about moving through a series of price increases over two to three years, to the place where they'd reach this 85% of Chicago Composite Price.

But Ottawa, unfortunately, during the last election campaign, made a lot of foolish commitments as to what they were going to do in holding down the price of domestic oil in Canada. And now, of course, they are not in a position to enter into an agreement to do what Alberta is asking, without going contrary to some of these commitments. So there's a lot of politics in this.

Also it's known, of course, that the former Federal Conservative Government and the Provincial Government in Alberta had arrived at an agreement, which is approximately what I've said a few moments ago--phasing towards 85% of Chicago Composite Price. The terms were agreed to, but the agreement had not been signed when the Conservative Government was defeated. The new Liberal Government will not recognize that agreement, and they want to start all over from scratch with a different deal altogether. That's where and why the thing is bogged down at the present time.

Coming on to your constitutional question, while really there doesn't have to be any direct connection between this energy thing and constitutional amendments, for reasons I've indicated, the Alberta Government feels strongly that they want to see an energy price agreement arrived at before they agree to a section of the constitution dealing with energy resources. To that extent, in their minds at least, the two are very closely related.

If you wish a few comments on the constitutional issue, as you know, there has been a meeting of first ministers with the Prime Minister on that, at approximately the same time as this other meeting. They have set an agenda of discussions between Federal and Provincial officials between now and the first of September, which they've set as a sort of deadline to have agreement on a package of proposed constitutional amendments.

I'll try and put this as briefly as I can, but I think that it's such a desperately important issue to Canada that I would like to say this. In my opinion, the prospects of arriving at the agreement necessary on a package of constitutional amendments by September is completely unrealistic. I think it was a very grave mistake on the part of the Prime Minister and First Ministers to attempt to set these deadlines. They cannot be met, and I'm sure will not be met, and when they're not met, of course, the people (particularly in Quebec, Mr. Levesque) who are saying this is an exercise in futility, will point to the failure and say, "There, we knew it wouldn't work out, and now we're right back at square one."

The other thing that disturbs me greatly, apart from the grave mistake of fixing deadlines in matters of constitutional discussions, is the procedure that has been more or less accepted, to arrive at some finality on this thing. In other words, the methodology. What the Prime Minister has committed himself to is really to make agreement on a package of constitutional amendments the first major step in the establishment of what he has referred to as a "new federalism" in Canada, and which was talked of so much during the Quebec Referendum.

To my mind, that's completely the wrong way round to go at arriving at that objective. To my mind, the very last stage of meaningful constitutional amendment is when you actually write in the constitution the changes that you've finally agreed to. That should not be the first step; it should be the last step. I say that for this reason: When you call the governments of the country together and ask them to agree to certain things, if those things are going to be written into the constitution almost immediately there is inevitably a great reluctance on the part of the governments to agree. They're going to be extremely cautious in what they agree to,

because once these things go into the constitution, you've etched those provisions in stone. To change them after that is an extremely difficult thing to do.

My conviction is that the far more effective way of going at this thing, with the same objective in mind, is to start out by cataloguing say half-a-dozen of the major issues which they want to cover in a package of constitutional amendments. Then deal with those individually but concurrently, and work out an interim political agreement on each of those major issues that they feel is basic to this "new federalism" that we're all talking about, with the understanding that as these agreements are worked out, the half-a-dozen or so matters on which it's hoped to arrive at interim agreements will then become the substance which (after a trial period of say two or three years during which these interim agreements will still be subject to further refinement and revision in the light of experience) will be written into the constitution as constitutional amendments. That would be the last stage of the constitutional amendment process.

My argument is that if you approach these issues that way, there's far greater flexibility at the conference table than you'll ever get at a conference at which decisions are to be arrived at that are going immediately into the constitution. Many governments which would hesitate to agree to something to put immediately into the constitution will agree to provisions in an interim agreement, with the understanding that then in the light of two or three years' experience, during which time they can be further amended and revised, only at that stage will they be "etched in stone" by being written into the constitution.

And unless we get flexibility into this Federal-Provincial Conference on the Constitution, we're simply not going to get agreement. I do not believe you can get flexibility if you start out by saying, "We want you to agree right now on what's going into the constitution." This is not a difference in objective - the objective is exactly the same in either case. It's a difference in methodology. I honestly believe that the Federal Government has adopted a methodology in this case which is

incapable of meeting with success. Whereas if they took the other route, I think the chances of success are extremely good.

LS: Why do you feel they've done that?

ECM: I don't know. I have a theory why they've done it. It's a common mistake that governments make in many things. In my mind, one of the greatest misfortunes of the way our political parties (not only in Canada but in other democratic nations) operate, is that they spent so much time, so much effort, and so much money, devising strategies whereby they can get elected. And so little time, and so little effort, and so few resources, on developing a science of government and a methodology for arriving at the results you want to achieve if you're elected. Most of their interest seems to go to "how do I get elected", and "how we're going to run the country after that" is something we'll deal with when we get to that bridge and have to cross it.

I think this situation illustrates that very thing. They're all hepped up on "We're going to amend the constitution. We're going to save Canada. We're going to have a new federalism by amending the constitution." Which is fine. But there hasn't been the appropriate time and serious thought, in my mind, given to the methodology that will best insure success in reaching that goal. And as a result they've adopted a course of action which was a very simple, easily arrived at course of action, but not one that's going to meet with success.

LS: To get back to the specifics of the pricing agreement between the Province of Alberta and the Government of Canada, do you think it was basically because they were two Conservative Governments talking about it six or eight months ago, that there was such close agreement? Or do you think there was some other basic, fundamental philosophy that was not based on Conservative Party philosophy?

ECM: I would be inclined to think that the difference in philosophy was the big point. I suppose the fact they were both Conservative governments gave them a close liaison probably. They knew each other better. But certainly

at the start of those discussions that led to that tentative agreement, Mr. Clark's government and Premier Lougheed's government were far, far apart. But they did sit down and talk to each other, and the Clark Government's philosophy on resources was one of decentralization. They favoured greater decentralization to the provinces of the programs for resource development. This is borne out by the fact that they committed themselves to transferring off-shore mineral rights to the provinces, which is completely contrary to the position of the Liberals.

So I think the philosophy of the Clark Government as regards governmental structure (that is, decentralization versus centralization) and of resource management, made possible the type of agreement that they came to. Whereas the Trudeau Liberal Government is very centralistic. They want to centralize everything, and they also want to own everything. This makes it very difficult then to get agreement on situations such as we face in the energy agreement.

LS: If indeed we come up in September with no agreement, or perhaps not very significant agreements in terms of things being "written in stone", what do you see happening then? What are the alternatives that the country will have?

ECM: One of two things, I suppose, will happen. One which I think is the most likely, certainly if they're going to insist on going on down the same road I hope it's the one that will happen, the discussions will continue. They really will be forced by circumstances into this course of the type that I've described. Perhaps at that stage they'll be prepared to spread these issues out and say, "Let's arrive at interim arrangements on each of these." They can still adopt that course at that stage; it will not be as good, but they could still do that. But at least, I hope, they will keep on discussing rather than have an absolute impasse.

The other alternative, and this is one the Prime Minister has hinted at and which I regard with a great deal of apprehension for what it would do to Canada, would be for the Federal Government to act unilaterally in forcing through constitutional amendments. Quite honestly, if they did that, in my

view this could very well destroy Confederation altogether. I say that for this reason. Any action of that kind would have to be taken on the initiative of the Federal Government and with the approval of Parliament. This would mean that you would have again in Parliament, if they went along with that procedure, the representatives of the two central provinces, who outnumber all the rest combined, forcing a new constitution on all of the other provinces of Canada. It could be just that serious. Numerically, the central provinces' members would be strong enough to outvote all the others, if all the others opposed it (which they wouldn't all do, of course).

The other thing that complicates this, and makes it fraught with such grave danger, is that the Province of Quebec, even though they're one of the central provinces and would be the majority block of Members that would have to vote in the Commons (because the Liberal Government has more members from Quebec than all the rest of Canada put together), would be unquestionably opposed to having a constitution forced on them by the Federal Government.

So if the exercise started with the hope of a continuing process that was carried through the Referendum in Quebec, to bring about an accommodation with Quebec in Canada, I don't see how you could ever hope to arrive at that by having the Federal Government that the Quebec Government can't tolerate, being the body that forces a constitution on Quebec as well as the others.

Now they have also proposed, or at least suggested, that they might combine with this action of Parliament a national referendum. Go over the heads of the Legislatures and Parliament and submit this to the people. I would be very, very unhappy to see that course followed, for a couple of reasons:

(1) The substance to be put before the people of Canada in a referendum would have to be formulated by the Federal Government. It would probably be just an extension of what they would approve in Parliament if they did it that way. So they decide (and somebody has to decide) on what the Canadian people are going to vote on in a constitutional amendment. I

don't think that would be acceptable. I think if you're going to have national referendums (which I don't like anyway), there has to be a great deal of public input, apart from Government altogether, if you're going to ask the public to vote on the final provisions going into the constitution. Otherwise, you restrict the public participation to merely saying "yes" or "no" to something that some constitutional bureaucrats have put together in Ottawa and have said, "This is what we've decided is good for you. Do you want it, or don't you?" I don't think the Canadian people would accept that.

(2) I don't like referendums for a different reason altogether (and I think the Quebec Referendum illustrates this). In a referendum on a serious issue there's no way you can avoid polarizing your people into two warring camps. It's not like an election. In an election, you're asked to choose between a number of programs, and so when they're advanced by the different parties, the rank and file of the public say, "I like four of these in the Conservative program, I like four of them in the Liberal program..." and their vote is not either/or. In both programs presented to them, or however many parties are running, there are a number of issues, some of which they agree to, some they don't. They're not making a hard and fast choice between only two things: this-or-that. That's what you get in a referendum. And in a situation of that kind, there's no way you can prevent polarization. The Quebec Referendum divided the people of Quebec into two warring camps, for or against Sovereignty-Association. And it's going to be a long time before some of those wounds heal. It split families; it split business partners; it split political friends; it split academics.

You can't avoid this. And I can't think of anything that we need less in Canada than to split the Canadian people into two warring camps over constitutional amendments, particularly when, if you come right down to it, Canada isn't suffering by virtue of living under the British North America Act. There are a hundred things that are more important to the rank and file of Canadian people than fighting over that. But it is a subject on which you could divide the Canadian people hopelessly into two warring camps. And particularly if there was strong resentment arising from the

impression that one section of the country is forcing something on the other. This is a grave danger when you have provinces with big populations, and others with small populations. Then of course you're just inviting the destruction of Confederation altogether.

LS: One final question on the oil pricing talks. To go back to the very beginning, when you said that Mr. Lougheed is concerned about certain things that are based within the constitution: As it stands today, what is the provincial constitutional right over resources? And, what is Mr. Lougheed's fear? What is his concern?

ECM: There are a few grey aspects of this, so it's hard to be dogmatic. Some of the constitutional lawyers don't wholly agree. But there's pretty wide general agreement that under the British North America Act (and this is particularly true in the case of Alberta and Saskatchewan because in addition to the BNA Act they have the Natural Resources Transfer Agreement which was an amendment to the BNA ACT), the Province is given complete control over the ownership and management of its natural resources. I don't think that's going to be disputed anywhere.

But when the Province goes ahead and leases out the resources on its own terms (which is done), and when you produce the oil, you're going to sell it outside of Alberta, because Alberta can't absorb it. This is where you get into the Federal situation. Under the BNA Act, any inter-provincial trade comes under the Federal jurisdiction. So as soon as the oil moves in a pipeline outside of Alberta, it's no longer Alberta oil in the sense that while it was here it was something that Alberta has control over. When you get into the price end of it, the question is, "Who has the constitutional authority to set the price?" Can Alberta set the price as the producing province? Or does the Federal Government which controls that oil once it crosses over Alberta's borders say, "The price is going to be so-and-so in Canada"?

Ottawa has legislation passed (and it hasn't been challenged constitutionally) which gives them the power to fix oil prices. So what they are threatening to do, and Lalonde has threatened to do this, is to

say, "We can't get agreement, so we'll arbitrarily set this price." Here again, perhaps that'll hold up in court. I'm sure there would be a court challenge to that immediately, and whether it would hold up in court or not, only time would tell. They think it would hold up. But again, even if it held up, it's the kind of thing that could split the country apart.

From the provincial standpoint, on the other hand, Mr. Lougheed has threatened that if he doesn't get a price that he thinks is fair and equitable, they have a solution - they can turn off the tap. They can say, "That's fine, we don't sell our oil at that price." That is a method by which Alberta can set the price of its oil. They can say, "We'll only turn the tap on when the price goes to so much."

This is where you get the overlapping between the Federal and Provincial jurisdictions, which is not clear. Mr. Lougheed wants it made absolutely clear that the Province has ownership and control of the management of its resources, including pricing at least to the extent of saying whether it must sell its product or not at a price which is unsatisfactory to it. Whereas the Federal Government says, "These are Canadian resources as well as Alberta; you sell at the price we say it should be sold at." These are the grey areas that he wants clarified.

LS: Is there a constitutional basis for the Federal Government perhaps moving in, and saying, "You turned off the taps last Monday; we're turning them on this coming Monday"?

ECM: That gets into another area of the BNA Act. There is a provision for "peace, order and good government" which is the responsibility of the Federal Government, so you have to establish whether turning off the tap impaired "peace, order and good government" in Canada. Or you can proclaim the War Measures Act and then you can do anything - confiscate the oil wells, if you want to. But these are drastic things, and you have to be able to prove that the situation exists which brings those powers into play. That's a rather debatable question.

LS: I'd like to refer to an interview that Mr. Lalonde gave to a Journal

reporter by the name of Don Braid. There are a couple of comments here that I would like to have you react to.

Mr. Braid was talking about the fact that the reality of power in the country was that the power base of the Liberal Party was in Ontario and Quebec (something that you've just referred to in terms of the numbers). Mr. Lalonde answers by saying that he would challenge that. "I would challenge that. I've heard western politicians say that if we were in Ontario or Quebec, that particular bit of railway would be built, or that particular harbour. This is not fair and not correct. It's a wrong analysis of how decisions are made in government. Very often we will bend over backward in an area where we have no Members." He goes on to say, "In British Columbia, for instance, the decision on North Eastern Coal, there has been more time and effort put into this than on any other issue since we've been in office. We've spent more time on this than Chrysler, which was obviously very significant in Ontario for the auto industry."

Braid goes on then and asks the question, "And yet, the coal deal fell through." Lalonde comes back and says, "It didn't fall through. The project is going ahead, and the Federal Government will do a lot. The impression in the Western media will be that the Feds have done nothing. But look at the facts. We will do everything that the Federal Government has jurisdiction to do and should be doing, where it's CN, the Prince Rupert port development, everything where we have a Federal responsibility, we will be there." Do you have any comments on that?

ECM: Well, of course, I suppose you could say that people who are that pure politically shouldn't even be in office! I think, to be fair though, we have to acknowledge that there are many statements made, in all regions of Canada, accusations against the Federal Government, which are not wholly true. That is, they have an element of truth, but they're exaggerated. That's a common thing that we just have to live with.

I'm sure what the reporter meant by saying that the Liberal power base was in Ontario and Quebec was the composition of Parliament. That's where the overwhelming majority of the Liberal Government's support is. This is one

of the things that complicates both the energy situation and the constitutional issue. To be quite realistic, no one could say that the present Liberal Government is in a true sense a national government. It has vast regions of Canada with no representation at all. And that in itself makes it very difficult to deal with national issues.

On the points that Mr. Lalonde makes, I think the records pretty well speak for themselves. The Hansards are full of cases where work and jobs and grants have gone to ridings where their own supporters are located. This is simply a matter of history. I don't say they haven't done anything in the other areas, but certainly there's a great deal of feeling among some MP's in Central Canada - forget about Western Canada - that if you happen to be in a riding that has a Tory representative (in some of these areas in Ontario and Quebec), your chances of getting attention and grants are significantly less than if you happen to be represented by a Liberal Member, or particularly a Liberal Cabinet Minister.

I don't say that this is peculiar to the present Liberal Government. This is one of the faults of all Governments. But it's there, and I think Lalonde is trying to paint a picture of purity that's just not consistent with the facts.

LS: Earlier in this interview, he really says, "Although we don't have any seats in Western Canada, some of my best friends are Western Canadians"!

ECM: Well, of course, anyone can say that. I don't doubt that at all. We all have individual friends in all parts of Canada, and maybe some of our best friends. But that doesn't prove much in the political context!

LS: There are a couple of other things. Mr. Braid, the reporter, at one point asks, "In what way have you bent over backwards for Alberta?" And Lalonde answers, "That is more difficult, because obviously Alberta has so much. But to go back to 1974, when the oil and gas industry went down very substantially and the industry came almost to a standstill, if you look at the fiscal measures that were introduced by the Federal Government they were very instrumental in putting that industry back on its feet." What's he talking about?

ECM: Well, I know what he's talking about, and there's a substance of truth in what he says. But the trouble is, it's only half the story. We went through a period when the oil industry in Western Canada went down very badly. In fact, the oil drilling rigs were heading out by the dozens, and heading back to the States. The reason they were doing is was first of all, there had been a protracted war between Alberta and Ottawa on oil royalties and taxation (not only Alberta, but Saskatchewan also as a producing province, and B.C.), as a result of which we got to the absurd position at one time in the tax and royalty fields (in Saskatchewan - Alberta was bad, but it wasn't this bad) where the total take, Federally and Provincially, in taxes and royalties, was more than the total revenue of the oil company in each barrel they sold.

I remember meeting a representative of an oil company at a committee meeting in Ottawa at that period, and sort of joking with him. I asked, "What are you doing about this?" And he said, "We're praying we won't find any more oil to sell, because every barrel we sell, we lose so much on! The Government take is more than our total revenue."

This came about, again, because of the disagreement between Ottawa and Ottawa policies, versus Saskatchewan, Alberta and B.C. policies for developing oil and dividing revenue - the hassle over who should get what out of the increased royalties accruing from the increased prices. What brought the industry to a standstill was the inability of these producing provinces to get satisfactory agreements with Ottawa on taxation and royalties.

But when it got to the place where the oil companies were pulling out their drilling rigs and exploration was on the decline, both levels of government, provincial and federal, saw they had to do something. So they stepped in and improved the depletion allowances, adjusted the royalty thing, and of course, the flow was reversed and the companies came back. So sure, the Federal Government did that, but all they were doing was correcting a situation which they created in the first place.

LS: It was very unfair, but it was interesting the way he brought that up!

There's another area in the interview. Mr. Lalonde says, "I am ready to argue that there are a lot of people in the West, not only in the East, who believe that Canada should not tie itself to the world price. That we should have a price level for domestic purposes on the basis of replacement costs. A level high enough to insure development and high economic rents for the governments. They do not believe that OPEC should determine our prices." Then he goes on to say, "Mr. Lougheed wants at least 85% of the world prices [and that's that Chicago basis I think you referred to] but the voters of the West have not necessarily endorsed that view."

And he goes on to differentiate between Mr. Lougheed and who he is being spokesman for, and the voters of the West. Do you have any comment on that?

ECM: That's a political assessment. I'm quite sure that some of Mr. Lalonde's political supporters in the West, who are vehemently opposed to the Conservatives and the Lougheed Government provincially as well as the Tory Government federally, would tell him, "Sure, you're right." They're supporters of the Federal Government position. But we have to remember that numerically they're not enough to elect a single member in Alberta.

To my mind, the great mistake that the Liberal Federal Government made after the election, as far as these Western Provinces where they have no representation were concerned, was that they recognized how serious that problem was. So they said they were going to send their people out to find out the thinking, the concerns, the aspirations of people in these provinces that didn't have representatives. So they had Ministers running across the country to do this.

But who did they talk to? They called in the defeated Liberal candidates! These were the people whose policies and leadership had been rejected by the people of these Western Provinces. They were the last group they should go to if they really wanted to know the thinking of the majority of people in Saskatchewan, Alberta, and British Columbia. So the input they got was from people, of course, who were their own supporters.

I certainly don't criticize them for talking to their own people. But I certainly say that if the objective was to get a meaningful assessment of how the people feel, in these Provinces that are not represented in the Government side of the House in Ottawa, then you don't go to the people they rejected. You go to the people themselves and say, "Why did you reject these fellows? What was wrong with their position? How do you feel so differently to their position that you wouldn't elect any of them?" They never did that.

LS: One final comment. Mr. Braid said in the interview, "Mr. Lougheed said last week that if this isn't resolved this summer, there will be a serious economic and constitutional crisis. We know that both sides have got their legislative weapons in a row. Do you agree with that assessment?" Mr. Lalonde, "Yes, I agree with the assessment. But on the other hand, I have a lot of confidence in the resiliency of the country. This country has known other crises, and it will know more in the future. It could be a very difficult political conflict, that has economic as well as constitutional implications." And then he goes on to say, "That's why we should resolve it."

The thing I find curious there is, What do you think he's thinking about when he talks about the resiliency of the country?

ECM: He may have been thinking of that old expression which I guess has a lot of truth to it, that the best indicator of the true greatness of a nation is the amount of bad government it can survive. And on that score, Canada is a very, very great nation! It does have the ability to keep on going and developing, and its people carry on despite bad political management.

But if I could come back for a moment to something that comes to mind from his comments there, and from some of the other points that we mentioned just briefly, I'd like to put this on the record. When Mr. Lalonde talks about the value of holding oil prices in Canada significantly below the world price, and that this is going to be a great economic advantage to the Canadian people, that again is telling only half the story.

This artificial oil price in Canada (which is costing the Federal Government not millions, but billions, in subsidy to hold the price down) is the single thing responsible for the terrible government deficit we're piling up, which this year is expected to reach \$14 billion. The Canadian people are the ones that are footing the bill for that deficit. First in the devaluation of our dollar, which simply means everything we buy costs us more because our dollar has depreciated as a result of our staggering Federal Government deficits. And what this really means is that while we may be buying our gasoline for 10¢ a gallon cheaper at the pump, we're piling up Federal deficits to the tune of \$12-14 billion a year, on which right now our current national debt today is costing the Canadian people (just for interest charges alone) over \$10 1/2 billion a year, or 17.8% of the total Federal expenditures.

And if you keep on enlarging that at the rate of \$12 billion a year to subsidize these artificial oil prices in Canada, all of this is going to depreciate the Canadian dollar, push up the price of imports. And so the Canadian people are paying this price, only instead of paying \$1.20 for a gallon of gas at the pump, they pay \$1.00 for the gas, and they pay the other 20¢ in the grocery store or the other places where their dollar will only buy 80-85% of what it otherwise would buy.

That to my mind is the dishonest part of arguing that maintaining an artificial energy price is saving millions of dollars to the Canadian people. It's transferring the cost to another area where it's not as obvious as the gas pump, but it isn't saving them anything. Sooner or later they have to make the adjustment. And the longer it goes before you make the adjustment, the more painful the adjustment is when it comes.

Frankly, I'm scared stiff right now at two things that are happening now in Ottawa. One, the balance of payments deficit, which is pyramiding. And two, the national debt and budgetary deficits. People talk about "balancing the budget" or "cutting taxes". What they overlook is that they've gotten us into such a serious financial position now that you've got to cut at least \$12 billion a year off expenditures, or else raise taxes that much, before you even break even, let alone do anything to start

reducing the \$67 billion of net debt that we've accumulated, on which we're paying \$10.5 billion of interest every year.

LS: That's interesting, because it's true that when I want to fill up my gas tank, it's something that's tangible. I can see the price, and it makes me feel good, but I don't understand....

ECM: That when you go into the grocery store and pay the extra 20¢ for something you buy, it isn't visible, so it doesn't disturb you. Politically, they're doing a smart thing. And of course this is the characteristic of our present Liberal Government. They are politically motivated, and always have been.

LS: We'll leave that, until something else breaks on it. We may come back to it.

I'd like to return now, Mr. Manning, to the chronological historical events that we've been covering. I'd like to start with the period 1940, after the reelection of the Party.

We've talked about the campaign, but there are two small things that I'd like to clarify and have your comments on. One, apparently the Social Credit Party around the time of the 1940 campaign (or perhaps after it) attempted to extend the party organization outside the boundaries of the Province. I'd be interested to know what was attempted, and how successful was the attempt?

And secondly, I'd like to know about the "New Democracy Party" and Mr. Herridge. I believe he was quite involved in Alberta at one point, and then there was a parting of the ways, apparently, and he no longer was involved in Alberta politics. I don't know whether the New Democracy Party was in fact the Social Credit Party attempt at extension, or not.

ECM: The extension aspect falls into two parts. Because of the close proximity to Alberta of Saskatchewan and British Columbia, we had of course a lot of

interest shown by people in those provinces in what was going on here. The reason I say that is that the initiative for extending beyond the Province of Alberta was not really something that was fostered in Alberta. We were interested, but we had plenty to keep us busy here. But we did have a lot of inquiries, and all kinds of requests for speakers, information, literature, and so on, by people in those provinces that wanted to know what was going on in Alberta, and should they get into the act too, and so on and so on.

This is particularly understandable, I think, in the case of Saskatchewan. As you know, from the early history of the Social Credit movement, radio was a big medium that was used for publicity and the educational work. Of course, that carried into Saskatchewan, and at least half of Saskatchewan was constantly in touch with all of the radio programs that were going on, if they wanted to listen to them. They could get them the same as on the Alberta side.

So there was a great public interest there. And in response to these requests, we used to have our MLA's and other lectures go all over the place. They organized Social Credit groups in Saskatchewan, and some in B.C. B.C. was a little different from Saskatchewan. Because of the mountains in between, they didn't have the same close contact through the radio communication which was true in Saskatchewan.

When the provincial elections came along in Saskatchewan, these groups started running Social Credit candidates. And our members used to go over during those campaigns, at their request, and campaign for them.

LS: And they were Social Credit?

ECM: Yes, these ran as straight Social Credit candidates.

Mr. Aberhart, I know, went to Saskatchewan one election, for several meetings. I went over several times, and other Ministers, and many of the private Members.

They did elect a few members, a relatively small number. But there were a few Social Credit members elected in Saskatchewan, a few elected in Manitoba, and a few in British Columbia. It was never a significant force.

In fact, it was a rather interesting thing, the Saskatchewan situation particularly. In those days the Liberal Government was in Saskatchewan, what was known as the "Jimmy Gardiner Machine". Jimmy Gardiner was Premier of Saskatchewan (he later became Federal Minister of Agriculture). He was a Saskatchewan man, of Saskatchewan background. He'd been in the House in Saskatchewan for years, and had been Premier for years - a very, very capable man, and a genius as a politician.

I'd be interested to see some capable person analyze the difference in the philosophy and thinking between two Provinces that certainly in those days had a great deal in common, where the people were so similar. The Saskatchewan political philosophy and the Alberta philosophy were completely different. At the meetings that I can recall (and I went over with Mr. Aberhart a time or two), you could get 2,000 people to turn out for a political meeting on Social Credit in Saskatchewan without any trouble, at any key place. But they came and they listened with the greatest of interest and enthusiasm and everything else, but when the election came around, they usually went out and voted for Jimmy Gardiner!

In fact there was a rather amusing incident. I remember one election (I don't recall the year, but Mr. Gardiner was Premier) when the Social Credit was making quite a pitch in Saskatchewan. The night before the election they went into Melville, Saskatchewan, quite a nice town, and one of Jimmy Gardiner's strong points, and they put on a Social Credit rally in a skating or curling rink. They must have had 2,000-3,000 people at Mr. Aberhart's meeting. Jimmy Gardiner had a meeting down the street the same night, with about 600. But the next day in the election, 90% of them went out and voted for Jimmy Gardiner! There was an interest, but not a political interest in the sense of electing members.

That went on for a number of years, and we sent our people into Manitoba,

Saskatchewan, and B.C., usually at the request of people there who were organizing groups. As a result of this, there was some interest, even in Eastern Canada. It was a different interest, because there it was more an academic matter - curiosity about who were this wild-eyed bunch in Alberta that had formed a Government out of nowhere. And a number of Social Credit groups sprang up in central Canada and in the Maritimes - right across the country.

This led to the place where they started talking about putting together a national Social Credit Movement. The other thing that gave some impetus to this was that in Alberta, in 1935, there was a Federal election just three months after the provincial election. And Alberta elected Social Credit members to Ottawa, from most of the Alberta constituencies. So we always had a very strong contingent of Social Credit Members in Ottawa, particularly from Alberta. That went on until the year they were wiped out, in the year of the Diefenbaker sweep. But up until that time, the majority of Alberta Members of the House of Commons were Social Credit Members.

This development led to the formation of a national Social Credit association, and it ran on for quite a number of years. It ran some candidates in national elections. It never really got onto a sound national basis. It had a strong base in Alberta. It developed quite a strong base in British Columbia, a fair number in Saskatchewan, some in Ontario, a few in the Maritimes, and then Quebec came in later on. They developed a strong wing there, which later became the strongest group in Ottawa, nationally.

Anyway, when this went on through several elections, and they weren't getting very far, quite a number felt that in the national field it would be better to have a party that was broader-based than the Social Credit parties which had been provincial parties. By this time, of course, British Columbia came into the picture with a Provincial Government. It was with the idea of getting a broader-based party for the national effort that they finally convened a Convention (held in Winnipeg, as I remember).

This Mr. Herridge that you referred to was a monetary reformer; he was related to R. B. Bennett, and he was one of the men that wrote a lot of R. B. Bennett's monetary reform speeches. Bennett himself was hardly a monetary reformer, that wasn't his strong forte. Herridge had been a student of Douglas, years before, and he was very familiar with the Douglas books. He took quite an interest in the national organization.

When they started the idea that it would be wise to broaden the base, and also change the name as part of the broadening base, this was when he expressed a real interest in being involved.

At the Winnipeg convention, they changed the name from the national Social Credit Party to the Democratic Monetary Reform (DMRO) party, and Mr. Herridge was elected as the national Leader. They carried on for a while in educational work, and I think through only one Federal election. And in the election, they didn't make any yards; they didn't do as well as had been done before, and we ended up again with the only contingent in Ottawa being from Alberta, with maybe one or two others.

The Alberta wing of this had gone into this rather reluctantly, because they had a stronger base. They had most of the seats in Ottawa, and they had been elected as Social Crediters. Quite a number of them had reservations about changing the name and upsetting their constituents. So when they didn't make any significant yards under the DMRO title, they referred back to the national Social Credit Association, and Herridge dropped out.

LS: Was there not also a lot of disagreement on the conscription issue at that point?

ECM: There was a national issue on that. I don't recall it being any great issue as far as the DMRO group was concerned. It could have been. Of course the Quebec wing was very strongly opposed to the conscription vote, but I don't recall it being a major thing, and I don't think it had any major role in the discontinuing of the DMRO.

LS: So your comment on Mr. Herridge becoming less interested in Alberta, or moving away, was basically because it was the Alberta Social Crediters in Ottawa who felt that they had a base, and they felt strong?

ECM: My assessment of Mr. Herridge's position would be that he was concerned for Canada, and he took on this leadership when the movement was changed to the Democratic Monetary Reform movement. Even the name was in line with his writings and work; it had all been in the area of monetary reform. He took it on to give his very best try to see if they could catch fire nationally. Well, it didn't materialize. And I think he wasn't mad at anything--it just didn't fly. If it wasn't going to be successful that way, he didn't have an interest in staying with it on any other basis. He dropped out, and the national organization became once again just the affiliation of provincial organizations.

LS: The next thing I'd like to talk about during this time is something called the "Alberta Interim Program". I'm interested in the rationale behind it, in fact, whether it was a program as such. In five little booklets by H. E. Nichols, called "Alberta's Fight for Freedom" (I'm not sure why they were publishd) he goes into a discussion of the "Interim Program". The booklets talk about a two-part strategy to give people increased purchasing power, through a monthly dividend and through lower cost of living. They also talk about marketing boards and treasury branches.

I'm interested in the rationale behind the program, and how successful it was.

ECM: It was a program that really grew out of the Treasury Branch program. The Treasury Branch program, as we've said in our earlier talks, was brought into being to have the physical facilities for the transfer of what we called Alberta Credit, to distinguish it from currency and credit which was under Federal jurisdiction.

The efforts and the legislation that had been passed to try to actually acquire power in the hands of the Alberta Government to create this Alberta Credit had all been shot down, either by being disallowed or found ultra

vires in the Courts. So we were groping to see if there wasn't some other way that we could achieve this goal, using the Treasury Branch program with some extension into other areas.

The idea was developed that we should offer to the people a discount (it was a very small discount, I think 2% to start with, and it may have been increased a little later) on Alberta-made goods that were purchased with Alberta Credit, in other words with Treasury Branch vouchers. We got a lot of stores and distributors that came in on this, that is, people who were handling products produced in Alberta. Under this program, if a person who had an account at a Treasury Branch went into a store and bought something which was stamped "Alberta Made" (they had a little label that was put on), then they were entitled to a discount of 2% on that. The discount was paid by the Province to the merchant. It was a subsidy which gave the consumer a discount. This is undoubtedly what was in mind in that booklet that you refer to, talking about increasing purchasing power. It was the same effect as giving the fellow \$2 more in the \$100, because you'd discounted the price of his goods.

The program had some success. There was quite an interest on the part of the Alberta producing firms. But of course, in those days we didn't have a lot of manufacturing firms. We had processing firms and things of that kind, but really the total volume of what you could call Alberta Made goods was not that big. Most of our goods came from Eastern Canada or the States.

Anyway, it had quite a wide acceptance. A lot of people used it; a lot of stores signed up, and they had a little symbol on their door that they took Treasury Branch vouchers, and they sold Alberta Made goods.

The point on which the program was ultimately discontinued was that the Province was accumulating a significant debt in that we were paying this discount with Alberta Credit, but under the Treasury Branch program, Alberta Credit could be converted into legal tender for various purposes. So ultimately it got into the legal tender category. And we had then to buy the legal tender to satisfy that debt. We became concerned that this,

if it grew too much, would incur quite a significant debt.

It was called an "interim" program because there were still high hopes at that time that we would be able to acquire in legislation the power to actually pay dividends in credit and have this credit recognized as a medium of exchange within Alberta. In which case, of course, we wouldn't have had to convert to the currency in the same way that we were doing when it was not accepted. The term "interim" was there because it was considered as a stop-gap to do something in the interval, until we got to that place with our Social Credit legislation.

In conjunction with this, the Province set up what was called a Provincial Marketing Board. That was really an arm of the Department of Trade and Industry that had depots around the Province, and handled quite a lot of the Alberta Made products. This was done first for convenience, because people always wanted to know, "Where can we get Alberta Made products?" The consumers and merchants wanted to know. So there were a few Marketing Board depots set up, in Edmonton, Calgary, and two or three others of the larger places.

And in addition to that, the Provincial Marketing Board went into various lines of commodities where they felt that there was not adequate competition in the marketplace, where prices were too high. I know that at one time they went into the plumbing area, and handled plumbing fixtures which could be bought through the Provincial Marketing Board. And quite a lot of farm supplies. They dealt quite heavily in farm supplies - the smaller items used in farm operation. They had quite a large volume of business, and they were self-sustaining. They bought and sold this stuff as a wholesale distributor, and were not subsidized by the government. Their turnover paid their expenses; they didn't make money out of it, but they expected to break even.

That was a part of the so-called "Interim Program" too. It was a source of supply, and again it focused attention on the Alberta Made products, which were handled by the Alberta Provincial Marketing Board.

LS: It was innovative, and not an approach that's often discussed.

ECM: Well, no, I suppose because of the fact it was treated by the Government very definitely as an interim program. It was not considered an end in itself. It was a transition step to the stage where we hoped to pay the dividends directly to people and eliminate the need for the bonuses on goods purchased, and things of that kind.

LS: When did it terminate?

ECM: It operated for quite a number of years. The discount for Alberta Made goods was phased out first, and the Alberta Marketing Board depots carried on for quite a time after that. They were gradually phased out, but they provided a rather welcome service in a lot of communities, and their prices were more than competitive with most other sources of supply.

LS: When you say many years, would they have gone into the Fifties?

ECM: No, I don't think it was that late. They'd have been phased out sometime in the Forties, probably about the end of the War.

LS: You were then Minister of Industry, Trade and Commerce, so that fell under your department?

ECM: Yes.

LS: We've talked in the past about the Social Credit Board, but I'm interested at this point in two things about the Board. Not so much the Acts that created it, but (1) its relationship to the Legislative Assembly. In reading some of the Annual Reports, for instance the Annual Report of 1940, this Interim Program was discussed at some length. And it's unclear by reading the Annual Report whether the Report is recommending or simply reviewing the program. So its relationship to the Legislative Assembly is interesting. (2) The second thing is that throughout the early 40's the newspapers of the time seemed (almost yearly, as the funding and budgets came up) to be critical of the funding of the Social Credit Board. I

wonder if we could have your comments on both those.

ECM: On its relationship to the Legislature, the Social Credit Board consisted entirely of Members of the Legislature. There were no outside members on the Board. Their function initially (and we've discussed this earlier) was to concentrate on trying to develop Social Credit legislation that would make possible the implementation of Social Credit monetary proposals. They were the ones that made the all-out effort to get Major Douglas to come over as an advisor. And although they were not successful in that, they got a couple of his emissaries to come.

But as time progressed, and efforts in drafting and re-drafting legislation didn't get anywhere because they were always shot down no matter how many times they were re-drafted, the work of the Board in that field in a sense tapered off. They got to the point where there was no point in repeating the legislation which had been declared unconstitutional.

Their reports from that time on were more assessments of the economic conditions of the Province, and recommendations with strong arguments as to why what they had proposed in legislation that had been disallowed or found ultra vires would be advantageous. And sometimes recommending different approaches to doing the same thing all over again. They were rather general reports, but it was more of that type.

As far as recommendations were concerned, they did make some recommendations, but it was more of a general assessment, rather than a report of recommendations.

The Board and the financing of the Board were criticized for two reasons. One, of course, the media was almost 100% opposed to the whole concept of the Social Credit philosophy, and that carried over into their equally strong opposition to the Social Credit Government as a political entity. So anything that the Government did was subject to a great deal of criticism. And the Board was a unique thing because it was something peculiar to the Social Credit Government - other governments didn't have Social Credit Boards!

The point of criticism on the costs, I think it would be fair to say, rose essentially from the fact that the members of the Board were Members of the Legislature. They were paid a per diem allowance when they were on business of the Board, even though they were Members of the Legislature. That was rather unique in those times. Usually, when Board were appointed on which there were paid personnel, it was usually people outside Legislatures rather than Members. That of course has undergone a complete change today. Now you have all kinds of government Task Forces and Committees set up by Governments and made up of Members of the Legislature that are paid. And nobody, certainly not the media, seems to raise any question about it. But in those days, when they paid the Social Credit Board members \$6.00 or \$4.00 a day, this was terrible, a terrible waste of public money, and it was zeroed in on quite extensively.

LS: Just to raise the whole question of pay. I've come across references where the Premier and the Cabinet Ministers would in fact have voluntary contributions. They would receive so many dollars per year, but they would turn back a certain portion of that. The Parliamentary Guide for Alberta for 1940-41 makes reference to that. Was that an ongoing practice? Voluntary contributions?

ECM: I think what that was referring to (and it was maybe a misnomer to emphasize the voluntary end of it too much) was something that began before our Government was elected. It was started by the UFA Government, when the economic conditions got desperate in the 1930's. At that time, just to take a concrete case, a Cabinet Minister's salary was \$6,000 a year. And in about 1934, I believe, the UFA Government adopted what they called a "Voluntary Income Reduction" by Ministers and the public service - it applied right across the board - of 10%, which cut the salary from \$6,000 to \$5,400. This applied to public servants too. As I understand it, they had discussions with the civil service association and said, "The money isn't there. And rather than change the salary schedule, what we are recommending is that we take a voluntary reduction of 10%." The salary remains the other, but the 10% was treated as a voluntary reduction. And the association agreed to it, and the Ministers agreed to it.

We carried that on. It went on for quite a number of years. It applied to the Members' sessional indemnity. The sessional indemnity under the UFA Government, and when we came into Government, was \$2,000 a year. But the voluntary reduction took \$200 off that, so it was \$1,800. This meant that a Cabinet Minister's salary, plus the indemnity, was \$7,200 or \$600 a month for the combined salary and indemnity. That difference was called a "voluntary contribution" so that the salary schedule showed at \$6,000 and \$2,000, but the actual take was \$5,400 and \$1,800.

LS: Okay, that clears it up.

I'd like to look at 4 specific pieces of legislation that were passed in the Legislature in 1940. It was a very short session, from February 8 to 16. Perhaps you could name the four that you have there, and give the significance of each of them. But in talking about the first one, regarding cancer treatment, I wondered if we could also talk briefly about the greater health program of Social Credit under Dr. Cross, and the whole concern for that kind of legislation by the Government.

ECM: Dr. Cross was Minister of Health in the Social Credit Government for 25 years, I guess the longest period of any Minister of Health in the Province's history. He was very concerned from the time the Government came into office to see developed in the Province a comprehensive program of medical health services, both hospitalization and medical care. I think his concern probably was motivated from two aspects. One, he had been a medical doctor in a rural and small-town area (he came from Hanna, Alberta, which was an area very hard hit by the Depression, it was in the drought area apart altogether from the Depression) and he had seen first-hand the complete inadequacy of hospital and health services particularly for people who didn't have any money. There was practically nothing in the way of free public health services in those days, and in the Depression years, particularly in those drought areas where people just didn't have anything, he saw so many cases of people that were not getting health care because they simply couldn't afford it.

This is a little on the side, but he was one of the old school of family

doctors. He would never talk about himself or his practice, but in the Hanna area he was absolutely beloved. Once Dr. Cross said he would run as the Social Credit candidate, no one else would even bother talking about it, because everybody knew him. He'd been there, he'd delivered their babies, he'd operated on kitchen tables all over the place.

I was told, and I heard it from a number of people down there, that when he left the area and came to Edmonton to be Minister of Health, he left thousands of dollars of unpaid accounts on his books; he would never ask anybody a nickle for a health service. So the second motivation, I'm sure, was that he himself was a very strong humanitarian. He was very anxious to see a program developed.

He started, almost immediately after the Government was elected, to develop these programs. I'll just touch on two areas very briefly. One is this Act that you refer to, an Act Relating to the Treatment and Prevention of Cancer. This empowered the Minister to set up programs for the diagnosis and treatment of cancer patients. There was also Government financial assistance that went along with it. It put an emphasis on research and developing programs, and particularly encouraging people to have examinations if they thought they were threatened with cancer. And helped them financially.

One of the things that worried him as a doctor, especially dealing with a disease like cancer, was that when people didn't have the money to pay for diagnostic treatment, they just didn't bother. They were dying by reason of the fact that by the time they discovered what was wrong with them, it was too late to do anything for them. This was one reason why he singled out cancer as one of the areas he wanted to zero in on particularly.

Another one that he was equally strong on was better maternity care. At that time in Alberta's history, the great majority of infants were born at home. Here again, it was a matter of the costs of hospitalization, and there weren't the facilities in many cases. So he launched a program first of increasing the hospital facilities in the Province, and secondly of providing maternity care financed by the Province. So money no longer was

the obstacle in the way of women getting proper maternity care in hospitals. His goal was to step up the percentage of children born in hospitals or clinics rather than in private homes, because the mortality rate of those born in private homes was much higher than it was where they were born in hospitals.

LS: How did these social programs compare with what other Provinces were doing? Were we on a par?

ECM: We were behind the older provinces, of course, particularly Ontario. They had far more resources, and had been in business a lot longer than we had. In 1935, Alberta had only been a Province for 30 years. Our population was only half a million people, and scattered. We had mostly a rural-based population. So we'd had neither the facilities nor the financial resources to bring in programs which had been brought in in some of the older provinces.

Under Cross's leadership in the health field, Alberta certainly became the leader in the Western provinces, and I guess in many of the provinces, in a lot of these health services. He kept this up over all the years until he had a very comprehensive program, of both hospital and medical services.

LS: Another Act regarding the Metis population.

ECM: This was another Act in the field of social services. It was called An Act to Amend and Consolidate the Metis Population Betterment Act. What this did was provide for the establishment of what were called Metis Settlement Associations. This was a consolidation of rather limited legislation that had been in effect before, and its objective was to facilitate the Metis people's organizing themselves into an Association, and then acquiring (with Government help) areas which were in a sense a miniature of Indian Reservations. Reservations existed for the Indian people by virtue of federal legislation, but the Metis people - whose economic circumstances in many cases were as serious as the Indians' - did not have that kind of provision.

This Act provided for setting up the Associations, and they could then establish centres or reservations, for Metis people.

LS: Had it come out of pressure? Where did it come from?

ECM: Well, I think it was a combination of two things. Again, it was a concern for the social needs of people, and of course the Social Credit Government was heavily oriented to humanitarian concern. That had been one of the things that took most of us into the field of government in the first place - the concern for the conditions people were in in those Depression years. But there was of course pressure from the Metis Association, and from people who were dealing with them, who were aware of the inadequacy of what was there. It was a combination of those things.

LS: Two other pieces of legislation, having to do with totally different areas. One concerning an Alberta Provincial Bank. And secondly, an Amendment to the Treasury Branch Act. What were the provisions there?

ECM: One of the most important provisions in the amendment to the Treasury Branch Act was to authorize the Treasury Branches to "use deposits to make purchases of goods, wares or merchandise for resale on such terms and such payments as may be agreed upon." This was because the Treasury Branches were tied in with the Interim Program that we referred to, and the Alberta Marketing Board. Under this amendment, the Treasury Branch was able to finance the Alberta Marketing Board purchase for resale of these Alberta goods, with deposit monies that were in the possession of the Treasury Branch. That was probably the biggest single change that was made at that time.

The other act was An Act to Authorize the Formation and Operation of the Alberta Provincial Bank. It was more a matter of a stand-by piece of legislation. Right from the beginning we were of two minds as to whether it was wise for Alberta to attempt to obtain a bank charter and have a Provincial Bank. We felt that it was an area that we wanted to explore as a possible means of advancing the whole idea of implementing the Social Credit monetary proposals. A chartered bank obviously could do things that

we couldn't do through the Treasury Branches, which were much more restricted in some respects than a chartered branch.

As against that, some of us had some very definite reservations about the wisdom of going the route of a chartered bank. If you obtained a bank charter, then of course the chartered banks were subject to all the regulations and legislation that pertained to banks anywhere. It meant that as far as wanting to break away from the orthodox or institutional way of financing anything, there was very little scope for that under an Alberta Bank. It had to conform to the federal legislation for the operation of a chartered bank. Whereas under the Treasury Branch legislation which was provincial, we could take all the scope that we felt was necessary, as long as it was within our power as a Province.

We did make an application, and it was refused anyway. I think we pressed it once after that, but ultimately we even ceased pressing for a bank charter.

If I might give a simple illustration of how that worked out in later years: Years later, I recall when the Bank of Canada wanted to restrict credit expansion at one time. They requested the chartered banks to cease giving overdrafts. This didn't mean people couldn't get the equivalent of an overdraft, but they had to go to the bank and arrange for a temporary loan, instead of just automatically getting an overdraft. In the early days, that's what happened with good accounts at the bank. If you ran over, if you were a good customer, they just honoured your cheques, and sent you a notice that your account was overdrawn by so much. The Bank of Canada asked the chartered banks to terminate that business.

The Treasury Branches by this time were doing a good business all over Alberta, and we said, "We won't eliminate overdrafts, as far as the Treasury Branches are concerned." And we got a lot of business through it. People got annoyed, more than anything else. They'd had an account at the bank, and had automatically received an overdraft. Now they couldn't do this, because it was a requirement of the Bank of Canada. Not all customers understand that, and think, "Well, how come, after ten years, I

now have to go down and negotiate a loan every time I want to run over a few hundred dollars?" The Treasury Branches of course said, "Come on over here. You can go on getting overdrafts the same as you always did."

That's just an illustration of the difference between a financial institution that operates under a bank charter, and one that doesn't.

LS: In this period of time we've talked about a number of Cabinet Ministers who seem to have come into their ministries and stayed for many, many years. We've talked about Dr. Cross, but there are two or three others that I wonder if you'd like to comment on. One was Mr. Solon Low, who was Provincial Treasurer. When you used the word "orthodox" in regard to finances - I know that the newspapers at the time (in the early forties) would often bring up the fact that every time the Government brought out a new Budget there would be someone who would stand up in the House and say, "But this is really an orthodox Budget." And Mr. Low would reply to that.

I wonder if you'd comment on that, and also on Mr. Low as Cabinet Minister, and particularly as Provincial Treasurer.

ECM: Mr. Low was Provincial Treasurer for a number of years. He was a very capable Minister. The first Provincial Treasurer under the Social Credit Government was Mr. Cockcroft, and he left through a disagreement with the Premier. Mr. Low was the man that Mr. Aberhart asked to take Mr. Cockcroft's place, and he was there until about 1944, when he resigned to take the national leadership of the Social Credit Party.

As I say, he was a very capable man. The comments that we used to get on the Budget tie in with the matter we discussed in earlier talks. In the period of the so-called "insurgency" in the ranks of the Social Credit, the Government had real difficulty in getting many of the Private Members to realize that there was no reluctance or change of mind on the part of the Government in trying to implement the monetary proposals of Social Credit - the payment of dividends, and so on. But our problem was getting legislation under which we could do those things, because of the constitutionality question. And in the interval, unless and until we did

get those powers, we had no way of carrying on the ordinary business of government except by raising taxes and paying the bills, the same as all other governments. Which of course is what is meant by "orthodox" financing.

So each year, the Treasurer would have to bring in a Budget which differed in no significant respect from the budgets that are brought in by all governments. Then somebody would say, "This isn't a Social Credit Budget; this is an orthodox budget." So Mr. Low would have to get up and explain, "Sure, it's an orthodox budget. Unless and until we can get the power to create our own credit, there's no other way to operate the province except by this means." He did a very effective job; he was a very capable man.

LS: Another Minister was Nathan E. Tanner, Lands and Mines. He was Minister of that Department a long time. And of course it's interesting through the Forties and Fifties, as resource development becomes of greater concern with Alberta, his position was a very important one. What about Mr. Tanner? What sort of Minister was he?

ECM: Mr. Tanner was an outstanding Minister, and an outstanding man. He was a high school principal, a teacher by profession, who came from Cardston, Alberta. He was a Bishop in the Mormon Church, a man of high moral integrity, an outstanding man. He was elected in the election of 1935, and he was appointed the first Speaker of the Legislature after the election.

The first Minister of Mines and Minerals was Mr. Charlie Ross, whom we talked about before, who was not associated with the Social Credit political party at all. Mr. Aberhart brought him in from outside; he was an oil man. And then he resigned as a result of a disagreement with Mr. Aberhart over the conservation of gas in Turner Valley. And when he resigned, Mr. Aberhart asked Mr. Tanner to become Minister of Mines and Minerals.

In those days it was not called "Mines and Minerals". I've forgotten the full title, but it included what later was split off into a second Department of Lands and Forests. Mines, minerals, lands and forests were

all part of one Department, and Mr. Tanner took that over in 1936. He remained the Minister until 1948 or the election of 1952, probably 1952, when he retired from the Cabinet at his own request, to become president of Merrill Petroleums, an oil company in Calgary, from which he later went to be president of TransCanada PipeLines, from which he ultimately retired. He moved then to Salt Lake City, and devoted himself fulltime to his work in the Mormon Church. He's still living there today; I saw him, in fact, two months ago. He's 80 years old now and getting frail, but a wonderful man.

LS: You must have worked closely with him.

ECM: Yes. He was the Minister when Leduc came in in 1947, and the period of the great oil development. It must have been 1952 when he retired, because he was active throughout all that period. He was the Minister responsible for formulating all the original oil and gas legislation respecting exploration and development, leasing, royalties, etc. I worked very closely with him, because that became a major part of the Government's operation.

When he resigned from the Cabinet to go into private business, I took over the Mines and Minerals Department myself, so we had continuity there because we had worked closely together.

LS: One other Minister I'd like to refer to briefly is Lucien Maynard, at Municipal Affairs. What was his background?

ECM: He came into Mr. Aberhart's Cabinet as a Minister Without Portfolio. In that role he was assigned various specific things, for example the so-called Prosperity Certificates program. He was the chief instigator and administrator of that program. And a lot of other things.

I appointed him Minister of Municipal Affairs after Mr. Aberhart died and I became Premier, in my first Cabinet. Then later he was Attorney General.

LS: One very brief reference. In 1941 there was something called the Democratic Monetary Reform Organization. Mr. Aberhart took on the national leadership, is that correct?

ECM: That's the one we talked about earlier, that Mr. Herridge took over. Mr. Aberhart headed it up in the interim period when the organization was put together, until they had their first Convention. It was only a matter of some months. Then at the Convention, Mr. Herridge was elected. Mr. Aberhart only did it as an interim, stopgap measure.

LS: I'd like to move on to perhaps a more personal story about Mr. Aberhart. In 1941, the University of Alberta, at a certain level, decided to give him an honorary degree of Doctor of Laws. Then, they didn't! What was the background of that?

ECM: That was one of the dark and unhappy chapters in the history of the University of Alberta. Mr. Aberhart had been an educator all his adult life, and Minister of Education from the time the Government was elected in 1935. It had been a policy or practice of the University of Alberta to award an honorary degree to the Minister of Education after his second election - not the first time he came in, but after he'd gone through an election if he continued. Mr. Aberhart of course was re-elected in 1940, and so following that usual practice, a committee of the Board of Governors of the University (headed by the President who was Dr. Kerr) made their assessment and recommendations for who they should award honorary degrees to at that Convocation. I think there were two recommended, one of them being Mr. Aberhart as Minister of Education.

That was a unanimous recommendaton of the committee, apparently, and when it was unanimously approved by the Degrees Committee they approached Mr. Aberhart, asked him if he'd accept it, and he said he would be honoured and delighted to accept it. And they asked him if he would give the Convocation Address that year.

Then, just before the Convocation, in what was usually a matter of routine formality, the Convocation Committee made its report to the full Board of Governors. And the other party whom they recommended a degree for was approved without any question. Then some member of the Board asked that the vote on the approval of the recommendation regarding Mr. Aberhart be by secret ballot, which was a most unusual procedure. That was agreed to, and when the ballots were counted, the recommendation was defeated by one vote.

The tragedy of the thing was that this dragged into the educational field and the honorary degree field political biases. There were no other grounds on which anybody would have thought of rejecting the recommendation made by their own committee, especially to a man who was recognized all over as a leading educator in Western Canada and who had been Minister of Education for two terms.

Of course, the President, and many members of the Board, were very upset. They asked to have the subject re-opened, after they adjourned for lunch, because of the serious implications of this thing, and the embarrassment that they knew it would cause to the University and to the Premier. It was re-opened, and in the interval some of the members had gone home. there was a smaller body in the afternoon. It was voted on again, and again defeated by one vote.

As a result, the President of the University resigned in protest because he felt it was an affront to him and to his committee, and to the Premier and Minister of Education, and the University. Of course, Mr. Aberhart didn't attend the Convocation.

It was a very, very regrettable thing, a black mark on the University of Alberta. And they certainly felt that keenly for a great many years.

LS: Why do you think it happened?

ECM: It was purely political. Mr. Aberhart was vehemently opposed, as we've said in earlier talks, by the old political schools. He was regarded by them as somebody who'd come in from outside, carried the public of the Province behind him, elected a Government that was completely unorthodox and was opposed by all of them, and challenged the whole establishment, political and otherwise. It was just vehement animosity towards him for that.

The irony of it was that men of that calibre would let their political biases carry over into an area such as whether they would or would not do the normal, appropriate thing of granting the honorary degree. It was a

case where it was initiated by them. Mr. Aberhart wasn't asking for an honorary degree; that was the last thing he'd do. They initiated it, they asked him if he'd accept it; they asked him to give the convocation address. And then they had to come back afterward and say, "Sorry, our Board has rejected our recommendation." It was a terribly embarrassing thing for them, and the President certainly felt he had no alternative but to resign, which he did.

LS: Do you have any sense of how Mr. Aberhart reacted?

ECM: Well, he was hurt by it. Mr. Aberhart wasn't a man who showed his hurt, but those of us who knew him well personally knew he was hurt by it. He was hurt by it, first, because as an educator he was very jealous of the field of education. And this was dragging into the educational field political biases and prejudices which should never have been there. He was insulted and hurt by it, there is no question. Education as his life, his first love. He'd been an educator all his adult life. And if he'd had his own personal choice - I think I've mentioned this in previous interviews - he would have stayed with education rather than go into politics. As between the two, the education field had the greater appeal to him.

LS: Good. I think we'll leave it there.