

01 Mr. E. C. Manning

02 Interview #3

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03 March 12, 1979

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05  
06 **ECM:** The world's first Social Credit Government was elected in the Province of  
07 Alberta on the 22nd of August, 1935, and was sworn into office on September  
08 3rd. The election marked the culmination of a very dynamic crusade and  
09 campaign that had seen a party which had only come into being as an  
10 educational movement three years before and as a political party only one  
11 year before, make an almost complete sweep of the Province, picking up 56  
12 out of 63 seats and completely eliminating the Farmers' Government which  
13 had been in office from 1921 through to 1935.

14  
15 Following the election, there was the interval between the date of the  
16 election on August 22nd until the 3rd of September, during which a great  
17 deal of preparatory work had to be done.

18  
19 Immediately after the election, Mr. Aberhart received a call from the then  
20 Lieutenant-Governor of Alberta, advising that he intended to call on him to  
21 form a Government. Mr. Aberhart himself had not stood as a candidate in  
22 the election, so he was not an elected Member of the House, but he was the  
23 initiator of the Social Credit Movement in Alberta and of course the  
24 recognized leader of both the educational movement and the political party  
25 as it had become prior to the actual election. So it was quite logical  
26 that the Lieutenant-Governor would expect him to form the Government.

27  
28 Following the call of the Lieutenant-Governor, Mr. Aberhart, accompanied by  
29 Mr. Hugill, a lawyer from Calgary who became Attorney General in the new  
30 Government, and myself, came to Edmonton and had two rather important  
31 meetings.

32  
33 One was with Mr. Reed who was the Premier of the U.F.A. Government which  
34 had just been defeated. This meeting was for the purpose of discussing the  
35 transition from the departure of the old Government and the coming into  
36 office of the new. The second meeting was with the Lieutenant-Governor, to  
37 make his acquaintance and to discuss with him the procedures for the

01 swearing in of the new Cabinet and the installation of the new Government  
02 to office.

04 Both of those meetings went very well. There was naturally a bit of strain  
05 on the part of the retiring Premier of the former Government - the  
06 Government had suffered a total electoral defeat - but Mr. Reid was  
07 cooperative. He outlined a few matters that were in the process of being  
08 dealt with by the former Government when the election took place and which  
09 the new Government obviously would have to address when it came into  
10 office.

12 The Lieutenant-Governor of course extended full courtesy and assured the  
13 Premier-designate that he would have access to him at all times for any  
14 matters that he wished to discuss. It was quite obvious he would do  
15 everything necessary to insure the smooth transition from the old  
16 Government to the new.

18 There were two other things that transpired during that interval between  
19 the election and the swearing in of the Government. One was a Caucus of  
20 the newly elected Members. This was held in Calgary. The time was spent  
21 in assessing the election results. Everybody of course was enthusiastic as  
22 a result of the political sweep. Mr. Aberhart as the Leader stressed to  
23 the Members that they were now no longer candidates for an election but  
24 they were now elected representatives of the Legislature. They would  
25 henceforth be responsible to serve and represent all of the people of their  
26 constituency without regard to party. And that on their shoulders would  
27 now fall the tremendous responsibility of carrying on the Government and of  
28 seeking to implement the program on which the Social Credit Government had  
29 been elected.

31 It was an enthusiastic Caucus. It was a sobering meeting, because it was  
32 beginning to sink in to these new Members the tremendous responsibility  
33 that had suddenly fallen on their shoulders. Perhaps this can be  
34 understood a little clearer when it's remembered that of the 56 Social

01 Credit Members elected, not one had ever been in the Legislature before.  
02 So these were not people experienced in the operation of government. They  
03 were a cross-section of Alberta citizens - farmers, teachers, doctors,  
04 lawyers, merchants - imbued with a deep desire to try and do something  
05 effective to alleviate the Depression conditions of the times, but totally  
06 without experience as far as the legislative work was concerned. Which of  
07 course brought home to them the sense of responsibility very, very clearly.

08  
09 The third thing that transpired during that period (and this of course fell  
10 to Mr. Aberhart as the Premier-designate) was the decision as to whom he  
11 would ask to form the first Cabinet. His final decision was for a small  
12 Cabinet of only eight members. Mr. Aberhart himself, in addition to being  
13 Premier, assumed the portfolio of Education.

14  
15 Dr. W. W. Cross was a medical doctor from the Hanna district, well-known,  
16 well-respected, and a very capable and experienced doctor. He was chosen  
17 to be Minister of Health and Welfare, which departments in those days were  
18 combined as one department.

19  
20 Mr. William Fallow of Vermilion, who was with the Canadian National  
21 Railway, was chosen to be Minister of Public Works, which in those days  
22 included in addition to buildings and public institutions, the highways,  
23 bridges, and transportation, and all matters in that field.

24  
25 A man by the name of Mr. Chant, who was the newly elected Member for  
26 Camrose and a very successful large-scale farmer in the Camrose community,  
27 was selected to be Minister of Agriculture.

28  
29 Mr. John Hugill of Calgary, who was a practicing lawyer in the City of  
30 Calgary, was selected as Attorney General.

31  
32 A man by the name of Mr. Cockcroft from Stettler, who was a merchant with a  
33 fair business background and some experience in the financial field, was  
34 selected as Provincial Treasurer.



I was asked to take the portfolio of Provincial Secretary, and a short time later to that was added the portfolio of the Ministry of Trade and Industry.

The eighth member was a man by the name of Mr. Ross. He came in a little later, not with the initial Cabinet. He was the Minister of what was then called Mines and Minerals which was a combination of the departments that dealt with natural resources, lands and forests, which was divided into two, and later into three, departments.

Mr. Ross was not involved in the Social Credit Movement at all up until that time, and had not been a candidate in the election. But Mr. Aberhart was very anxious to have as a Minister for that Department someone knowledgeable of natural resources and particularly the petroleum industry. There were some problems of serious magnitude that we recognized would have to be faced, primarily the shutting in of the waste gas in the Turner Valley region which had been discussed for a number of years by the previous government but on which no action had been taken. We had committed ourselves to doing something about meaningful conservation of that resource.

Mr. Ross was a well-known man in the petroleum industry in Calgary, and was well respected within the industry and knowledgeable of its problems. So Mr. Aberhart asked him if he would be prepared to take on the portfolio of Mines and Minerals, which he undertook to do with the understanding that, first, he would not be expected to involve himself actively in the political field in which he was not interested, and secondly, that he would have a free hand as Minister of that Department to deal with the problems of the petroleum industry, particularly as he felt they needed to be addressed.

To make it possible for him to continue as a Cabinet Minister, one of the men who was elected resigned, and a by-election was held, and Mr. Ross was



01 elected in that way. But he came in a slight bit later because of that  
02 adjustment.

04 I have also mentioned that Mr. Aberhart was not elected, so very shortly  
05 after he was asked to become Premier another Member of the Legislature in  
06 the Okotoks-High River area resigned. A by-election was called there and  
07 Mr. Aberhart received a seat through that.

08  
09 During that period between the election and the swearing in of the Cabinet,  
10 Mr. Aberhart did spend a lot of time in assessing these men, along with  
11 others of the elected members (this group that I've mentioned was his final  
12 selection).

13  
14 I might mention that his task in making this selection was undoubtedly  
15 helped by the fact that during the nomination of candidates the Social  
16 Credit Movement had used a rather unique method. Instead of just holding  
17 the ordinary constituency conventions and selecting one candidate, the  
18 constituency conventions in each case had selected three potential  
19 candidates. And the final decision as to which of the three would stand  
20 was made by what was known as an Advisory Committee which travelled around  
21 the Province from constituency to constituency and in each constituency met  
22 with the officials of the constituency organization for that particular  
23 riding. Along with those local officials, they assessed the relative  
24 merits of the three potential candidates that had been selected by the  
25 Convention.

26  
27 This method had been adopted because of the newness of the Movement. It  
28 had only been a political party for a year. It was obviously impossible in  
29 that brief time for the people, even in the constituencies where these men  
30 were being selected, to really get to know them, because they were not  
31 figures who had been active in the political arena for a long time as is  
32 usually the case when people are nominated to be candidates.  
33

01 In this way it was felt that there would be the best opportunity, first of  
02 all to have a clear expression of the choice of the constituency who had  
03 said in their conventions, "Any one of these three we feel is a  
04 satisfactory candidate," and then their representatives along with the  
05 Advisory Committee assessing the experience and the particular expertise  
06 and qualifications of the different ones, and making the final selection.  
07

08 Mr. Aberhart travelled with that Advisory Committee throughout the  
09 Province. This gave him an opportunity to have gained a lot of information  
10 on the candidates, through the discussions with the local officials and by  
11 meeting them personally when they appeared before the Advisory Committee,  
12 at which time their qualifications were discussed. That background of  
13 information certainly assisted him in making his final selection.  
14

15 So the day came, on the 3rd of September, when the Government was sworn  
16 into office. It might be appropriate to mention at this point the  
17 tremendous reactions to the election which had taken place in that  
18 interval, in fact starting the night of the election itself.  
19

20 In the short period before the election, at least the last month before the  
21 election, it had become obvious that social Credit was going to sweep the  
22 Province. Up until that time, while the activity had been great, the  
23 impression was given, certainly by the media, that this whole Social Credit  
24 Movement was an upstart movement by a bunch of people who were not  
25 politically experienced and not to be taken very seriously. And that when  
26 the chips were down and the election took place, very little would come of  
27 it. And so while there had been a lot of publicity, it had been that type  
28 of publicity and tinged with quite a bit of ridicule and some sarcasm.  
29 "Who were these upstarts that thought they had an answer to the problems  
30 that nobody else and no other governments had been able to solve."  
31

32 But by a few weeks before the election, the people who were testing public  
33 opinion around the Province became convinced that there was going to be a  
34 landslide and that Social Credit was going to be elected. So of course

there was a great deal of media publicity, not only in Alberta and Canada but in other parts of the world. When the election took place, however, the sweep was even greater than any of them had predicted. They had conceded that there would probably be a Social Credit Government elected, but they had not conceded that there would be the kind of landslide there was.

And the fact that the total membership of the previous was eliminated - the Premier, all of his Cabinet Ministers, and every Member - I don't suppose this had ever happened in an election in Canada before. Out of the 63 seats, there were only seven Opposition Members elected, five of them were Liberals, two of them were Conservatives, and the Liberals therefore became the Official Opposition.

When the results of the election became known, the inquiries poured into Alberta, certainly to the media, and to others, from all over the place. There were wires from London in England, and all over Canada, and phone calls from as far away as Australia. Everybody wanted to know what had happened, and what was going to happen next.

No doubt this interest was heightened by the fact that the media coverage of the Social Credit Movement from its inception, particularly after it became political, had given the impression that it was a wild-eyed monetary reform group that had some very far-out ideas. This lent itself to quite a bit of sensationalism and there were a lot of inquiries as to what this was going to do to the credit of the Province, what it was going to do to investment in the Province, were the savings of the people of the Province going to be confiscated. There were all kinds of wild rumours spread around, as a result of the type of media propaganda that had preceded the election.

Within Alberta itself, the reaction was dramatic. There was little doubt on the part of the great majority of the rank and file of the people that they were going to elect a Social Credit Government. The enthusiasm in the



last days of the campaign was great - you almost had to see it to believe it.

For example, we would have meetings in these little towns that would have a population of maybe 1,000 or 1,200 people, and it wasn't uncommon to get 1,500 people out to a meeting. They'd come in from 30-40 miles. We used to use skating rinks and curling rinks for meetings because you couldn't accommodate the people.

On the other hand, the Government Members and the Opposition party members, would go out and have a handful of people in a little hall. It was just obvious where the enthusiasm and support of the people was.

The reaction therefore in the Province, on the part of the rank and file of the people, was one of great jubilation, great anticipation, in some cases undoubtedly more anticipation than was warranted. Understandably, with the great masses of people when a great sweep of this kind takes place, they didn't draw a clear distinction between merely electing a Government and the practical problems of implementing its program. There was an assumption that almost overnight everything that had been talked about for the two years previous would become realities.

On the part of the leaders of the former Government and the Opposition parties, there was great consternation and great disappointment. The media, of course, which as far as the large daily papers were concerned had been almost entirely anti-Social Credit, were wringing their hands all over the place, predicting the dire consequences that might now follow.

The interest across Canada was great. In Canada, and particularly of course in Alberta, the more practical and serious question that was raised was, What did this new Government propose to do particularly in the matters of the credit of the Province, investment in the Province, the savings of people, and so on.

During that interval between the election of the Government and the date it was sworn in, one little illustration of the unease that was created by this kind of propaganda. Alberta in those days used to issue what were called Provincial Certificates which were really investment certificates similar to those that are currently issued by Trust Companies where people go and buy an Investment Certificate and leave their money on deposit for a period of time, and the Province paid interest on it. They used this as a method of raising Provincial revenue instead of a bond issue. These Certificates were redeemable on request.

There was quite a run on the Certificates in the interval, as a result of this propaganda I speak of, and the former Government suspended the redemption of the Certificates during that period. The demands were such that they didn't have the money to redeem them. I think they took the position, "This situation is created by virtue of the election of a new Government. We'll let them worry about taking care of it."

On the night of the election, Mr. Aberhart had cabled Major Douglas in England, saying, "Victorious. When can you come?" His anticipation was that he would get Major Douglas to come over to Alberta as quickly as possible because he was the man who had originated the concepts on which the Government had been elected and we wanted him present to assist in the implementation.

In this period, and going back just a little before this, a movement which had started in 1932, only three years before the election, as a wholly educational movement without any political connotations at all in its initial period, had moved from the education realm into the political realm only when it became very obvious that none of the existing political parties in the Province were prepared to seriously examine the reforms proposed by the Social Credit Movement and undertake to at least explore them and consider the practicability of their implementation.

When the public interest had been aroused to great heights by the education work, the Farmers' Government held a hearing by the Agriculture Committee of the Legislature, into the whole matter of Social Credit proposals. The Agriculture Committee was a Committee of the Whole House. They had brought Major Douglas to appear as a witness before that Committee. Mr. Aberhart was also asked to appear as a witness, and several others around the Province who were recognized as authorities on Social Credit proposals - I recall one man by the name of Mr. Larkham Collins from Calgary - who had espoused the idea of Social Credit some years before though they had not done anything that had become particularly public, other than having a little study group where they used to discuss these things.

There were a number of people of that kind invited to give evidence. There was a great deal of interest in the hearings before the Agriculture Committee, and the Government finally brought out a report from the Committee which in effect said that the Social Credit proposals, in the view of the Committee, were largely impractical, and in any event were not applicable within a Province. To whatever extent they perhaps could be implemented, it would have to be at the Federal level rather than the Provincial level. They dealt with monetary reform, and the Committee concluded that the aspects of monetary reform that were involved came within the Federal rather than the Provincial jurisdiction.

So as far as the Farmers' Government was concerned, that Report (which came out just before the election) was their justification for brushing off Social Credit altogether, and condemning it, which they did very vigorously during the election campaign.

Mr. Aberhart was very reluctant to go into the political arena. He was not political ambitious. His field was education, and he would have been very happy to remain in the field of education. So when the Farmers' Government rejected the idea of considering the Social Credit proposals, Mr. Aberhart went to the then leaders of both the Conservative and Liberal parties in the Province to see if there was any hope of persuading them to at least



put in their election platforms something to the effect that they could consider the Social Credit proposals and do something about it. But both of them rejected the idea. They were not convinced that there was any practical merit to the proposals, I guess politically afraid of being identified with it. I don't know just what all the reasons were, but in any event, they decided against it.

I perhaps should add just one other comment with respect to the Farmers' Government. In the short period before the election was called, the United Farmers of Alberta, which was a farm movement and active in agricultural activities apart altogether from the Government which was the political arm of the Farmers' Movement, had many United Farmers groups all over the Province, and had had for years. They had an annual Convention in Calgary that fall.

Mr. Aberhart was invited to give an outline of the Social Credit proposals to this Convention, which was a very large convention, attended by hundreds of delegates. This invitation came about by reason of the fact that many of these United Farmers groups had for all practical purposes become Social Credit study groups. The pressure from the delegates from the groups on the leaders of the Farmers' Movement and Government people was, "Look, we've been studying this for months, and we feel that it has some merit." They brought enough pressure to bear that the Convention asked Mr. Aberhart to appear and outline the proposals, which he did.

Then they had a discussion afterwards. It was a very, very dynamic convention. The support for Mr. Aberhart's proposals was very strong from those that had followed the educational movement and who were members of Social Credit study groups or had been studying it in their own Farmers' groups. But the leaders of the movement, who were the tie with the Government of the day, were vehemently opposed, of course, to the whole idea.

So there was quite a battle developed in the Convention. They had some very eloquent leaders in the Farmers' Movement in those days, and when this

01 matter finally went to a vote, they won. The Convention turned down the  
 02 idea of endorsing the Social Credit proposals and making it a part of their  
 03 political platform. So the Government had the support of that Convention  
 04 although it divided the Convention very badly and it caused a very serious  
 05 split in the Farmers' Movement. From that time on until the election, many  
 06 of these Farmers' groups became almost 100% Social Credit study groups and  
 07 pretty well cut off their ties with the Farmers' Government altogether.

08  
 09 The transition from the educational movement to the political movement came  
 10 about for reasons I have mentioned, when the existing political mechanisms  
 11 in the Province refused to have anything to do with it. The public  
 12 interest was so high by that time that Mr. Aberhart was under almost  
 13 irresistible pressure to "do something about it ourselves. We're not going  
 14 to back off now and let the whole thing die." It was as a result of that  
 15 that the educational movement almost overnight became the Social Credit  
 16 political movement.

17  
 18 Two conventions were held for the purpose of the transition from the  
 19 education movement to a political party, one for Southern Alberta in  
 20 Calgary, one for Northern Alberta in Edmonton. By this time we had  
 21 hundreds of Social Credit study groups organized all over the Province.  
 22 These groups named delegates to the conventions. They were large  
 23 conventions, and were open of course to all other supporters to attend.  
 24 They overwhelmingly endorsed the concept of the educational movement  
 25 becoming a political party and entering their own candidates in the field.

26  
 27 Immediately following that decision by the two conventions, steps were  
 28 taken to get candidates in the field, and that was done in the manner I've  
 29 already indicated. The same local study groups in each constituency  
 30 nominating delegates to a constituency convention which selected three  
 31 candidates. Then the process I've mentioned reduced them to one, who  
 32 became the candidate.

01 The transition from the educational field to the political movement took  
02 place in that very short period of time in 1934, less than a year before  
03 the election took place. Now we had the next stage of the transition.  
04 Having had candidates elected overwhelmingly to office, now came the task  
05 of becoming a Government.

06  
07 As I indicated earlier, they were faced with a formidable task. None of us  
08 elected at that time had any experience in the Legislature, and we were  
09 starting from scratch. We were starting under a situation where the  
10 economic conditions of the Province were desperate. People today have very  
11 little idea of how desperate the economic conditions were in those  
12 Depression years.

13  
14 Because Alberta at that time was almost entirely an agriculture-based  
15 economy, it was especially hard hit. Prices on agricultural products fell  
16 completely. Among farmers raising livestock, there were actually cases  
17 where prices fell so low that by the time the farmer shipped his cattle to  
18 market, the transportation costs would be more than he realized for the  
19 sale of the animals. It was just that desperate. The price of grain was  
20 down to almost nothing.

21  
22 The economic stagnation was terrible. A very large percentage of the  
23 people were on relief. I don't recall the exact percentage, but I guess it  
24 would be probably at least 25% of the people on some kind of welfare. I  
25 know there was a period during that Depression situation in our neighboring  
26 Province of Saskatchewan where at one time over 50% of the people were on  
27 some form of relief. We were not quite as bad because our agriculture was  
28 a little more diversified than Saskatchewan which was primarily a  
29 grain-producing Province.

30  
31 So we were faced with the total inexperience of the people elected to  
32 Government; very, very serious economic conditions; and the almost  
33 bankruptcy of the Province itself. In fact, when the Government came into  
34 office we found that there wasn't enough money left in the Treasury to even



01 pay the civil servants for more than a month. One of the first things that  
02 Mr. Aberhart had to do was to go to Ottawa to arrange some temporary  
03 financing with the Federal Government to enable us to pay the civil  
04 servants.

05  
06 While we're on that point, I might mention something that sounds almost  
07 unbelievable in the light of conditions in the Province today - our total  
08 budget in 1935-36, the first year we were in Government, was less than \$19  
09 million. And approximately 50% of that was required for debt service  
10 charges.

11  
12 The Province had borrowed very, very heavily. The Liberal Government and  
13 the Farmers' Government had gone very heavily into debt. Our Provincial  
14 debt was something over \$160 million, which in those days, with a  
15 population of only about 1/2 million, was a very staggering public debt.  
16 And on top of that, it was at very high interest rates. Interest rates had  
17 sky-rocketed, and much of that debt was at 8% interest. So when you took  
18 that kind of interest on that kind of debt, it took about \$9-9 1/2 million  
19 out of the \$19 million just to service the debt. Which left the Government  
20 with about \$9-9 1/2 million for all the Provincial expenditures: education,  
21 roads, welfare, health, everything. So it was a very, very grim situation  
22 that we came into.

23  
24 The first thing that the Government had to do was familiarize itself with  
25 the operation and the status of the Government Departments. We did have in  
26 Alberta (and I think this is something this Province has always had to a  
27 large degree and which we can take some pride in) a good civil service. A  
28 lot of the senior people of the civil service in those days I remember were  
29 a tremendous help to the new Government.

30  
31 In those times I think there was a little more tendency to the career civil  
32 servant than you see today when there's a more rapid turnover. The career  
33 civil servant carried over, I suppose, a British tradition which was always  
34 strong in the Old Country. It didn't matter what Government was in power.

The civil servant's job was to administer the Department for which he was responsible with the maximum efficiency of which he was capable, and faithfully implement the policies of the Government that the public had elected.

There was very little indication, as I recall, among the senior public servants, of any resentment against the new Government. There would be isolated cases, but nothing of any significance. For the majority of them, the public had spoken, they had elected a government, and now their job was to do their best to help the new Government get its feet on the ground and carry out whatever policies it implemented.

I mention that because as a group that was totally new to office, the experience, expertise, and information that the civil service was able to provide to the new administration was absolutely invaluable.

So each Minister set about examining his department, getting familiar with the pieces of legislation he was responsible for, looking at the economic situation as it was, the revenue and expenditure situation as it was--and it was a pretty gloomy, discouraging picture. As I've said, there wasn't even enough money to pay the civil servants.

It sounds almost unbelievable today, but there were actually times in those early months when the audit would hold up Government cheques that were ready for issuing to pay accounts, until they checked to ascertain whether there had been enough revenues come in, that were in the bank, to cover the cheques so they wouldn't bounce. Then they would release as many cheques as the deposits would service, and put the rest back into the vault until some more revenue came in. It was a very grim and a very, very difficult situation.

It might be appropriate at this place to mention the new Government's approach to this situation at that stage was influence to a large degree by a basic philosophy which was included in the Social Credit concepts and

which we had expounded during the election campaign. This was the concept that the role of a democratic government is to give the people the results they want from the management of their public affairs. And that the people are responsible to spell out the broad, general results that they expect and feel they are entitled to obtain from the administration of the public affairs.

The role of the Government, then, is to see that those wishes are implemented as far as it is feasible to do so. I say "feasible" because they are naturally subject to the financial, economic, and physical restraints which put parameters on how far you can go.

In the case of the Social Credit election, primarily what the people had said was that they were not prepared to accept a continuation of what used to be referred to in those days as a condition of poverty in the midst of plenty. In that period of time, we were not suffering in this province and this country from a shortage of production. We had plenty of production. Our problem was one of mal-distribution.

The terrible chronic shortage of buying power in the hands of the public made it simply impossible to distribute adequately the production which was there in considerable abundance. There was no shortage of grain or beef or manufactured products. The machine dealers were happy to sell machinery if the farmers had any money to buy it. The merchants had plenty of good on the shelves. It wasn't a question of production. It was a matter of inadequacy of buying power.

The people wanted an end to this paradoxical situation where you had abundance of production on one hand, and poverty and want on the other, for the simple reason that the monetary mechanism for making the distribution possible was just not working.

The other phase of the concept was that, while the people were responsible to determine the broad general objectives that they wished from the



01 management of their public affairs, they recognized and were urged to  
02 recognize that people en masse cannot become, and have no opportunity of  
03 becoming, familiar with the technical aspects of administration and what  
04 has to be done in the implementation of many of these objectives. But that  
05 is the role for specialists who have expertise in that field. The people  
06 demanded the results they wanted. The Government's task then was to obtain  
07 the qualified experts and expertise to bring about the implementation of  
08 those results that the people had demanded.

09  
10 In the case of the new Government, the whole picture quickly fell into two  
11 parts. One was the day-to-day administration of the normal government  
12 affairs - the health programs, the road programs, educational programs.  
13 While there was great need for improvement and commitment to improvement,  
14 those were more or less traditional things. We had the expertise for that  
15 within the public service; there was no great problem in that regard.

16  
17 The other area was the field of monetary reform which had been emphasized  
18 so strongly in the campaign by the Social Credit people. And here we were  
19 faced with the need to obtain highly qualified expertise. Mr. Aberhart's  
20 hope had been that Major Douglas, as the author of the Social Credit  
21 monetary proposals, would head up a team of experts in that regard.

22  
23 Unfortunately, we were not successful in getting Major Douglas to come to  
24 Alberta. That's quite a long story in itself. Mr. Aberhart had wired him,  
25 as I've indicated, on the very night of the election, saying, "When could  
26 you come?", and this was followed up by cables and correspondence. But the  
27 Major was very cumbersome in his correspondence, as he was in his  
28 writings. Those who have read Major Douglas' books know they are not easy  
29 reading. And he would spell out a lot of conditions and ask a lot of  
30 questions, and say, "When you can assure me that this situation prevails"  
31 or "this suggestion has been attended to" then it will be opportune to  
32 consider coming and sitting down.

33  
34 Unfortunately this led to a rather definite schism between Mr. Aberhart and  
35 Major Douglas. Mr. Aberhart was very disappointed. He felt that he was  
36 being let down by the man he had primarily counted on for technical

01 advice. I think it should be said, in fairness to the accuracy of the  
02 record, that even before the election there had been some quite serious  
03 disagreements between those who professed to be very close to Major Douglas  
04 and those who were strong supporters of Mr. Aberhart, over some of the  
05 technical aspects of the Social Credit monetary proposals.  
06

07 Major Douglas had spelled out in great detail his theory of the "A+B  
08 Theorem" and the whole concept of making up what he regarded as a chronic  
09 deficiency of buying power in the hands of the consumers that resulted from  
10 the operation of the traditional monetary system. Mr. Aberhart, on the  
11 other hand, in expounding these concepts to the public, had tried to  
12 simplify them, put them into perhaps over-simplified form which made them  
13 understandable to people who were not interested and could not be expected  
14 to be interested in a whole lot of technical formulae.  
15

16 For example, Mr. Aberhart's approach was: The traditional monetary system  
17 brings buying power into circulation by financing production. And in the  
18 process of production it's anticipated that through the wages paid out in  
19 the work of producing, the purchase of raw materials, and all the other  
20 capital expenditures that are made, this buying power sifts down through  
21 the rank and file from the top to the bottom until everybody ends up with  
22 some buying power with which he goes and buys the goods that have been  
23 produced.  
24

25 It was very easy to argue that the way the system was operating in those  
26 days of terrible deflation, there was not enough buying power being  
27 distributed to purchase the production. So Mr. Aberhart's approach was to  
28 say, "Surely this makes it obvious that what we need to do, in addition to  
29 financing production - the traditional means of distributing the buying  
30 power of the nation - we should also directly finance consumption to make  
31 up this chronic deficiency between the amount that is sifting down as  
32 buying power in the pockets of the public and the price value of the goods  
33 that are on the shelves to be purchased."  
34

35 This of course was the same thing that Major Douglas was saying with the  
36 A+B Theorem - that you had to augment the buying power in the hands of the

01 consumer. But Mr. Aberhart was bringing it down into more simplified, and  
02 I think we could say more realistic, terms.

04 Douglas had advocated a consumers' dividend, and Mr. Aberhart did. He  
05 said, "What we should do is make up this deficiency. The best method of  
06 financing consumption is to pay a consumer dividend directly to the  
07 consumer." That should be whatever's needful to create the difference  
08 between the value of the goods produced and whatever deficiency there is in  
09 the amount of money that has been distributed in the process. When he  
10 promoted that idea, it was a very short time before people, particularly  
11 media people, were asking, "How much would this be? How much would you  
12 give them?"

13  
14 In those days, with living costs being very low, \$25/month was about what  
15 you'd need for the bare necessities of life. So he said, about \$25 a month  
16 would be a reasonable dividend. This was the start of the famous \$25 a  
17 month for everybody which was seized on immediately as a firm, magic  
18 figure. It was talked about all over Canada and all over the world I  
19 guess.

21 Those people who had been close to Major Douglas and his writings felt that  
22 Mr. Aberhart was not adhering strictly to Douglas' monetary concepts, that  
23 he was over-simplifying, that he was introducing approaches that were  
24 foreign altogether to what Douglas had advocated. Douglas himself, I  
25 think, agreed with this, to some extent at least. He was always reluctant  
26 (and this goes back before the election) .... [end of one side of tape]

27  
28 ... endorsements which, after you read them, nobody was quite sure whether  
29 he was endorsing it or wasn't endorsing it. So this type of thing hadn't  
30 created a very warm relationship between the two.

31  
32 It's not possible for anybody to fairly interpret the attitude of another,  
33 and I wouldn't want to be unfair to Major Douglas. But certainly the  
34 impression that many of us got in the period after the election was that  
35 Major Douglas seemed to be much more concerned with preserving the validity



01 of his writings and his theories of Social Credit monetary reform, than he  
02 was with an attempt at a practical application of those theories.

04 He seemed almost to shy away from an effort at application. Whether it was  
05 because he felt that the Government in Alberta wasn't the proper vehicle,  
06 that circumstances weren't right, or whether it was because he didn't want  
07 the theories tested in that manner, I wouldn't attempt to assess. But  
08 certainly that was the impression that became rather clear to quite a  
09 number of people. Certainly many of us had assumed that he would jump at  
10 the opportunity of coming to Alberta and demonstrating to the world that  
11 the theories he'd been writing about for years were practical, and here was  
12 not just a theory but now a practical application. But it simply didn't  
13 work out that way. Major Douglas never did come to Alberta after the  
14 Government was elected. Later on he did send emissaries that played an  
15 active role in the attempts that were made to devise legislation for the  
16 implementation of Social Credit proposals.

18 As I say, after the Government first came into office, its work fell into  
19 the two categories: (1) the day to day administration of more traditional  
20 affairs, and (2) the concentration on developing legislation, hopefully  
21 finding experts to assist as advisors.

23 Another incident happened at that time that I might mention because it had  
24 a bearing on Major Douglas' attitude. Because of the dire financial  
25 straits in which we found the Province, Mr. Aberhart and his Cabinet  
26 colleagues felt it desirable to obtain an outside financial advisor. It  
27 was obvious that we couldn't carry on even meeting the interest payments on  
28 the public debt and meet the other public expenditures for welfare, health  
29 and so on. There just wasn't the revenue there. Something would have to  
30 be done to reorganize the financial structure of the Province to meet what  
31 was obviously approaching a crisis.

33 After some inquiries, a man by the name of Mr. Magor was suggested to us.  
34 He was at one time associated with a Commission that made an inquiry into  
35 the conditions in Newfoundland when it was still a colony. Magor was an  
36 experienced and quite well known businessman and financial expert, and he

01           undertook, at the invitation of the Government, to act as an advisor on the  
02           restructuring of the financial conditions of the Province. Certainly to  
03           Mr. Aberhart's surprise, and the surprise of those of us who were in the  
04           Government, Major Douglas took strong exception to the appointment of this  
05           man. His position was that Mr. Magor as a traditional financier, and that  
06           he obviously would be opposed to anything of the type of monetary reform  
07           that Major Douglas was advocating, and that to bring such a man in as an  
08           advisor was incompatible with a desire to implement Social Credit monetary  
09           proposals. He made a big point of this.

10  
11           Mr. Aberhart tried to make clear to him that Magor's role was simply to  
12           advise on getting the day to day financial affairs of the Province in  
13           shape. We had to carry on. We had civil servants to pay; we had  
14           obligations to meet. But it was a point which certainly bore quite heavily  
15           on Major Douglas' refusal to become actively involved.

16  
17           The reorganization of the financial conditions of course went on over some  
18           time. We finally reached the place where we couldn't pay the interest on  
19           our debt. It was never part of the Social Credit philosophy to default.  
20           Social Credit believed in the honouring of all contractual obligations.  
21           But when the money wasn't there, it was the same as an individual facing  
22           bankruptcy. No matter how much you want to pay your debts, if you haven't  
23           got the money there's no way you could pay it.

24  
25           The Government had to make a decision. We could drastically cut down on  
26           the public welfare services. People were wholly dependent on these in so  
27           many cases, with unemployment running at 25% of the population. Welfare  
28           payments in those days were very modest compared to what they are today,  
29           and besides there were none of the pensions that exist today, no  
30           unemployment insurance or anything of that kind. All they had was a little  
31           bit of welfare that was paid by the Province and the municipalities, and  
32           the Province had to assist the municipalities in meeting their portion of  
33           this.

34  
35           So it was either a matter of cutting down on the welfare services and the  
36           health and educational services, or cutting down on the interest that we

01 paid on the debt. The Government's decision was, "If we have to make that  
02 choice, then we'll suspend payment on 50% of the interest on the bonded  
03 indebtedness." Which we did. It was done arbitrarily by Order-in-Council  
04 under legislation which had been passed authorizing it. Later it was held  
05 unconstitutional. It was not the Government's intention, ever, to just cut  
06 it off and that was the end of it. Our hope was that we could get the  
07 Province to the place where we could reassess this, and we did feel that  
08 there was sound reason to expect a refunding of the debt. We felt that the  
09 holders of the debt should be prepared, under economic conditions as they  
10 were then, to make an adjustment on interest payments. But that was in  
11 abeyance. What we did at the time was to save \$4 million by cutting the  
12 interest in half.

13  
14 We were already faced with the depletion of any Provincial credit because  
15 they had borrowed to about the limit that the Province could go. We were  
16 so hopelessly in debt as a Province that we then simply couldn't borrow any  
17 more money. Once the interest was cut, that was the end. Alberta couldn't  
18 have gone on the market and borrowed money if it had wanted to.

19  
20 We were very strong believers in a pay-as-you-go policy. We didn't want to  
21 borrow more. We felt that many of the problems the Province was facing  
22 were due to the fact that it had already borrowed far too much. But on the  
23 other hand, once the interest was borrowed, we couldn't have borrowed if  
24 we'd wanted to. So we were in that unhappy, or happy, situation, depending  
25 on how you look at it!

26  
27 Then of course it became more serious when the maturities of the bonds came  
28 along. There was then no way of refinancing because we couldn't float new  
29 bond issues. We couldn't sell bonds. We didn't even try. We ended up by  
30 being in default on a large block of principal as well as interest. That  
31 situation extended over quite a period of years. The default started in  
32 those late '30s and our final refunding of that debt was wound up, I think,  
33 in about 1944. So we were in a period when we were in default.  
34 Ultimately, the whole debt was refunded at a much lower rate of interest,  
35 and the whole matter was straightened away.



It was a very difficult period for the Government. We were struggling on the one hand to prepare legislation for the implementation of wholly new ideas. We were not getting the help from the experts that we had hoped to get (particularly Major Douglas) and at the same time we had to wrestle with these defaults in our interest and defaults in our principal, and the terrible task of trying to drum up enough money to keep up the relief payments and social welfare payments to help our people as much as we could.

These things led to steps being taken in the early Sessions of the new Government to increase revenue by additional taxation. We imposed at one time a sales tax that was rather short-lived, and it created almost a revolt among the Members of the House who felt it was completely foreign to the whole idea of monetary reform. And we increased income tax, corporate income tax. We picked up a bit of revenue everywhere we could pick it up, to try and avoid what would have amounted to total bankruptcy.

That was the score in the early days of the Government.

**LS:** In those early days, and very soon after the party was elected to Government, you were as you have mentioned, appointed to the Ministry of Trade and Industry. I wonder if you could talk about that for a short while, from your very personal experience. You walked into a Ministry that wasn't that old, had been part of the previous Government but there were a lot of issues and policies that needed setting. As you came in, as a new politician and a new Cabinet Minister. Can you speak a little about that particular Ministry and the experience there, and where did you get your expertise? Who was around to give you advice?

**ECM:** The Department of Trade and Industry, or the Act providing for the Department, had been passed in the last Session of the Farmers' Government. The Department had not been set up other than the appointment of I think about two people just to do routine preparatory work. The thinking behind the legislation by the former Government, and with which we agreed as a new Government, was that it was important in Alberta that there

be a Department in Government to concentrate on encouraging the development of Provincial industry and stimulating business activity in the Province.

As I mentioned earlier, the Province had been so agriculturally oriented that there hadn't been that much attention paid up until that time to the commercial and industrial end, because it was very minimal in the Province's picture.

Shortly after we were elected, Mr. Aberhart felt that we should get this legislation activated, and we as a Government were very much in favour of the concept of a Department of Trade and Industry to stimulate and encourage industry.

I'm not quite sure just why he asked me to head up the Department. The Provincial Secretary's Department that I had was not a heavy Department. I probably had more time and energy to devote to another Department than most of the other Ministers because most of their Departments were much heavier.

LS: What was the responsibility of the Provincial Secretary at that time?

ECM: Well, it's a rather misleading term. That was the Department that handled, for example, all automobile licencing, driver's licences, amusement tax, things of that kind. It was largely a revenue department. Many of those things in later years were farmed out to other departments that were more appropriate, but in those days it handled all that. Plus all of the routine things such as the Provincial protocol, Royal visits, and that sort of thing. Somebody had to look after those things, and it was all dumped into the Provincial Secretary's department if it didn't fit in anywhere else.

LS: Had you expressed any interest perhaps in Trade and Industry?

ECM: When Mr. Aberhart talked to me, I said that if he felt that I could do something worthwhile with it, I certainly would welcome the opportunity to do it. While I had not been involved in business activities myself because I was very young when I came into the Government (I was only 26 years old

01 when I became a Cabinet Minister), business had always fascinated me. If I  
02 hadn't gone into government, I certainly would have been interested in  
03 getting involved in the business world to some degree at least. So I had  
04 an interest in it, but no experience.

05  
06 Quite frankly, I think there were two things that helped me as far as  
07 setting up the Department was concerned. The first thing I did was try and  
08 find a good Deputy. They hadn't appointed a Deputy Minister. They had two  
09 people appointed, one a sort of Trade Commissioner, and the other a lawyer,  
10 a departmental solicitor. These men were not the type that would be  
11 Deputy Minister, but they were good men and they were very helpful. So we  
12 went outside, we wrote up a job classification of what I thought we needed  
13 for a Deputy Minister, having regard to what the legislation empowered us  
14 to do, and did some searching.

15  
16 We obtained as Deputy Minister a man who was a former bank manager, a man  
17 by the name of W. D. King. He had come up through the bank, he was a  
18 well-experienced banker. I guess by the time he came into the Government  
19 he would be a man in his fifties. In his banking experience he had dealt  
20 with a great many commercial and industrial loans, and had a pretty good  
21 business background from that standpoint.

22  
23 He had left the bank at the time that he came with the Government. I think  
24 he'd actually had some disagreement with the bank. He was quite a  
25 humanitarian as well as a pretty good businessman, and he was a little  
26 reluctant to call the loans as fast as the bank thought he ought to call  
27 them on the farmers in those days. I think they felt he wasn't the best  
28 man to have when you're trying to collect money.

29  
30 I always felt I was very fortunate in getting him to take on the Deputy  
31 Minister's work. He was completely sold on the idea that Alberta's economy  
32 should be encouraged along the line of commercial and industrial business  
33 growth. He was particularly interested in small business. Of course we  
34 didn't have any big business anyway in those days, but he felt there was a  
35 great potential in encouraging small businesses. So I brought him in, and  
36 he and I together sat down and designed most of the programs that were



01 implemented in the first few years to try and stimulate things.

02  
03 One of the areas that we got into, and it was probably not anticipated when  
04 we first started setting many of these programs into action, was  
05 legislation such as the Tradesmen's Qualification Act, which provided for  
06 the examination and issuing of certificates of proficiency to tradesmen.  
07 In those days there wasn't anything of this kind, and in a lot of  
08 businesses - garages, businesses hiring mechanics or plumbers or welders -  
09 almost anybody could come along and say, "I think I can do that", and there  
10 was no indication of their proficiency. We thought one of the things we  
11 should try and do was to upgrade the proficiency of tradesmen who were in a  
12 sense the contact between the small business man and the public in the  
13 service they were rendering.

14  
15 We did a lot of that type of thing. Later on we brought in a series of  
16 whht were known as business codes. There were not successful. They really  
17 set maximum and minimum prices that could be charged for services in trade  
18 industries. The reason for this was that we had strong representations  
19 from many people in those fields of business that, with the high  
20 unemployment, cut-throat pricing was so terrible that they were going  
21 bankrupt all the time. You could hire anybody for almost nothing because  
22 people were desperate for work and there was practically nothing in the way  
23 of minimum wages in those days (I think we brought in the first Minimum  
24 Wage Act in the Province as I recall, and those wages were very low).

25  
26 What the tradesmen represented was that surely there should be some floor  
27 below which people could not sell these services. It seemed to make pretty  
28 good sense, so we tried it. It wasn't successful because unfortunately the  
29 consumers were very happy to be able to get the lowest price they could  
30 get, whether the fellow that was offering the service was going to go  
31 broke--that was his business, not theirs.

32  
33 And what I felt very unhappy about at the time, we found that when the  
34 consuming public would complain to them because the price for the service  
35 couldn't be less than such and such a floor, many of these same tradesmen  
36 who pressed hardest to have these codes established would say, "I'd be

happy to do it for less, but this new Government up in Edmonton insists that I have to charge you this much." So we felt, if that's the way the ball game is going to be, we'd better not try and do that kind of thing. So after an experiment of four or five months, the codes were dropped.

**LS:** Where there other issues that came up in those early times? And did you go outside for other experts?

**ECM:** One thing we did, as part of the philosophy of our Government, not only in my Department, was to be very much aware from the outset that the mere fact that a person is elected to a Legislature or named to be a member of a Cabinet does not make him an over-night expert in the affairs of that Department. I sometimes think that's a philosophy that's forgotten in our modern age. There are a great many politicians today who become over-night experts in almost everything.

We did not accept that philosophy, and we were very firm in that. So what I did as far as the business community was concerned, was to call in various representatives of the various sections of the business community and tell them quite frankly, "We want to set up a Department here that will be practical and useful in helping to encourage and stimulate business activity in the Province. We want your recommendations. We want your advice. We want your assessment of things we're proposing to do. You're the fellows that have the expertise. You're doing this kind of thing. We don't want to get in the way and hinder things. We want to help. If there are ways in which we can help, if there are things we can do, that will make it better for you and for the people of the Province and develop the Province as a whole, we want to do it." That was the approach we took.

**LS:** So if you had a particular direction that you thought you might want to go with legislation, then you called upon the people who would be most directly affected and said, "Let's have your input."

**ECM:** That's right.

**LS:** So it was done on an issue basis, rather than on any sort of regular monthly meetings with representatives.

**ECM:** Oh yes, that's right. There were no regular meetings of that kind. We did set up some advisory committees, but there again they were just called in from time to time when there was something to discuss.

This is digressing a little, but this concept we carried on right on through the years of the Social Credit Government. After I became Premier, I made a strong point of this. We had a policy that we followed for years, of once a year inviting representatives of all the major provincial organizations to come in and meet the entire Cabinet. This would include people like the labour unions, the farm unions, the teachers, the dental association, medical association. Usually it came after their annual conventions where they'd pass certain resolutions bearing on Government legislation and policies. They came at our invitation. We would take maybe three weeks and meet two or three of these groups a day constantly right through that period. And that became one of our very important sources of input for the development of legislation.

**LS:** It's an interesting style that you developed very early on then, when you took over the responsibility for that Ministry.

**ECM:** Perhaps it came from a great consciousness of our own inadequacies in those early days!

**LS:** Were other Ministers doing the same thing, or do you feel that you were one of the first to try that approach?

**ECM:** No, this concept was shared by the Government. Some of the other Departments wouldn't lend themselves nearly as much to this type of thing. I'm sure, for example, the Minister of Health used to have discussions with medical people. And Mr. Aberhart as Minister of Education tried to establish a close liaison with the teachers' organization and trustees' organization. Their Departments of course were more established already. I had the advantage of a brand new Department where you were not tied down to any procedures that had already become fixed. We had the advantage of flexibility.



01       **LS:** Did Mr. Aberhart rely on that Cabinet group as a group of experts  
 02       eventually, as it developed? Did he ever see you who held Ministerial  
 03       posts as being "experts" eventually?

04  
 05       **ECM:** I don't think I would use the term "expert". Mr. Aberhart expected every  
 06       Minister to become thoroughly familiar with his Department and to be able  
 07       to provide, say at a Cabinet meeting, all the information that the Cabinet  
 08       required to make a decision: what the situation was, what was proposed,  
 09       what were the pros and cons from the public service and public, and so on.  
 10       I don't think it would be accurate to say that he ever regarded the  
 11       Ministers as experts in themselves. A possible exception to this, and it's  
 12       a matter of degree, was Mr. Ross who was brought in particularly for the  
 13       petroleum industry end of it. He was an expert in that field. In that  
 14       case, very definitely yes. To some degree, for example, Mr. Chant, the  
 15       Minister of Agriculture, had a long background of experience as a  
 16       successful farmer, so he certainly could be regarded as an expert in  
 17       agriculture at least in the types of agriculture with which he was  
 18       familiar. But the concept of an elected Member being an expert was pretty  
 19       foreign to the whole Social Credit concept. His responsibility was to find  
 20       the experts.

21  
 22       **LS:** Part of what I was trying to get at with that question was some sense of  
 23       the relationship between Premier Aberhart and the Cabinet Ministers, in  
 24       those first 12 months, how they worked as a team.

25  
 26       **ECM:** The policy that Mr. Aberhart used, and I followed this policy without any  
 27       significant change, was to have regular weekly Cabinet meetings,  
 28       occasionally twice a week. In fact if we got into some serious problem we  
 29       might be meeting three or four times a week, meeting nights, and things of  
 30       this kind. But at the regular Cabinet meeting each week he would come in  
 31       as Premier with probably two or three things that had come up, or issues at which  
 32       we had been working, development of legislation, which he'd want to discuss  
 33       with the Cabinet. It would be an updating from where we'd left off the  
 34       week or two before.

01 Then he would go around the Cabinet, and each Minister would have an  
02 opportunity to raise any matter from his Department which he felt was of  
03 concern to the Government as a whole. That afforded the Premier and other  
04 Ministers to comment on it, to say, "Look, I think you're on the wrong  
05 track there," or "I don't think we should pursue that any further," or "I  
06 think we should pursue it further." This had the effect of keeping all  
07 members of the Cabinet quite well informed on at least the major matters of  
08 concern in the other Departments.

09  
10 As I say, I used that method as long as I was with the Government. We went  
11 around the Cabinet; every regular Cabinet meeting every Minister had an  
12 opportunity to say, "I'd like to have a little bit of discussion on  
13 so-and-so," and give the background on what the problem was.

14  
15 As far as the Premier is concerned, his role where there was a decision  
16 that had to be made was to sound out his Ministers and find if there was a  
17 consensus. (I don't know how all Cabinets operate, but very few Cabinets  
18 take votes. We didn't take votes in Cabinet.) If there was a sharp  
19 difference of opinion, it was probably a pretty good indication that either  
20 the matter had not been thoroughly researched or it had not been presented  
21 in a way that there was an obvious answer. Or it might indicate that it  
22 was an issue on which there was wide divergence among the public  
23 themselves.

24  
25 And I might interject here - I've found it very interesting over the years  
26 the number of times you'd find that if you had a matter where your Cabinet  
27 was divided almost 50-50 as to the wisdom of doing a thing one way or  
28 another, we sometimes would put those issues on the back burner until we  
29 had a Caucus of our Members. Then you'd throw the same problem at a group  
30 of 45-50 Members or however many you had. Very interestingly, in most  
31 cases the division in the Caucus would be almost the same percentage as in  
32 the Cabinet. And we assumed from that, and I think rightly so, that if you  
33 could put to the public you'd probably find that it would be about the  
34 same.

01 That's a pretty important thing for a Government planning policy. I think  
02 Mr. Aberhart was probably a little more dogmatic. If he thought it was  
03 something that should go ahead, he'd perhaps be a little more inclined to  
04 say, "We're going to do this anyway. I think we ought to do it." I  
05 usually took the position that if you couldn't carry the judgment of a  
06 fairly substantial majority of your Ministers, either your argument wasn't  
07 as good as it should be, or there were some inherent weaknesses in the  
08 thing you're talking about that should be recognized. And the best thing  
09 to do was move it onto the back burner. Maybe a month down the road, or  
10 two months down the road, there'll be more information, developments which  
11 will give a new insight. That was a practice that I certainly followed as  
12 a Premier for many years.  
13