

Mr. E. C. Manning

Interview #4

Page 1

June 7, 1979

LS: Mr. Manning, one of the major issues facing the new Government in 1935-36 was the desperate financial position of the Treasury. In attempting to deal with this problem, Mr. Aberhart went to Ottawa. This was the beginning of an ongoing relationship with the Federal level of government regarding loans and financial aid to the Province. I also understand that at this time there was a Dominion-Provincial Loan Council that Mr. Aberhart refused to subscribe to. Can you tell us a little bit about that and, more importantly, about this new relationship with the Federal Government regarding financial assistance?

ECM: The financial position of the Treasury in those years can only be described as desperate. In the first place, the general economic conditions in that Depression period were so bad that provincial revenues fell off to a very, very serious point. On top of that of course were the large numbers of unemployed people, the demand for Government expenditures for welfare and relief as it was called in those days was pyramiding all the time, and this put the Province in a desperate position financially.

When we were first elected to office, we found that there wasn't sufficient revenue to even continue the salaries of the civil servants for more than a matter of weeks. On top of this, there had been a program under the previous Government of issuing Provincial Savings Certificates that were a sort of Government treasury bill that people could buy in small denominations. The Government had sold quite a large number of these. They could be redeemed at any time. Normally there were about the same number purchased as were redeemed so it was sort of a revolving fund.

Between the interval of the election and the time the new Government took office, the former Government suspended the redemption of these Certificates. There had been a run on them. The media had played up the Social Credit party and government as a bunch of wild-eyed fanatics who were going to wreck the credit of the Province, and this of course

engendered concern on the part of the people who held these Certificates. They felt that the smart thing was to try and get them out. They started trying to redeem them en masse, and the former Government suspended the redemption.

When we came into office, we were faced on the one hand with very meagre provincial revenues because of the economic conditions of the time, with people clamouring to redeem these Treasury Certificates which had been suspended, and with inadequate money in the Treasury to even take care of the civil service payroll for more than a very short time.

Under those circumstances, Mr. Aberhart went to Ottawa to endeavour to arrange for a loan to tide the Province over at least until we could look the situation over and become familiar with the operation of Government and make some plans for the future. The Federal Government did respond. I believe the first loan was probably about \$2.5 million, it was quite small. They were lending money to all the Provinces that were in financial trouble for welfare money, and the practice at that time was that the Federal Government would take Treasury Bills from the Provinces for these advances. In other words, it was not a bond or a contract. They were just Treasury Bills which showed the Province owed the Federal Treasury that amount of money.

Incidentally, I might just interject here. The settlement of these Treasury Bills took place away later on, in conjunction with the natural resources transfer arrangements between the Provinces and the Federal Government. All these old debts were woven into settlements that were made at that time.

Anyway, he was able to get a small loan from Ottawa which tided us over for a little time. By November he had to go back for another one, and I believe he got another million dollars at that time, and in January of '36 a further advance which I believe was about \$3 million. This tided us over for the day-to-day administrative costs.

But what was looming before us was maturities on the Provincial debt.

01 There were no funds with which to meet those maturities. We therefore
02 started canvassing all possibilities of how we could take care of the
03 maturities when they arrived. The interest on the Provincial debt had been
04 arbitrarily reduced by 50%, first by an Order-in-Council, which was later
05 ratified by a Statute of the Legislature.

06
07 In all of these discussions and dealings with the Federal Government to get
08 the interim advances, they had requested, or at least strongly urged, that
09 the Province should bring in an outside financial advisor to made a
10 study of the financial position of the Province and recommendations as to
11 how the circumstances could be met. We obtained a man by the name of R.
12 J. Magor, and he was engaged as a consultant to the Province to examine the
13 financial picture and to make recommendations.

14
15 I think it's indicative of how serious the circumstances were that Mr.
16 Magor, who was an orthodox type of financial analyst (he wasn't a man who
17 was advocating radical new approaches to any of these things), concurred in
18 the arbitrary reduction of the interest on the debt. Being absolutely
19 convinced that the dollars simply were not there to pay it. Much as he was
20 opposed to that in principle, as the Government was opposed to it, there
21 just weren't the dollars to pay it. It was better to cut the interest in
22 half and try at least to meet half of the indebtedness, than to struggle on
23 trying to meet all of it and end up by defaulting on all of it.

24
25 Incidentally, the appointment of Mr. Magor gave rise to some problems to
26 the new Government later on. He recommended, among other things, a sales
27 tax, which was implemented and led to a revolt on the part of the Social
28 Credit Members of the Legislature. They said this man had recommended
29 something that was completely foreign to Social Credit proposals and
30 philosophy.

31
32 Those were the circumstances up until the time that we approached the first
33 debt maturity, which was in, I believe, April of 1936. In approaching the
34 Federal Government for help in meeting these maturities, as I recall it
35 Mr. Aberhart urged on the Federal Government that it would be appropriate
36 for the Bank of Canada to aid the Province in meeting these maturities.

01 This was not commercial indebtedness; it was Government indebtedness. And
02 Mr. Aberhart's argument was that the Bank of Canada was a bank that looked
03 after public financing, not commercial. It wasn't in the commercial loan
04 business. But when a region of Canada, in this case the Province of
05 Alberta, was faced with financial circumstances that were going to lead to
06 default unless there was financial help, surely it was appropriate for the
07 Bank of Canada as the national bank, looking after the national financial
08 needs of the country, to come to the aid of the Province and advance the
09 money to tide us over until we could get our financial house in order.
10

11 That concept was rejected. I don't frankly know whether it was rejected by
12 the Bank of Canada or by the Federal Government, or by both. Certainly
13 there were consultations between the Federal Treasury people and the Bank
14 of Canada on this request. But in the end it was turned down.
15

16 So when the maturity date came, we had no money in the bank to pay it, and
17 the Province went into default on the maturity. From that time on, there
18 were a number of maturities on which we went in default. By the time we
19 ultimately worked out a re-funding of our Provincial debt, as I recall, we
20 were in default on maturities to well over \$50 million. And in addition to
21 that, of course, we were in default of 50% of the interest payments on
22 those debentures which had been cut by the arbitrary action of the
23 Government.
24

25 We were very disturbed about the idea of default. First, because it was
26 the last thing we wanted to see happen. To us, a contract was a contract
27 and a bond is a contract between the investor and the Government. And
28 also, we were disturbed at the impact it would naturally have on the
29 general credit rating of the Province. But there was no alternative.
30 There were no dollars in the Treasury. We had nowhere to go. We couldn't
31 go on the market under the financial conditions that we faced, to try and
32 raise money. The only place we could go was to the Federal Government.
33 Their advances had been limited to the money required to carry on the
34 day-to-day operations, but they were not prepared, either directly or
35 through the Bank of Canada, to deal with the matter of debt maturity.
36

01 So when we went into default, of course this created a great concern on the
02 part of onlookers. And a large number of these bonds were held by
03 institutions, both in Canada and quite a bit in the United States. A
04 bondholders' committee was established. I think the initiative was taken
05 by the financial institutions, insurance companies for example, which were
06 large holders of bonds. They set up a committee under the chairmanship of
07 Mr. V. R. Smith, who at that time was President of Confederation Life
08 Insurance Company, with representatives of other Canadian life insurance
09 companies. Also on the committee was one man by the name of Mr. Tatlock
10 who was the head of a large life insurance company based in New York. He
11 was there to represent the American investors.

12
13 We had quite a series of meetings with the bondholders' committee over
14 quite a period of time. Their argument, of course, was that first of all
15 the whole thing was wrong. Second, they held that the Order-in-Council
16 particularly, and even the Statute validating the Order-in-Council, which
17 had cut the interest arbitrarily, was unconstitutional. This ultimately
18 ended up in Court, and it was held to be unconstitutional. Unfortunately,
19 under the financial conditions of the time, when the Court said, "You can't
20 do that," we said, "That's too bad. We can't do it, but there's still no
21 money in the bank. So while we can't do it, there's still no way we could
22 pay the bondholders."

23
24 The bondholders' committee was a liaison between the investors and the
25 Government right on through until the ultimate re-funding of the Provincial
26 debt which took place in about 1944-45. With the advent of war in 1939 of
27 course there was not a great deal of activity with respect to this. There
28 were occasional meetings, and they kept the Government under constant
29 pressure to do something in the way of re-funding.

30
31 The Province took the position that there was no point in trying to re-fund
32 the debt unless it could be done at a sufficiently lower rate of interest
33 so that we could live with it. It was no good re-funding it at comparable
34 interest rates and then going into default again. If it was going to be
35 re-funded, we said it must be on a basis which we will be able to live with
36 and not have any further default.

The bondholders' committee, on the other hand, said, "We start from the premise that you owe all of us. There should be no arbitrary reduction in interest from the original contract. They were prepared to consider re-funding deals which scaled the interest rates, because they recognized the reality of the times. But their idea of what was a satisfactory scaling of the interest rates, and the Province's position with respect to what it felt it could live with, were far apart.

So while we had these periodic meetings - and sometimes they were rather stormy meetings - there was no meeting of minds on it.

I'm running a little bit ahead, but just to throw this in while we're on this subject. When we came to the ultimate re-funding of the debt in 1944-45, we finally had reached a place where we were convinced that it was wrong to go on with this thing hanging in the air. We'd made a number of suggestions or offers to the bondholders' committee of what we felt we could do, what interest rates we felt we could pay on our re-funding issue, all of which had been rejected.

So we finally decided that we would arbitrarily re-fund the debt, by a statute making a specific, concrete offer to any bondholder of a defaulted bond. He could turn it in, and the nature of the new bond was spelled out, with the interest rates and so on. This created a great deal of concern on the part of the bondholders' committee because they didn't want this settled by an arbitrary act on the part of the Government. We agreed that the preferable way was to have it done by mutual negotiation.

We went as far as to put the Bill in the House, and it was through Second Reading. I remember having frantic calls from the bondholders' representatives saying, "Hold it up; hold it up. We'll come out and see you." I said, "We won't hold it up. We've talked about this indefinitely, and as far as we're concerned we'll put the Bill through. But what we will do is provide for the Bill to come into effect on proclamation, so if you want to come and talk to us again, fine. But we're going to do it."

I remember (it was rather amusing in a sense) we had arranged for them to come out and meet with us, and the weather turned foul. Of course air travel wasn't too dependable in those early days, and they weren't able to get out to Edmonton for a couple of days. In the meantime, our Legislature was closing; we'd come to the end of the Session. We'd held this up till the end, and we were in the process of putting the Bill through. And I was getting phone calls repeatedly from these fellows to ask, "What stage is it at now? Will you not hold it up? We can't get there; the planes aren't flying!"

Anyway, they finally got here. They realized by this time that as far as the Government was concerned we were going to go ahead, roughly on the basis which we'd spelled out in the Bill, as far as interest rates. But we said, "If you're prepared to agree to a settlement which in aggregate will not cost more than what this costs, we're quite prepared to make adjustments. If some debentures should be treated differently than others, we're quite prepared to do anything of that kind." They said, "We do want to see this done on the basis of mutual agreement rather than arbitrary action."

That led to a series of final meetings where we got - I could hardly say concurrence - but they said, "As compared with an arbitrary statute re-funding the debt, this is our preference." Then we proceeded from there through all the painful process of preparing a prospectus that would be accepted by the Securities Exchange Commission in the United States, explaining away eight years of default and \$50 million of default. It wasn't an easy task. But ultimately the re-funding was floated in both the United States and Canada by a syndicate of underwriters in both countries. And the acceptance was well up in the high 90%. It was successful.

Briefly that's the background of the series of dealings we had with the Federal people prior to the default and at the time the default took place.

This is digressing a little. All of this dire financial condition that the Province faced was simply a reflection of the conditions that prevailed in Western Canada, and the Province of Alberta particularly. It even has some

humorous aspects. People in those days did have a sense of humor in spite of the Depression. I recall a story that used to be told of an American tourist coming up into Southern Alberta. There weren't many cars around in those days, and the tourist stopped into a farmer's yard to get some water for his car because it was overheating. The farmer said, "Sure, I'll have my hired man get you a pail of water."

While the man went out to get the water, the tourist was talking with the farmer, and he was telling him how terrible the conditions were. The tourist said, "Well, I can't quite understand, if things are that bad, how can you afford a hired man?" The farmer said, "Oh, that's no problem. We've got that all worked out. I don't pay him anything. He works for me until I owe him what the farm is worth, and then I turn the title of the farm over to him, and I work for him until he owes me what the farm is worth and he gives the title back! We just keep passing it back and forth."

This was the type of illustration we used to hear in those days. It had a lot of truth to it even though it was said in humor.

LS: The problem of debt was dealt with in a number of ways, and through legislation as you've mentioned. I'm interested in a particular Act which has been alluded to previously, the Act Respecting the Interest Payable on Debentures and Other Securities of the Province. This is the one that you have mentioned, that was originally an Order-in-Council, and was validated in September of 1936.

What I find interesting about this, is that not only was there the bondholders' committee, but you received delegations from other financial leaders in the country, people who represented such organizations as Canada Life Assurance Company, Canada Permanent Mortgage Corporation, Toronto General Trust Limited, Dominion Mortgage and Investment Association. They were concerned about the situation obviously. What were the meetings like, with them? What specifics were discussed with these people?

01 **ECM:** All of these groups that you've mentioned, of course, represented companies
02 that were holders of the bonds, or companies who had clients who were
03 holders of the bonds. They were not just speaking on behalf of their
04 companies. For example, brokerage houses that had sold Alberta bonds to
05 individuals were understandably very concerned because they had recommended
06 these bonds to them. Then the individual found the interest cut on it.

07
08 The basis position they took, which I suppose was quite natural, was that
09 you just couldn't do this. A bond was a contract, and no matter what
10 happened there was no way that you should even consider defaulting on the
11 terms of a contract. And of course, that's a very commendable ideal and
12 one we shared. The point that we tried to get over to them in the meetings
13 was that we acknowledged all of that. But our cold, hard fact was, "There
14 are no dollars in the Treasury to pay it. What would you suggest that we
15 do? Many thousands of our people are only existing by virtue of some form
16 of welfare that's being provided. There are no jobs; agriculture prices
17 have collapsed; there's no income. If you're saying to us that we should
18 cut them off the meagre measure of assistance they're getting in order to
19 pay the interest on the debt--in other words that's the last thing we
20 should touch--we cannot accept that. We think human needs and human
21 suffering has to take priority over the terms of the bond agreement."

22
23 That was the fundamental point of disagreement. They held, of course, and
24 this led to some rather bitter discussions at times, that the advent of the
25 new Government was largely responsible for the circumstances we faced. Not
26 on the matter of the economic conditions, but "If you had been a
27 traditional government," their argument was, "you could go out and sell
28 bonds. Others are doing it. You could refinance your maturities when they
29 came due." So in that sense, they blamed the Government as being a radical
30 monetary reform group to whom, they said, nobody would now lend money.

31
32 Whether the former Government, for example, could have gotten the money on
33 the market was very, very debatable. The security was not there to
34 underwrite a further debt issue. I think it's probably they could have
35 borrowed some money. Certainly we were suspect as a new Government with
36 our ideas of monetary reform. The traditional avenues through which you

borrowed money by new debt issues were not available to us.

But really, while these recriminations took place they were rather meaningless, because we were the Government. We'd been put there by an overwhelming majority of the people of Alberta, and there was little point in the financial people saying, "If you weren't here, this problem wouldn't be here." We said, "We're here because the people of the Province wanted us here." All this debt thing had been argued in the election campaign. Debt was one of the big subjects in those days. Mortgage foreclosures, all that kind of thing.

So the discussions often revolved around these things, with a lot of recriminations at times.

On the other hand, to be fair, on the whole the men who represented these groups were experienced, intelligent businessmen, and beneath it all they knew the problem was there. It was a real problem. But they were looking after the interests of the people they were there to represent. We, on the other hand, were trying to look after the people of the Province of the whole.

There were quite a series of meetings, and quite a number of delegates particularly from the Eastern investment houses and insurance companies, in addition to the bondholders' committee (which was only set up after the default). Some of these others were there before that, when they could see the circumstances; they knew the maturity was coming due, and wanted to know, "How are you going to be able to meet this? What are you going to do?"

There were a lot of discussions. Very little came out of it, and I don't know how long they would have gone on. But with the improved conditions after the war because of increased revenues, and employment created by war, we at that stage were in a position to make a firm proposal and know we could carry it out financially. When they became convinced that's what we were going to do, that brought it to a head.

01 **LS:** In this period of time (we're looking now at 1936) there were two Sessions
 02 of the House. Perhaps we could look at some of the legislation that was
 03 passed then. In addition to the concern and legislation aimed at the
 04 financial situation of the Government and the Province, a second major
 05 issue was the whole question of the implementation of the principles of
 06 Social Credit and the legislation that reflected that.

07
 08 I wonder, Mr. Manning, if you could talk about both Sessions of the House
 09 and some of the legislation that was dealt with and passed in that period
 10 of time. The provisions and the response that the legislation received.

11
 12 **ECM:** The first Act passed by the new Government that related directly to the
 13 Social Credit monetary proposals was passed at that first Session in the
 14 Spring of 1936. It was known as an Act Respecting Social Credit Measures.
 15 It had a Preamble which spelled out the concept that production was not the
 16 problem facing the country and the Province, but the problem was
 17 distribution of the goods that were available. That people had a right to
 18 the benefit that accrued from their association together (what we used to
 19 refer to as the increment of association). That was all spelled out as a
 20 philosophical thing, in the Preamble.

21
 22 That Bill really was nothing more than enabling legislation. It authorized
 23 the Lieutenant-Governor in Council to do almost anything to implement this
 24 general concept of equating consumption with production. The effective
 25 clause of the whole Bill is in one paragraph. It said:

26
 27 "The Lieutenant-Governor in Council is hereby authorized and empowered to
 28 adopt and put into operation any measures designed to facilitate the
 29 exchange of goods and services, or any proposal which is calculated to
 30 bring about the equation of consumption to production, and thus ensure to
 31 the people of the Province the full benefit of the increment arising from
 32 their association."

33
 34 It was nothing more than enabling legislation. It set out no specific plan
 35 or proposal or scheme. But it gave that broad authorization to the
 36 Lieutenant-Governor in Council.

It was under that Act, during the summer (the 20th of July to be specific) that an Order-in-Council was passed authorizing the registration of Alberta citizens so that we would have an inventory of Alberta citizens for the distribution of credit to them. This was the implementation of the concept of Social Credit dividends.

That Order-in-Council was validated in the Fall Session by another Act. But the major Act of the first Session was the Social Credit Measures Act, which was nothing but enabling legislation.

Also at that Session there were several other pieces of legislation that were unique and significant. One was an Act implementing a retail sales tax. This had come out of the recommendations of Mr. Maygor that I referred to earlier. The Government agreed only with great reluctance, but again because we simply had to have some dollars. The Act imposed a 20% retail sales tax, with a significant list of exemptions. It wasn't a blanket thing. The main items exempted were bread, milk, coal, gas, water, farm machinery, farm produce, electricity, fuel oil, and things of that kind.

That was assented to at the Spring Session in 1936, and it was the Act that led to a great deal of controversy on the part of the Social Credit members themselves. They ultimately demanded its repeal, and it was operative therefore for only a very short time.

Another Act at that first Session which was unique and also led to some problems was the Recall Act. This was something Mr. Aberhart had promised during the 1935 election campaign - that there should be legislation under which if the electors of a constituency felt their Member was not carrying out his job, he could be recalled. It was quite a lengthy Act because it went into a lot of detail, but primarily it provided: For the circulation and prescribed forms which if signed by not less than two-thirds of the electors that were on the Voters' List at the last election in that constituency, they could recall their member.

LS: "Recall" meaning...?

ECM: He would cease to be their Member. The seat would be declared vacant.

The Act provided that the signatures on these petitions had to be witnessed. I mention that because it was one of the things that led to some of the problems that resulted in the House repealing the Act at a later date. As you probably are aware, the only time the Act was ever used was a campaign to recall Mr. Aberhart himself from the constituency of Okotoks-High River south of Calgary.

LS: Can you tell us a little about that? How did that come about?

ECM: It was initiated of course by the opposition to the Government. The problems that arose were in getting these petitions signed. We had never anticipated these problems when the Act went through. For example, the promoters of the petition might take a petition into a merchant in the town and say, "We want to leave this petition in your store to collect signatures. And we'd also like you to witness the signatures, because they have to be witnessed." If the merchant said Yes, the people who were strong Government supporters said, "I'll never go into that fellow's store again; he's aiding and abetting the opposition fellows at recalling our Premier." On the other hand, if he said No, then other other group who were working for the petition would say, "That fellow wouldn't even help us give the people a chance to sign the petition." We had cries of distress from a great many merchants and service station operators and others who were put in that kind of situation.

They had started the petition - I don't remember how many names they got. It was nowhere near completion. But the House repealed the Act at the later Session for that reason. It was an Act with very good intentions, but its practical application proved to be much more difficult.

Also at that first Session there was a minimum wage act called An Act to Provide Minimum Wage for Men. It's rather interesting, in the light of the changes that have taken place since that time, the women were excluded

01 entirely from this. It's only applicable to men! It established a Board
02 who could hold hearings or make investigations and then establish minimum
03 rates by Order. These could apply to areas of the Province, or to urban
04 centres and not rural, and so on. In fact, the Act itself exempted
05 domestic workers and farm labourers.
06

07 LS: Why was that?
08

09 ECM: I suppose it was more a matter of the practical circumstances that you had
10 to face. Farm labourers who were not full-time labourers, and all that
11 kind of thing. The flexibility was there. I don't know how you would
12 enforce it, for one thing, and it certainly would never have been accepted
13 for the rural people to have farm wages controlled. The same with domestic
14 workers. In fact, domestic workers were not brought under minimum wage
15 legislation until much later on. The concept in those days was that, if
16 you had somebody working in your home, this was not like a commercial
17 business. And all these things initially were directed at commercial
18 enterprises.
19

20 The Act provided for a Board with a Chairman and two other members. It
21 also had provisions for exemption in the case of apprentices and
22 handicapped people. It was quite a flexible piece of legislation.
23

24 LS: Was it a first for the Province?
25

26 ECM: I don't believe there had been a general minimum wage act in the Province
27 prior to this, as I recall. This type of legislation was all new in those
28 days, across the country as a whole, particularly in Western Canada.
29

30 LS: I understand that at the time that Minimum Wage Act was put forth, the
31 Canadian Manufacturers Association (the Alberta branch of that) and the
32 Chamber of Commerce, set up study groups. What was their particular
33 interest?
34

35 ECM: They were concerned about the idea of having a minimum wage at all. This
36 sounds perhaps a little hard to understand today, but when you remember the

01 Depression conditions of times, many, many merchants and particularly small
02 businessmen, were living from hand to mouth. In many cases, they'd have
03 arrangements with employees where the pay was very flexible: if they had
04 some dollars they'd pay him something; maybe they'd provide him with some
05 goods. And they were fearful of rates being established which they felt
06 they couldn't maintain under the conditions of the times.
07

08 That fear on the part of business people still prevails. Except today
09 they're afraid that the rates will be set too high to make their business
10 economically viable. It was the same type of fear, and maybe a little more
11 so in those days because of the seriousness of the economic conditions and
12 also the fact that it was new. They didn't know what this Board might do.
13 The Board could have a hearing and say, "\$X/week is the minimum wage."
14 There was no way of knowing in advance what that might be. They could only
15 assume that the Board would be reasonable, but there was a natural fear.
16

17 So there were a lot of representations against the idea at all. And if
18 there were to be minimum wages, they asked to be consulted, and they held
19 study sessions.
20

21 **LS:** Did the Board continue for some time?
22

23 **ECM:** Oh yes, it continued indefinitely. I don't think that Board was ever
24 abandoned. It later became the Board of Industrial Relations.
25

26 The other one at the same Session was an amendment to the Department of
27 Trade and Industry Act. This amended the Act which had been passed by the
28 previous Government back in 1934, setting up the Department of Trade and
29 Industry. There had been a provision in the initial Act to fix minimum
30 selling prices - aimed at what they used to call "loss leaders" in those
31 days (merchants were very fearful of others coming in an initiating loss
32 leaders, large stores undercutting the little fellow who couldn't do this
33 kind of thing).
34

35 The amendment provided that the Department could set maximum selling prices
36 as well as minimum selling prices. It also extended the application of the

Act to producers and manufacturers as well as to wholesalers. The old Act had been restricted to the wholesale level. The Minister also was given power to bring additional trades under the Act.

Under this Amendment we went through a period then when we instituted in the Province a number of "Retail Codes". These were orders that established a minimum and maximum price for certain goods and services. The idea of the minimum was to get for the seller a price that he could live on; the idea of the maximum was to protect the consumer from gouging.

But these did not prove to be effective. They gave rise to a great deal of controversy, and we finally scrapped all of the trade codes altogether. Some of them applied to services. For example, one of the trades that was pressuring us very strongly to have something of this kind was the service station operators. To get business, some operators would give away things, give great big discounts on things--it was a very cut-throat competition period because there was so little business. There wasn't enough to go around, and everybody was fighting to get it.

So we did establish codes that applied to service stations and auto parts. But what we found happened was that the same people who had been screaming to have this protection, when a client would take his car in and they charged him a little more than he was charged before because it was the minimum set under these codes, would say, "Well, I'd be happy to sell it to you for less, but you know this so-and-so Government insists that I must charge you this amount." So we were taking all the flak from all over the Province, and we finally decided that this wasn't feasible. It was all repealed.

LS: That particular Act established the "Price Spreads Board"?

ECM: That was a Board to determine the maximum and minimum prices. There wasn't so much controversy over the establishment of maximums and minimums. But the real trouble arose in trying to set prices, particularly on services. This is where the tradespeople could say, "We're sorry. We'd like to do it

for less." They wouldn't take the flak from the customer; they could very easily pass it on to the Government.

LS: There was a penalty clause in that Act too, wasn't there?

ECM: Oh yes. They could be fined.

LS: Just before we leave that Department of Trade Industry -- you mentioned it had been established in '34 by the previous Government. You were appointed in November of 1936 as Minister of that Department, is that correct?

ECM: November of 1935. The previous Government had passed an Act merely creating a Department of Trade and Industry. They hadn't actually set the Department up. I think when we went in there were two men. One was a trade commissioner and the other was a solicitor. These were the only personnel appointed in the Department. The legislation was there, but they had called the election before the Department was structured.

LS: So you were really the first Minister?

ECM: Yes, I was the first Minister of the Department. We had to start from scratch and set up the Department, get a Deputy, and so forth.

That was the first Session, which met again in September of that year. At that Session there was another act passed that bore on the implementation of Social Credit proposals. It was an Act to Provide the People of Alberta with Additional Credit. And the main feature in it was the establishment of Provincial Credit Houses as they were called at that time, throughout the Province. Later they became called Treasury Branches.

It authorized the issuing of what the Act defined as Alberta Credit, and this term was used to distinguish this form of credit from anything in the field of legal tender or currency, which of course we recognized was entirely under Federal jurisdiction. The idea of this Alberta Credit was that it would be a vehicle for transferring goods and services exclusively within the Province. There would be no issue of anything in the form of a

paper certificate or anything of that kind. The transfers would be entirely on the books of the Credit Houses throughout the Province, by a form of cheque or "credit transfer". In other words, it was the equivalent to a great volume business that's transacted today, and always has been, by cheques, where no actual currency changes hands. The transfer is made on the accounts in the bank. The only difference being that with cheques you can go and ask for currency any time you want it from your account. Whereas in the case of Alberta Credit you could not ask for Canadian currency. It was purely a medium of exchange within the Province.

It provided for the issuing of that type of credit. It provided for these Credit Houses where the transactions could be recorded. It defined the persons who were eligible to receive it, and in that initial Act these were Canadian citizens (or British Subjects as they were called in those days) who had been domiciled in the Province for at least 3 years, who were 21 years of age or over, and who registered. Everybody was required to register for it--it was a voluntary participation.

In the case of non-citizens, they could register if they had been domiciled in the Province for five years, and if they had made their application for citizenship, and were over 21 years of age.

In the agreement that the citizen signed when he registered, he undertook to accept and use this Alberta Credit as far as it was feasible for him to do so. In other words, it was trying to introduce a system that was based on the voluntary acceptance of something, where acceptance could not be enforced by law. This was not legal tender. If somebody had a debt, he could always claim payment in legal tender in the country. But in this case, if you tendered it to somebody and he wouldn't accept it, you didn't discharge your debt. Whereas with legal tender, if you send him a certified cheque and register it to him, the debt's paid, as far as you're concerned. In this case, the person had the right to refuse it, so it was a voluntary system.

It also provided that blocks of this Credit could be paid to the Provincial Treasury, to be used in those Government expenditures would be accepted.

01 It provided for loans as well as direct payment. Also there were
02 provisions for the terms on which this Credit could be redeemed in
03 currency. This Act also validated the Order that had been passed
04 previously, under the Social Credit Act, to start the registration of
05 people before this Act went into effect.
06

07 LS: What evolved in the Credit Houses?
08

09 ECM: We started establishing Credit Houses. They were shortly made branches of
10 the Provincial Treasury, and they've been known since as Treasury
11 Branches. Of course they still operate today, a very huge business, as
12 Provincial Treasury Branches.
13

14 In those initial years the Treasury Branches dealt only in the Alberta
15 Credit, with the exception of course that you could buy Alberta Credit by
16 depositing currency. There were supplies of currency kept for redemption
17 where accounts had to be paid outside the Province, and things of that
18 kind.

19 The program actually under the Credit House Act and the Alberta Credit
20 didn't become a major thing in the Province. We ran into too many
21 practical obstacles, the chief of them being that there was a reluctance to
22 accept Alberta Credit because it was a restricted medium of exchange. If
23 you wanted cash, you couldn't get it.
24

25
26 Quite a lot of merchants did sign up and accepted it, but of course they
27 immediately came to the Government and said, "We'll do this, but we must
28 have some provision for converting our Alberta Credit back into currency
29 because we're paying our accounts outside the Province." And we recognized
30 that had to be done. So we found, after a fairly short experimental trial,
31 that we really weren't accomplishing much. We found that the Alberta
32 Credit we were issuing was quickly moving to merchants and into channels
33 where it ultimately came back into the categories where we had to convert
34 it back into currency to meet obligations that these people had. So the
35 objective of trying to get a large volume of this in circulation to aid the
distribution of goods and services in the Province was never attained, and

01 it was abandoned later on.

03 When the Credit Houses were changed to Treasury Branches, they carried on a
04 dual business. They carried on a normal cheque transfer business with
05 currency or legal tender, but they also did have for quite a number of
06 years a parallel system of Alberta Credit. We went through a period, for
07 example, where a Province paid a premium of 2% (it really amounted to a
08 discount to the consumer of 2% on Alberta-made goods) provided goods were
09 bought with Alberta Credit. There were certain inducements of this kind to
10 get people to use it. It went on for quite a bit of time, but the
11 fundamental weakness in it was that this type of medium always got back
12 into channels where it qualified for conversion back into currency.

13
14 Ultimately we concluded that really the contribution it was making to
15 increasing the distribution of goods and services wasn't sufficient to
16 justify running the parallel system.

17
18 Also at the second Session that year was an Act Respecting Prosperity
19 Certificates. This was rather a colourful thing that attracted a lot of
20 comment. It has been confused by many people as being a part of the Social
21 Credit proposals. It really wasn't. It was a supplementary thing.

22
23 The Prosperity Certificates were just stamp scrip. This wasn't a new
24 thing. Stamp scrip had been used in different places, in the United States
25 and elsewhere, even some in this country. The principle was very simple.
26 They issued a certificate, three provided for in the legislation: 25¢,
27 \$1.00 and \$5.00. Each week, at a specified day of the week, to keep the
28 certificate valid, the person holding it at the time had to affix to it a
29 stamp.

30
31 These stamps, for example on the \$1.00 certificate, were 1¢ stamps. So
32 over a period of two years, for which the certificate was designed to
33 circulate, you have 104 weeks, and by the end of the two years there were
34 104 1¢ stamps attached. In other words, the people had bought \$1.04 in
35 stamps, but the individual had probably only affixed one of them. It was

01 an incentive to keep the things circulating, get rid of them before the day
02 comes when you have to tack another stamp on the back.

03
04 It provided for the issuing of the stamp scrip, and it authorized the
05 acceptance by the Provincial Treasurer of these certificates on certain
06 accounts owing to the government (some forms of taxation, car licences, and
07 things of that kind).

08
09 One unique thing in that Bill: it included authorization for the City of
10 Edmonton to enter into an agreement with the Province to use certificates.
11 This was because there was interest expressed by the then civic government
12 of Edmonton, who were very favourable to this idea. They said they were
13 prepared to enter into an agreement and use these as far as they could in
14 the City. The Province was very pleased about this because it gave a base
15 for increasing the operation.

16
17 Under that agreement, the City agreed to purchase \$55,000 of these
18 certificates with the Province advancing another \$30,000 to the City. The
19 undertaking the City gave was that they would not redeem the extra \$30,000
20 for at least a two-year period. In other words, it provided that we would
21 get about \$85,000 put into circulation quite quickly within the City.

22
23 That was the other statute of great interest at that particular Session.
24 The certificates didn't last a long time. They were quite practical, but
25 they were cumbersome. In the first place, to have to stick a stamp on the
26 back of the thing once a week. You bought these stamps, and had to keep
27 them around. Then with the passage of time and the passage of the
28 certificates from one to another the stamps would start to fall off, and
29 that kind of difficulty.

30
31 There was quite a bit of work done with them. We used to use them for some
32 public works projects around the Province, and I guess they did quite a bit
33 of work, but it never really became a big thing.

34
35 One interesting sidelight. These things became in demand as collector's
36 items. When the Government decided to terminate the program we redeemed

01 all the certificates that were turned in. I don't remember the number, but
02 it seemed to me it was something like \$12,000 that never came back. These
03 were picked up by people as collector's items and went all over the world.
04

05 LS: Is there any other important legislation at this period of time?
06

07 ECM: We have touched on this, but also at that second Session the two statutes
08 were put through dealing with this matter of the cut in interest rates.
09 One was the one validating the Order-in-Council under which the Province
10 had reduced its interest rates on its debt. The other one was called an
11 Act Respecting Interest Payable on the Securities of Municipalities. This
12 reduced the enforceable interest payment on municipal bonds to a maximum of
13 3%. In other words, it was really by statute overriding the terms of
14 municipal bonds that were in circulation. That was done at the request of
15 municipalities who were facing the same kind of problem as the Province.
16

17 LS: This raises a point about the relationship between the two levels of
18 government, the Provincial and the municipal. You say that this was
19 initiated and requested from the municipal level.
20

21 ECM: Yes. I don't recall how wide that request would be. Of course, in those
22 days the little urban centres would probably have very little municipal
23 debt. They were so small, normally a little town didn't issue bonds. But
24 the two cities of Edmonton and Calgary were the main ones, Lethbridge and
25 Medicine Hat to a lesser degree.
26

27 As I recall, in those days the City of Edmonton had an administration that
28 was quite in support of trying out new experiments. They were prepared to
29 enter into an agreement on the stamp scrip. That was because of the
30 position that the local administration of the time took. The mayor
31 happened to be a colourful man, who didn't like the old orthodox financial
32 way of doing anything, and he was very open to trying something new.
33

34 Calgary on the other hand was different. ^{their} They're government was more
35 committed to the traditional procedures, and they, to my recollection,
never entered into any of these things. I don't know what their position

01 was on the reduction of debt. They may have been in a serious position and
02 perhaps favourable to that. They didn't enter into any arrangement on the
03 stamp scrip, as I remember.
04

05 LS: When the Provincial Government passed this kind of legislation, it then
06 became binding on those municipalities, right?
07

08 ECM: Really, the effect of the cut of interest Act, as far as the municipalities
09 were concerned, was to mean nobody could claim more than 3% interest on a
10 municipal bond if they didn't want to pay it. In other words, the terms of
11 the bond itself higher than 3% were not enforced. It didn't stop a
12 municipality paying it if they wanted to pay it, but nobody had a legal
13 claim on it.
14
15

16 [Last 2/3 of June 7/79 tape is a duplicate of Interview #3, March 12/79 tape--on
17 March 12/79 transcript this section starts on page 23, line 35. In case it is
18 desired to erase the duplicate section, with counter set at "000" at beginning
of Side B of June 7/79 tape, the duplicate section starts at about "134".]