

## CHAPTER TEN

Despite the apparent solidarity shown by the Social Credit members in the Legislature, storm clouds were gathering within the confines of our Caucus.

Throughout the election campaign all Social Credit candidates had emphasized on every platform the promise made by Mr. Aberhart to bring to Alberta Major Douglas to act as the technical advisor on Social Credit to the government. Two days after the election Mr. Aberhart cabled Major Douglas saying: "Victorious when could you come?" and on August 26th Major Douglas replied: "If necessary, could sail middle of September. Suggest calling me telephone ten morning Edmonton time."

This exchange would indicate Mr. Aberhart's serious desire to bring Major Douglas to Alberta and Major Douglas' willingness to come at the earliest opportunity. However, such a meeting was not to be, though invitations were forwarded and acceptances assured several times between that time and the end of March, 1936. In Major Douglas' book *The Alberta Experiment*, published in 1937, is given every word which passed between him and Premier Aberhart. They constitute, in all, twenty-five cablegrams and twenty-seven letters. Careful study of these exchanges should prove to the reader that Major Douglas and William Aberhart possessed strong and definite views concerning the role each found himself to be playing.

Major Douglas, as founder of Social Credit, was rightly concerned about the effect anything done in Alberta under the name of Social Credit would have upon the movement in other parts of the world. Social Credit had, by this time, a strong following throughout the English-speaking world and in some European countries as well as in Japan. In each of these countries the news media were anything but co-operative and it was obvious that the general public could not secure authentic information concerning Social Credit activities anywhere. Mr. Aberhart's knowledge of the subject was such that he placed particular emphasis upon the introduction into Alberta of what he called a credit house system designed to bring into being a new medium of exchange based in amount upon the value of the goods and services available in the Province for consumption.

Major Douglas, on the other hand, while emphasizing the need for a change in monetary policy, had had many more years of experience with his theories than had Mr. Aberhart and well knew that every conceivable object would be placed in the way of the successful introduction of Social Credit principles into Alberta. His earlier recommendations to the U.F.A. Government are an indication of the somewhat drastic steps he believed the government should take before attempting to institute measures to control financial policy. These same recommendations were made to the Aberhart government.

The correspondence indicates that Mr. Aberhart and his Cabinet honestly believed that a man skilled in orthodox financial and economic techniques, such as Mr. Magor undoubtedly was, should be employed to arrange the affairs of the province in such a way that it would become clear to every one as to the immediate problems that had to be faced by the government. Major Douglas, on the other hand, recognizing his role as adviser to the government, believed that no such "expert" was necessary and had every reason to think that Magor's

advice would be of a nature that would be most acceptable to international finance.

The Bank of Canada had been established by the government of R. B. Bennett and had been officially opened on March 11, 1935. It was well known that the Governor of the Bank of England, Mr. Montagu Norman, had come to Canada to visit with Mr. Graham Towers, newly appointed Governor of the Bank of Canada only two weeks before the Alberta election. (See picture). Douglas believed that Montagu Norman's visit to Canada at this time was prompted more by the determination of international finance to stop Aberhart in his tracks than it was to pay a courtesy call upon the newly appointed young governor. He strongly suspected that Magor was a tool being used by Norman.

Mr. Aberhart, on the other hand, insisted that a group of well-known Social Crediters in New York had recommended to him the appointing of an orthodox adviser as a preliminary step to the formation of a Social Credit program for the province. These Social Crediters had apparently recommended someone from the United States but the Alberta government had shown preference for a Canadian and had, accordingly, sought out Magor on their own volition. The views of both Douglas and Aberhart can thus be understood.

To get the entire story and to sift out fact from fantasy, took countless hours in caucus. During these many discussions, consisting of questions by the M.L.A.s and answers given by the Cabinet, it became obvious that Mr. Aberhart was not receiving, by any means, the whole-hearted support of his ministers in his endeavor to bring Major Douglas to Alberta. It was equally plain to see that some ministers had very little knowledge of the type of conflict in which the government was engaged and began to argue that Major Douglas should be entirely ignored. This brought about serious criticism of these ministers in caucus and out, and soon led to secret meetings being held in hotel rooms where cabinet ministers were not present, and where conclusions were thus reached as to the best course to be followed to impress upon Mr. Aberhart that those private members who appeared critical of his ministers were only concerned about establishing a proper rapport between him and Major Douglas.

Mr. Aberhart, however, was not easily convinced and all too often looked upon any criticism of a minister as being a reflection upon his good judgment, and the minister in many cases believed that the criticism by this same group of members was nothing short of a denunciation of him and his department. Actually, all that was being criticized was the indifferent attitude some of them were showing, not only toward Major Douglas, but to monetary reform, or anything else which was not completely in keeping with orthodoxy.

Looking back on those days, I can see now, more clearly than I could then, why any minister under fire from his own group would feel that way. The budget with its increases in taxation was an extremely distasteful document to defend once the Session prorogued and we saw in it what we interpreted as being the diabolical work of the government's orthodox advisers whose intentions could be nothing other than the rapid defeat of the Social Credit government. After all, the Opposition had insisted that they would bring about the government's defeat in six months. As members we had not been aware before of the full text of Major Douglas' interim report nor had we heard in detail some of the material contained in the Douglas-Aberhart exchanges to which reference has already

been made. The critical members, therefore, believed that someone was deliberately holding back information we felt should rightly belong to Caucus members.

The two Cabinet Ministers who bore the brunt of the attacks by M.L.A.s were the Provincial Treasurer, Mr. Cockroft, who was responsible for the budget with its increase in taxes, and the Attorney General, Mr. Hugill, who had by this time let it be known that he believed the whole concept of Social Credit to be *ultra vires* of the powers of the Province and that he would walk out of the Cabinet rather than lose his self-respect by pretending to fight for something he did not believe.

On the evening of March 24th, a Caucus was held which lasted for a period of five hours and tempers flared as never before. False accusations were being made with great vehemence which were just as vehemently denied. Those who were blind followers of the majority of the Cabinet, openly accused the critics of co-operating with the Opposition, with the press and with the banking fraternity to destroy Mr. Aberhart, while the critical members insisted that their entire case was based upon their determination to break the apparent deadlock which existed between Major Douglas and Mr. Aberhart. When the caucus ended, however, it was obvious to all that little could be done at this time to bring these two men together and the following day Mr. Aberhart announced that "the possibility of further negotiation" with Major Douglas seemed remote.

Though the members had been divided on this issue, they were certainly unanimous in connection with so many other things which were being done at the time. The turning down of the Loan Council, the determination to go no further into debt; the cutting of the bond interest rate; the paying of the arrears of teachers' salaries and the steps being taken to improve the educational system of the Province received the whole-hearted endorsement of the entire caucus, as did the progressive and far-reaching labor legislation. We all adopted the attitude that there were too many things on which we all agreed to allow the differences between the government and Major Douglas to cause an irreconcilable division in our ranks. This did not mean, however, that we would not return to the Douglas question later on.

During the summer of 1936 the government made preparation for the payment of Social Credit dividends and the registration of those eligible to receive them was undertaken. This was done voluntarily by Social Credit supporters throughout the Province and certainly in the face of much opposition.

Organizations came into being overnight to oppose the program, one calling itself the League for Freedom and claiming a membership of thirteen thousand, fought it in every possible legal way. When the registration was completed, however, the total number greatly exceeded the 163,700 who voted for Social Credit the year before.

During the year 1936 several people in different parts of the world contacted members of the Legislature, insisting that they were students of Social Credit and could establish Social Credit plans for the Province, if given an opportunity. One such person, John Hargrave of England, came of his own volition to Alberta in the fall of 1936 and made contact with the Cabinet and

with many of the private members. The government set up a committee to work with Mr. Hargrave and in due course they submitted an eleven-point program which they believed would result in bringing about the realization of the Aberhart promises. Before the 1937 Session opened, however, on February 25th, the Cabinet rejected the Hargrave program and on January 22nd Mr. Hargrave left Edmonton and in his public statements charged the government with "stops, starts and reversals."

The Honourable C. C. Ross, Minister of Lands and Mines, resigned from the Cabinet on January 6, 1937, claiming that he did not have a free hand in the administration of his Department. On January 29th the Honourable Charles Cockroft, Provincial Treasurer, did likewise. The Honourable H. E. Tanner, Speaker of the Legislature, succeeded Mr. Ross and Solon E. Low was sworn in as Mr. Cockroft's successor.

The year 1937 can undoubtedly be described as the most hectic year in the entire history of the Social Credit movement. The members who had been critical of Charles Cockroft and his budget looked forward to a budget more in keeping with Social Credit policy from Mr. Low. While not being as openly critical as had some of the members in Caucus, he had expressed himself as being very much opposed to the taxation increases in the Cockroft budget and had stated that he believed that sufficient effort had not been made in the previous year along Social Credit lines. However, it was soon realized that Mr. Low had been no more successful than had Mr. Cockroft when his budget showed a still further increase in taxation in the amount of \$1,056,000. It is true to say, however, that during his entire term as Provincial Treasurer he made desperate and determined efforts to bring about a refunding of the Provincial debt.

During this Session the Aberhart-Douglas controversy again came to the fore, especially seeing that the eighteen-month period asked for by Mr. Aberhart of his followers was now close to an end.

Despite all efforts to conceal our differences from the public and to keep them within the confines of our Caucus, it nevertheless was soon reported in the press that there were rumors of dissension in our ranks. The Spanish Civil War being waged at the time between the loyalist and insurgent forces gave the news media an excellent opportunity to so name the Social Credit members of the Legislature. I shall use these terms from now on.

The criticisms of the budget proposals were not confined to the Caucus any longer, as R. E. Ansley of Leduc jumped to his feet in the Legislature and, shouting at the top of his voice, stated that both budgets so far introduced, disregarded completely even the slightest principle of financial reform and he indicated he would not support it. As the budget debate continued, more and more members became openly vociferous and declared themselves to be entirely opposed to its passage.

While this was going on on the floor of the Legislature, the insurgents were still more defiant in Caucus. They insisted that if the Cabinet would not or could not, whatever the case might be, bring Major Douglas to Alberta, that a board of five members be established, to be known as the Social Credit Board, and that such board be empowered to devise ways and means of bringing to the Province Major Douglas or other Social Credit proponents, in order that the best possible

advice could be secured. This situation was most vigorously opposed by the Cabinet and the loyalists, but by this time the number of members who had come to the support of the insurgents was sufficiently great that the insurgents were in the majority.

We, who by this time were known to be insurgents, were aware that there were others who wished to express themselves but would not do so with the Cabinet present. On the evening of March 29, 1937, at a never-to-be-forgotten Caucus a motion was passed asking the Cabinet to retire from the room in order to permit all M.L.A.s to speak as freely as they wished and to come to a conclusion, which would be made known to the Cabinet upon their return. Mr. Aberhart suggested that the Cabinet would remain in his office across the hall awaiting our decision.

As soon as the door was closed behind them, the meeting became a Donnybrook and I, as chairman, found it extremely difficult to keep order. I am not exaggerating when I say that during these exchanges several members found it necessary to hurry to the Members' cloakroom and dispose of their supper. Calmer minds however prevailed, and the insurgents were able to prove to the satisfaction of most of the loyalists their determination to support Mr. Aberhart as leader at all costs, and to maintain the government. As an insurgent I can honestly say that never on any occasion did I see any evidence on the part of any member associated with the insurgent group wanting to upset the government in any way. It was action we wanted.

The vote of the members now showed that a large majority would back the recommendation for the establishment of a Social Credit Board and at one o'clock in the morning I notified Mr. Aberhart that the members had reached a decision. When the Cabinet returned, it was announced to them that the support for the establishment of a Social Credit Board had carried with a big majority and that we were now prepared to vote a three months' supply to the Cabinet, upon the introduction of a bill establishing the Social Credit Board.

The three months' supply being assured, Mr. Aberhart introduced a bill to amend the Social Credit Measures Act of 1936. This bill was subjected to hectic debate for about a week and as a result a substitute bill, The Alberta Social Credit Act, was introduced on April 8th by the Honourable Solon Low. This bill brought into being the world's first Social Credit Board made up of Mr. Glen L. MacLachlan, as Chairman, Dr. J. L. McPherson, Mr. Selmer Berg, Mr. William E. Hayes and Mr. Floyd M. Baker, who also acted as Secretary the Board.

The public had naturally expected that such a Board would be made up entirely of insurgents. However, with the exception of the Chairman, who, while agreeing with the insurgents, had been less outspoken than most, the other four men were recruited from the loyalist ranks.

The Legislature adjourned on April 14, 1937 and the Board set about its work. Contact was again made with Major Douglas, and the Board Chairman journeyed to England to discuss with him the possibility of his coming to Alberta, or otherwise naming a representative. Major Douglas recommended the appointment of Mr. G. F. Powell and Mr. L. D. Byrne, and shortly after the first mentioned arrived in Edmonton.

Once the insurgency had become known to the public, people began to

demand that members of both groups attend public meetings to explain what had brought about such a rift. It was not unusual to see every such place of meeting jammed to the doors, with often as many people being turned away for lack of space. People expressed confusion on more than one occasion upon seeing a single car carrying five or six M.L.A.s arriving at a place of meeting, realizing that some were insurgents and some were loyalist and in due course would be verbally tearing each other apart on the public platform. The fact that opposing sides could share the same car going to and returning from a meeting is a good indication that for the most part, personalities were not involved and only principles were.

Mr. Powell immediately set about to bring the two opposing factions back together in one harmonious team. He prepared a pledge form which was termed the true blue pledge of unity for results. These were signed by Ministers and members alike and had the effect of guaranteeing full support for the Social Credit Board and its advisers while they drew up their program for legislative action.

The insurgency was over, at least for the time being and the results we had sought had been so far accomplished.

### **First Interim Report**

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

- "(1) The systematic provision of a News circulating system under the unchallengeable control of the Province, particularly in regard to radio facilities of sufficient power to cover a wide geographical area.
- "(2) The organization of some Credit Institutions, either under the Dominion Bank Act, or otherwise, which will give access to the creation of effective demand through the credit system, on principles already well recognized and established.
- "(3) Systematic organization directed to the accumulation of what, for the purposes of this report, may be termed 'foreign exchange,' i.e. effective demand not subject to attack as being recognizable as having been created within the Province."