

The Alberta Experiment₁

Part I: The Story

Dr Frances Hutchinson
www.douglassocialcredit.com

Twenty-five years ago, when the BBC TV comedy series “Yes, Minister” was first broadcast, people were familiar with the idea that politicians are devious and self-interested. What was new was the realisation that the figure at the top of the civil service was actually running the country. If you remember, the plots revolved around the machinations of Sir Humphrey Appleby, the permanent under-secretary for Administrative Affairs, in order to entrap his newly appointed Minister, the Right Honourable James Hacker, into following Whitehall’s lead and not his own political intentions. The series was popular because it was so true to life, which is hardly surprising since the scripts were drawn from actual events. Winding back in time another forty-five years, to Alberta, Canada, in 1935, exactly the same situation occurred in real life. William Aberhart was elected Premier of the Provincial Government of Alberta with a backing of 57 out of 63 seats in the Provincial Legislature. He had a clear mandate from the Provincial electorate to introduce monetary reform according to social credit principles². However, the intentions of the politicians were frustrated by the permanent civil service of the Province and Dominion of Canada, in a manner which was far from comic.

At the subsequent Federal Election to the Dominion Parliament at Ottawa 17 Social Credit members were elected, forming the second largest opposition party in the federal legislature. The election of social credit politicians in Canada in 1935 formed the first serious political challenge to the orthodox financial system. These events had repercussions across the world. In November of the same year the Labour Government of New Zealand came to power largely with the electoral support of the Douglas Social Credit Movement of New Zealand (although it did not formally commit itself to social credit policies). It was, however, the events in Alberta that captured the attention of a world-wide audience. How was it that a province three times the geographical area of Great Britain, with a population of 740,000, largely engaged in farming, with ample natural resources to keep the population out of want and poverty, could be totally thwarted in its attempt to control its own economy? To understand what happened it is necessary to explore the background in the early decades of the 20th century.

The story starts in the years immediately preceding World War I. In the UK at that time the politics of ‘right’

(the capitalist employers) and 'left' (the working class) was yet to fully emerge as the 'Conservative' and 'Labour' parties. The old categories of 'right' and 'left' now seem archaic. At the time, however, the political debate was not about who should have the greatest share of the products of industrial capitalism, the employers who create the job opportunities (capitalists) or the workers who actually do all the work (socialists). In the first decade of the last century, across the 'developed' world but most especially in the English-speaking regions of UK, the North American continent, Australia, New Zealand, and South Africa, a very different debate was being conducted by employers and workers together³. On a world-wide scale producers in industry and agriculture, whether employers or employees, sought to develop economic associations in which service to the community was the predominant motivation, rather than greed and personal financial gain. A leading figure among the 'guild socialists' in the UK was the editor of *The New Age*, A.R. Orage. Orage was aware that the weakness in the guild socialist literature lay in its failure to take account of money and finance.

During the same period Clifford Hugh (Major) Douglas, a consultant engineer for Westinghouse and other global corporations was observing that in practice the one reason for abandoning a perfectly sound project was lack of finance. Invariably, the skills, the need, the technology, the labour and all the materials might be to hand, but if the money was not available the project could not proceed. He further observed that when World War broke out in 1914 there was no money with which to conduct the war. However, finance was found for the production and use of weapons of war, with all that that entailed. Destruction on an unprecedented scale could be financed and resulted at the very end of the war in levels of unprecedented prosperity. At this point his acute observations of the workings of finance in practice in the real world led him to predict post-war depression, followed by the resumption of hostilities on a world-wide scale.

When Douglas and Orage met at the end of World War I, Orage recognised that Douglas held the key to the missing element in the guild socialist platform, finance. For about a year there was a two-way exchange of ideas, following which the guild socialist economics known as social credit emerged⁴. Through the pre-existing 'guild socialist' links, social credit rapidly emerged as a world-wide phenomenon. Douglas' articles on social credit were reprinted in periodicals in many countries, while his books ran through many reprints. In 1923 Douglas was invited to address the Canadian House of Commons Committee on Banking and Commerce. It was on this occasion that farming associations in Canada first picked up social credit economics, forming study groups which continued into the 1930's. Hence by 1935 many sections of the electorate in Canada were well versed in social credit theories, while Douglas himself was already a skilled political analyst of some fifteen years standing. As Douglas explains:

"If an explanation of the causes of Mr. Aberhart's victory in 1935 were required in one word it could be given. That word would be 'debt.' The refusal to deal with the consequence of debt – taxation – is a complete explanation of the early failure of Mr. Aberhart's policy, and a warranty that such preliminary failure will not be accepted by the population as in any way a solution to its problems"⁵.

Writing a mere two years after the election, while Aberhart was still alive, and the prospect of introducing social credit measures was still considered to be a possibility, Douglas went on to explain that the farming population of the Province was riddled with debt because as recent immigrants they had little money. "The Province does not grow money, it grows wheat." Douglas explains the financial relationships between typical Albertan homesteaders, the Province as a whole, and the banks (pages 8-13). He then devotes a chapter to the history of Aberhart's immediate political antecedents. The United Farmers of Alberta (UFA) were elected to Provincial and federal seats in 1921. They were a progressive party. Publicity was given to social credit in the *Ottawa Citizen*. As a result of this publicity the UFA suggested that Douglas should be invited to address the Canadian parliament in 1923. Although from that date both the electorate in Alberta and their elected representatives, the UFA, were well versed in social credit, the politicians were guided by their 'Sir Humphreys' to remain firmly within the bounds of orthodox finance. When the crash came, and farms were being repossessed because of debt, the UFA were unable or unwilling to take action.

When he entered politics at the age of 54, William Aberhart was a schoolteacher with neither political experience nor substantial knowledge of social credit. He was Principal of a large state high school in Calgary, though better known as the dean of the Prophetic Bible Institution. The spectacle of students leav-

ing school well equipped to make a contribution to society, but forced to join the unemployed on the breadlines, offended his religious convictions and his deeply ingrained sense of justice. Profoundly upset when one of his best students committed suicide in despair, he considered it intolerable that men and machines should stand idle alongside poverty and want. A colleague introduced him to a simplified version of social credit economics, which fired his imagination. A charismatic speaker, his introduction of social credit ideas to his Sunday religious broadcasts, followed by speeches at meetings throughout the Province, fell on receptive ears. The prior existence of a network of study groups established over the years by the UFA had created a well-informed electorate.

Aberhart's original intention was to encourage the existing political parties to take up social credit. Failing to get any assurances from government or opposition parties, he decided to enter the political arena, encouraging his supporters to put up their own candidates in the forthcoming election. The candidates who came forward, and who were in due course elected were totally inexperienced politically, while few were thoroughly conversant with social credit economics. Alarmed at Aberhart's successes, the UFA Government invited Douglas to visit Alberta on his way back to England from his speaking tour of New Zealand. The UFA Government subsequently made an official request that Douglas act as economic advisor to the elected government. Douglas returned to Alberta once more, and drew up "The First Interim Report on the Possibilities of the Application of Social Credit Principles to the Province of Alberta" in May 1935. The Report is published in full as Appendix 1 to *The Alberta Experiment*. It demonstrates that its author had a thorough understanding of the political and economic issues on which he based his report to the elected Government. Aware of the nature of the political contest, Douglas scrupulously avoided taking sides, making a clear distinction, as throughout his writings, between policy formation – a political task – and technical advice as to how the results desired by the electorate might be achieved. The analogy might be made with the building of a bridge. It is up to the community to decide if they want a bridge, for what purposes, and where it should be built. The technicalities of drawing up the plans would be the work of an engineering expert.

Douglas was aware that electoral success would give Aberhart the authority to introduce social credit legislation, but not the ability to distinguish between technical advice on the one hand which would deliver reform (actually build the bridge), and technical advice which would, alternatively, render the implementation of social credit policies impossible (leave the community with a pile of rubble and no way of crossing the river). Hence Douglas was consistent in his relationship with Aberhart. Though he was sympathetic with the motivation behind Aberhart's political venture, and respected Aberhart as a person, Douglas was thoroughly conversant with the financial, administrative and legislative situation in which Aberhart would find himself after the election. As is evident from Douglas' account in *The Alberta Experiment*, including the Interim Report, Douglas had made detailed investigations into private debt and the history of the (debt-) financing of public works in the province. He was also completely conversant with the legislative relationships between the Federal and Provincial legislatures⁶. His complete understanding of the situation alerted him to the fact that failure to implement social credit policies at the outset of the term of office would be disastrous, not only for Aberhart's administration but also on a world scale. Douglas was addressing audiences of literally thousands, in his speaking tours, radio broadcasts and publications. In many localities social credit study groups met once or twice a week. In Keighley (where I live) in the North of England there were at least three such groups. It is no exaggeration to state that the eyes of the world were focused on the 1935 Albertan election and its immediate aftermath.

On his election Aberhart failed to confirm his provisional request for Douglas' immediate presence in Edmonton as the official advisor to the Albertan Government. Douglas cancelled his travel arrangements as, in true "Yes, Minister" style Aberhart was flattered, wined and dined, while being warned of the necessity to secure Albertan finances along orthodox lines. As a condition of receiving Federal financial support for the Province to meet demands for repayment of outstanding debt, Aberhart agreed to follow the recommendation of the Governor of the Bank of Canada and appoint Mr. Robert Magor as financial and economic advisor to the government. It was all over, bar the shouting. Social credit did not 'fail' in Alberta. It was never tried.

Writing in 1937, Douglas did not regret the 'experiment', being convinced that it had placed the "idea of financial independence" on the political agenda, at least as far as the electorates of the Western states of Canada were concerned. He ends his account with these words:

“By a process of trial and error and with more or less struggling and suffering, the money-changers will be cast out of the Temple, and it will become impossible for human-beings to starve in the midst of plenty”⁷.

The story of social credit in Alberta does not, however, end with the appointment of Mr. Magor. Although Douglas never took up the post of official financial economic advisor, at Aberhart’s insistence, two colleagues of Douglas’ who were well versed in the philosophy and technicalities of social credit did. One of them, L.D. Byrne, established a close working relationship with Aberhart. From early 1938 until Aberhart’s death in 1943, the two worked towards the introduction of genuinely social credit measures. Aberhart’s successor, Ernest Manning, paid lip service to social credit but dismissed Byrne. Although nominally Social Credit Governments continued to be elected until 1971, they followed a policy of financial orthodoxy and political conservatism, facilitated by the general prosperity and oil revenues.

Conclusion: *The Alberta Experiment* should be mandatory reading for each and every would-be monetary reformer intending to enter the political arena. The Albertan electorate gave a clear mandate to their elected representatives to introduce social credit finance-economics. Seventy years later, hardly anybody can give a straight answer to the question, “What is social credit?” Intriguingly, nevertheless, in 2002, when asked by Barbara Panvel to link the Early Day Motion (EDM) on monetary reform to social credit, Austin Mitchell responded that, “there is a conditioned mindset against any form of social credit”.

Social credit forms part of a complex, but nevertheless coherent quest for alternative ways of working together which are free from the carrot and stick of the money system. Another strain of economics, stemming from Rudolph Steiner’s work on the subject, is that of Associative Economics⁸:

“The associative approach to economics is based on the idea that economic life is the shared responsibility of every human being. *Talking Economics* is about making this responsibility conscious and finding ways to give it effect.”

If he were here now, Douglas would answer the question, “What is social credit?” by endorsing the associative economics approach to economics. He would, perhaps, refer back to *The Alberta Experiment* as an object lesson in learning to distinguish between policies (the desire for a bridge, for particular reasons and purposes) and the technical skills which could implement the policies. It has been argued that World War II and the subsequent economic prosperity flowing from it, made social credit ‘unnecessary’. For Douglas, a transient prosperity based on a money system beyond human understanding or control could hardly be termed a coherent alternative to social credit. What the Albertan electorate desired, and Douglas sought to deliver⁹ was economic security for all. A study of social credit principles is one route to the end of taking up our shared responsibility for the social and environmental impacts of our economic lives.

October 2005

1 I am most grateful for the generous support during my researches of many friends, including Lorna Arblaster, David Adshead, Adrian Lamont, Barbara Panvel, Donald Martin, Anne Goss, Bryony Partridge and Keith Hutchinson.

2 Short pamphlet entitled *Social Credit Principles* available on request.

3 See Frances Hutchinson and Brian Burkitt *The Political Economy of Social Credit and Guild Socialism*, Jon Carpenter 2005.

4 Note that Douglas’ social credit economics split the UK guild socialists into two groups, the left of the emerging Labour party, who supported communism and self-interested class-war, and the social crediters.

5 Quote from C.H. Douglas *The Alberta Experiment*.

6 See, for example, Chapters 1 &2 of *The Alberta Experiment*.

7 *The Alberta Experiment* p97.

8 See e.g. Christopher Houghton Budd *The Metamorphosis of Capitalism*.

9 Note especially Douglas’ comments on pages 11-13 of *The Alberta Experiment*.