

(October 26th, 1936)

Recent Legislation in Alberta

By MR. T. D'ARCY LEONARD, K.C.

COLONEL MESS:—Guests and members of the Canadian Club: The Chambers of Commerce are in special session here today and have honoured us with their presence. They are most welcome. Last year, after a surprising mandate Mr. Aberhart addressed this club and painted his picture of Social Credit as it applied in particular to Alberta. Our immediate past president, Colonel Bishop, in his introduction referred to him as "the latest exponent of social and political uniqueness". We have had about thirteen months in which to prove the accuracy or otherwise of that expression.

Realizing that many of our members were interested, and many anxious about the recent happenings in Alberta, the executive selected for this address the subject of recent legislation in Alberta. It was a complete reversal of our usual procedure in that we first chose the subject, and then looked for the speaker. Our unanimous choice for somebody to deal with so important a subject fell on Mr. T. D'Arcy Leonard.

MR. T. D'ARCY LEONARD, K.C.:—Mr. President and gentlemen, may I first of all thank you for the honour of the invitation to address the Canadian Club of Toronto? I do, indeed, appreciate it.

The story of Alberta today is the story of a province making an experiment in a new social and economic order, and that story is one of great importance not only to Alberta, but also to the public generally throughout Canada. First a few words to give you a background. Alberta's development has been comparatively recent and very rapid.

At the beginning of the century the population of Alberta was only seventy thousand. It has increased tenfold, and

its production has increased in even greater proportion. With that development, and as part of it, came the inflow of capital for the construction of houses, schools, public buildings, and to help them with their equipment. Most of that capital came from the people of the rest of Canada.

SIMILARITIES IN PROVINCES.

In one respect the economies of Alberta, Saskatchewan, and Manitoba are alike. Their main products are marketed in world markets in competition with world goods at world prices. At the same time they all suffer from handicaps of a geographical nature, and these are reflected in the cost of production, and in the cost of marketing. During good times, when prices are high, these handicaps are perhaps not so apparent, but when their products do not command a good price in world markets they do stand out very clearly.

When we run into a depression such as has taken place throughout the world since 1929, the handicaps are felt particularly heavily by the three Prairie Provinces. Because of the facts I have mentioned these provinces did not have sufficient reserves. It became very difficult for them to stand against the collapse of prices and the withdrawal of markets affected by the barriers erected by economic nationalism.

CONTRAST WITH SASKATCHEWAN.

I say this, not in justification of the methods adopted by Alberta (because I don't think those methods will solve the problem and may tend to make it worse), but to some extent to explain what lies behind the experiment. On the other hand, Saskatchewan, which has really suffered to a greater extent, may, by different methods, very well have arrived at a much more satisfactory solution. To understand what has developed in the past year and a half we should have some comprehension of the problem which this experiment seeks to solve, and of the problem which will remain if it fails to do so. It is a problem which requires the serious attention of all Canadians.

Into this situation of a depression falling with particular heaviness on the three Prairie Provinces there came in 1935 Mr. Aberhart carrying the banner of Social Credit, with

a programme suggesting "basic dividends" to all citizens of Alberta. These dividends, he suggested, were to be \$25 a month for every man and woman in Alberta, with the proviso that if this were not enough it might be increased later.

It is little wonder that in the circumstances that slogan carried the day.

SOCIAL CREDIT THEORY.

Now a few words with respect to Social Credit. It is a theory based on the assumption that the troubles of the world are due to a chronic deficiency in purchasing power, and that the cure for that situation is to supply consumer credits in the form of "national dividends" to the people. From time immemorial, during periods of depression, there have been people who have contended that the cure of economic evils lies in some form of manipulation of money.

In olden times when gold and silver were the medium of exchange, rulers resorted to the expedient of debasing the currency. Later when paper money first developed it offered prolific opportunities of manipulation because it was quite simple to print as much as was wanted. We have the examples of John Law in France and the continental bills in the United States. There have been more recent attempts to cure economic ills by this method, but they have all failed.

CHEQUE TRANSACTIONS.

During the past seventy-five years we have seen the development of another form of purchasing power—bank cheques—until today by far the greatest proportion of business is carried out through this medium. In other words, it is your credit at the bank, added to the bank's credit, that enables your goods and services to be exchanged for my goods and services.

With this new form of currency it is natural that some should consider it also as offering a field for manipulation, which would enable us to find a new paradise. In the theory of Social Credit is a suggestion of a form of purchasing power operated in the manner in which bank cheques are operated. But when we come to the practical application

of that theory I should say that there is a certain vagueness and lack of comprehension as to how that theory can be put into operation. It offers different interpretations to different people. That makes it difficult to understand the practical effect of the application of the theory of Social Credit. It has been said that if anyone will produce an economic theory and make it sufficiently incomprehensible then no person can possibly prove it is wrong.

But in Social Credit there are certain characteristics which stand out, and these are essentials. One is that it involves the state control of currency. The second is, that it involves the state control of banking. The third is that it involves the state control of maximum and minimum prices. From the third naturally follows the state control of business.

Now as to its particular application to Alberta: The first of the Social Credit measures was passed last spring. It was so vague as to be practically meaningless. As an example, the Act reads "It is hereby declared that the people of Alberta are entitled to the increment arising from their association." I am at a loss to know how one would enforce that statutory right in the courts.

CENTRALIZED CONTROL.

There is another section to which I would like to call your attention. It is typical of the movement towards centralization of control, which is not uncommon throughout the rest of Canada. It gives great powers and privileges to the Government, acting through the governor-in-council. Such privileges are liable to abuse, abuse that savours of the Star Chamber.

I refer to The Social Credit Measures Act—Chapter 5 of Statutes—Section 7, which reads, "The Lieutenant-Governor-in-Council is hereby authorized and empowered to adopt and to put into operation any measures designed to facilitate the exchange of goods and services or any proposal which is calculated to bring about the equation of consumption to production and thus ensure the people of the Province the full benefit of the increment arising from their association."

Throughout all this legislation you will notice very very wide powers delegated to the Lieutenant-Governor-in-Council.

TIN BANK MONEY.

Under that section there were issued during the summer-time "Prosperity Certificates". These you know something about. On the face they bear a strong resemblance to Canadian currency, and on the back you will find a place for the stamps to be affixed by those who use them.

The most apt and characteristic description is that of "Tin Bank Money" which was applied to it in Alberta.

Its operation can be illustrated in this way: Suppose a man works two hours at fifty cents an hour, he receives for his remuneration one of these "tin bank" certificates, and the Government of Alberta says to him in effect: "If you will keep this 'tin-bank' for two years and put in it each week a 1-cent stamp, and then bring it back to us with the dollar and four cents in it we will buy it from you for a dollar." That may sound absurd, but it nevertheless describes the conditions under which the certificates were originally issued. They had actual circulation for a certain length of time—till their character became very apparent. Since that time they have been given a certain value by redemption once a month, but in redeeming them thus the government loses some of the advantage it might have had from the issue of them.

ALBERTA'S BANK.

The next step was registration. Then the act established the Alberta Credit House which was in fact a bank but a bank without share capital and with no individuals constituting it as a corporation. Out of thin air it was produced. The government said: "Let there be a Credit House!" and a Credit House there is. Thinly disguised by such terms as "Credit House", "Alberta credit", "service charges" and so forth the institution is in fact a bank without capital but with power to take deposits, make loans and establish branches. Alberta credit is designed to mean the same kind of credit that you and I have when we have a pass book showing a deposit in a bank. And what they call

transfer of credit is the same thing that you and I use when we issue a cheque.

VOLUNTARY REGISTRATION.

The registration system, which is a necessary adjunct of Social Credit, is on a voluntary basis. People were asked to register and they have done so in large numbers.

Upon registration each is asked to sign a covenant under which he accepts certain terms of the Alberta Credit Act. A farmer, for example, agrees to sell 50% of what he has over and above his requirements for himself and his family in Alberta for Alberta credit, when called upon to do so. Salaried employees who register are asked to undertake to accept certain proportions of their salary in Alberta Credit Certificates.

With the covenant comes a questionnaire which gives complete information to the government with respect to the assets and liabilities of those who answer it.

Two pieces of information wanted stand out particularly. One shows how much is spent for Alberta products and the other how much is to be paid on debts outside the province.

A retailer is asked how much he buys from Alberta firms and how much from outside. The manufacturer is asked how much he is indebted to the bank and to "Eastern" firms and the farmer is asked how much he pays to firms outside the province.

With registration and the establishment of the Credit House we should also look at two other things.

One is the act setting up a Department of Trade and Industry which also provides for the creation of a Price Spreads Board with power to fix maximum and minimum prices for the sale of goods in Alberta and power to fix maximum and minimum wages and salaries.

There is also an Act with respect to the licensing of business. Under that act there is power to require the registration and licensing of all trades in Alberta.

You have heard something about this question of licensing when it came to be applied to newspapers. When the press raised the objection that it was an attempt at "muzzling" the reply was made that if anything were done

it would be done only to keep the press pure and see that it published only the whole, plain and unvarnished truth. I wonder what would be the government attitude towards a paper that told the truth and described Alberta credit as "Tin Bank Money".

CONTROL AND CREDIT.

What we have is a set up of machinery for the control of currency—because this new Alberta credit is expected to circulate in Alberta as currency—control over banks, control over prices and, through these, control over business.

It is obvious that as long as Canadian currency circulates in Alberta it would normally be preferred over Alberta credit, because Alberta credit cannot be used outside the province. Therefore, it would be in the interest of the government, in setting up this system to minimize as far as possible the need for Canadian currency and encourage as far as possible trade and business to circulate only Alberta credit.

ECONOMIC SOLUTION.

If Alberta credit can circulate only in Alberta, then where two firms are in competition, one a purely Alberta firm, and the other one being an extra-provincial firm operating in Alberta, then if the Alberta firm can have its wages and obligations paid in Alberta credit, it is in the interests of the government to encourage and prefer that firm over the extra-provincial one which must meet its wages and obligations in Canadian currency. That means a short-circuiting of trade from existing channels to those firms that will deal in Alberta credit, and that means economic nationalism operating in one province of Canada.

Alberta has a favourable balance of visible trade in that it exports more than it imports, but the balance is unfavourable so far as invisible trade—interest on debts, insurance and the like—is concerned, and to that extent is it necessary to have Canadian currency. This brings us to the consideration of those measures that have been taken to deal with debts.

DEBT MEASURES.

One of the foremost of these is the "Debt Reduction and Settlement Act". This act divides debts into two classifications, old and new. Old debts are debts incurred before July 1, 1932, and interest is wiped out from that date and from now on. Any interest that has been paid since July 1, 1932, is to be applied to the reduction of principal.

The only reductions made are on interest-bearing debts. There is no reduction on non-interest-bearing debts, and on interest-bearing debts the man who gets the most reduction is not the man who is most involved—it is the man who is not in arrears. He gets a reduction equivalent to the four years' interest he has paid. The reduction applies even in the case of a necessitous creditor, and even where the debtor is in better circumstances than the creditor. The only relief that is granted to the necessitous creditor is that he may apply to the Debt Adjustment Board for an order to have a payment hurried up.

CREDITOR CANNOT SUE.

The Debt Adjustment Act provides generally that no action can be taken for debt without permission of the Board, and it gives power to the Lieutenant-Governor to declare a moratorium, not only as to past and present debts, but as to future debts as well.

Interest rates on provincial securities have been reduced by approximately half, and right of access to the courts is denied. That is repudiation.

In the matter of municipal bonds interest has arbitrarily been cut to 3% whether or not the municipality can pay or wants to pay its original obligations in order to preserve its credit for the future.

GOODS VERSUS CREDIT.

Coming back to the Social Credit theory it seems to me that if we could think in terms of goods instead of money as being wealth, and if we did not get lost in the ramifications of the banking system and credits, we would see that if anyone in Alberta is to get \$25 a month for which he does not have to work what he will in effect get is 25 bushels of wheat that some other person has toiled to produce. There-

fore, on the whole, anything in the form of dividends can only be paid out of the real wealth of Alberta—the produce of the farmers of the province—unless some way can be found to have these dividends paid by the rest of Canada.

What we have in this set-up is economic nationalism in one province. We have here a taking away of property, a control of business and a denial of access to the courts such as has not been witnessed before in any Anglo-Saxon country.

RIGHTS OF OTHERS.

It might be said that the people of Alberta elected this government and that they are entitled to the government they elected. But it should be borne in mind that others have certain rights and that the rest of Canada had no voice in the selection of the government.

Our constitution, as you know, is the British North America Act, and when the Fathers of Confederation sat down to draft this Act they had before them the experiences of the United States of America which had just gone through a civil war as to whether there should be a United States or not. Though slavery may have been the nominal cause of the conflict, the real issue was one of secession.

B.N.A. ACT PRINCIPLES.

It is easy to see that in framing the British North America Act it was desired to have a strong central government which would lead to the establishment of a nation in the northern part of this continent. All legislative powers were divided between the central government and the provinces.

In the United States certain powers were not given either to the Federal Government or to the states, but were left with the people. These might be called powers relating to matters of natural justice—inviolability of contract, right of access to the courts and so on. These rights were left with the people and not with the Federal or State governments. But when we framed our constitution we had to take our authority from the British Parliament, and it was desirable that we should take up all powers. And this we did, dividing them between the provinces and the Dominion.

To the provinces were given those matters of local interest such as: Municipal government, prisons, hospitals, roads and so on. And to the Dominion were given all those broad powers affecting national interests, such as defence, banking, currency, interest and so forth. In addition the Fathers of Confederation left the residue of power with the Dominion, and provided that if there should be any conflict between provincial legislation and Dominion legislation, the Dominion should override the provincial. Furthermore, the Dominion was given the right to disallow any provincial act. Thus there is a certain amount of protection afforded to those whose interests are jeopardized by provincial legislation.

In the first forty years after Confederation these powers were freely exercised but of late there has been a growing tendency toward a vigorous assertion of provincial rights. I think this tendency has reached its climax in the recent Alberta legislation.

QUESTION OF DISUNITY.

We are now face to face with the question of whether or not we have in Canada a loosely-knit aggregation of nine separate provinces, each following whatever policy appears expedient to it, and only acting together in so far as such action may not be in conflict with their own particular problems. If that is to be the case it is not compatible with the constitution of Canada as a nation.

It is an important question which everyone should consider as to whether there are certain common interests, ideals, and traditions such as those of individual freedom, right of access to the courts, and respect for property throughout Canada, which transcend any local interest.

If it is the belief of the people of Canada that we have such common ideals, it is important for us to see that we have a constitution that does safeguard and protect those common ideals and interests.

COLONEL MESS:—I see by your applause, gentlemen, that it is unnecessary to ask your endorsement of the Executive's change from the normal practice. Mr. Leonard, your words have left us all with a feeling of responsibility for what goes on, both in the East and in the West. I thank you heartily on behalf of the Club.