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ALBERTA'S FIGHT FOR FREEDOM... Nichols



Alberta's Fight For Freedom

Part 1 A History

Part 2 Public and Private Debt

Part 3 Sovereignty and Constitution

Part 4 The Road To Reconstruction

Part 5 For Economic Democracy

This is a series of five booklets, compiled from the archives of the Alberta Social Credit League, giving a factual account of how the people of Alberta fought the money monopoly.

H. E. NICHOLS

1963

A Publication of the
ALBERTA SOCIAL CREDIT LEAGUE

H. E. Nichols, the compiler of this history, first homesteaded in Alberta in 1907, and has therefore had a close, personal experience of many of the events recorded herein. To supplement this knowledge, he has also made use of appropriate extracts from authoritative documents in the archives of the Alberta Social Credit League. Although retired, he is still very actively interested in Social Credit, and carries on research work for the League.

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ALBERTA'S FIGHT FOR FREEDOM

Public and Private Debt

PART 2

This is the second of a series of five booklets giving a factual account of how the people of Alberta fought the Money Monopoly, compiled from the archives of the Alberta Social Credit League,

by H. E. NICHOLS

Each booklet contains an account of the decisive steps taken by the Social Credit Government of Alberta in its attempts to establish Economic Democracy in the Province.

To the Reader:

This factual history tells of the beginning and growth of the Social Credit political movement in Alberta.

It has never before been published, but the facts have been compiled by those who were eye-witnesses and participants in the events related.

These events are the roots of a movement that is now due to grow, and bear flower and fruit.

The extent to which it does so, will now depend upon the response made to this call, by the people living in the other provinces of Canada.

The succeeding three parts of this history will complete the basis for the call, which now goes out to ALL THE PEOPLE OF CANADA.

“Join with us and live, freely and
democratically, or

“Serve the enemy and die, a slave
under a Financial Dictatorship.”

It is hoped at a later date to incorporate the five parts into one volume, and amplify it considerably. The effort will be made to give an historical introduction to the philosophy and policy of a movement, the mechanics of which must be developed and implemented before mankind can realize in full, the fruit of his human efforts to attain a prosperous and leisured economy—world wide—with freedom and dignity for all.

FOREWORD

At this vital stage in the progress of Social Credit in Canada, more and more people want to know about the beginning of the movement in Alberta. The question is often asked, why was Alberta the only province to endorse it at first, and why were the people of the neighboring province of Saskatchewan not energized at the same time, or stirred as deeply as were the people of Alberta.

Both of these questions will be answered in the following pages.

It is hoped that a recital of these historic facts will impel the people in the other provinces of Canada to realize the mighty issues that are now at stake—issues that are now, not only nation-wide, but world-wide—and that all the people of Canada will become imbued with the same enthusiasm that inspired the early Social Crediters in Alberta 40 years ago.

The need is greater now and the opportunities are also greater, because like the cultural heritage of Social Credit, this generation is heir to the experience and knowledge gained by the early pioneers in the Social Credit movement and they can, if they will, profit by the mistakes of their forerunners as well as by their accomplishments.

“There is a tide in the affairs of men,
Which, taken at the flood, leads on to fortune,
Omitted, all the voyage of their life
Is bound in shallows and in miseries.
On such a full sea are we now afloat
And we must take the current when it serves
Or lose our ventures.”

Wm. Shakespeare.

The contents of this short work have been gleaned from the records of the Social Credit Board,

and those who were in touch with the very genesis of the movement even before it was known as Social Credit.

These facts—for such they are—have been compiled in this small book to acquaint people even in Alberta, of an earlier manifestation of the philosophy of Social Credit—which is really as old as the human race itself—in the hope that their recital will inspire the people in every Canadian province to emulate what was accomplished in Alberta in 1935, so that Canada may, in the near future, have a Social Credit government at Ottawa.

R. N. THOMPSON,
National Leader.

PREFACE

The penetrating message of Democracy in Alberta must of its very nature find recognition and response in the minds of freedom-loving people in all lands. The dynamic action of Albertans in the field of social and financial reform is the manifestation of the greatest social force known to man. It is Social Credit; the belief that, in association with his fellows, man can obtain and secure the results of that association.

As the bewildered world moves closer to the centre of a social maelstrom, the message of Social Credit is heard by growing numbers everywhere. In that message is the one human promise of hope for the future; a future in which the aspiration of man may, in the light of a Christian concept of society, elevate him to new heights of achievement and a fuller enjoyment of his heritage.

The struggle outlined in the pages that follow is a record of war between policies. But it is more than that; it is a war between philosophies. On the one hand is the growing philosophy of the jungle, manifest in stateism, centralization and a militant materialism. On the other hand is individuality, personality, a militant Christianity. The battle is joined. The message of Social Credit is more than a cry of hope; it is a challenge to all men of good will to heed the call—join with us and live under a real democracy, or continue to serve the enemy under an oppressive financial dictatorship.

PUBLIC AND PRIVATE DEBT

When the Province of Alberta was formed in 1905, there was not a dollar of Provincial Public Debt. In the thirty years which elapsed before the Social Credit Government assumed office, the public debt had climbed to a total of \$167,000,000. Approximately \$100,000,000 being an inheritance from the Liberal government 1905-1921, and \$67,000,000 from the U.F.A. government 1921-1935. This last amount included *\$6,000,000 of guarantees, passed on by the U.F.A. government.

Added to this was a municipal debt of \$70,000,000, farm mortgage debt of \$162,000,000, other rural private debt of \$233,000,000, and urban private debt of \$100,000,000, according to figures compiled by the Debt Adjustment Board.

This made a private debt burden alone of \$495,000,000, on which the average interest charge was 7%, amounting to \$35,000,000 a year; and a total public and private debt structure of \$726,000,000, (not including the *\$6,000,000 of guarantees noted above).

But this was not all. The Dominion of Canada had incurred a public debt of \$3,205,956,369, in the 68 years since confederation, and Albertans shouldered a proportionate share of this burden too. On a demonstrable basis, it was estimated that each man, woman and child in Alberta was saddled with \$300 in Dominion debt, and \$908 in Provincial and private debt; a total of \$1,208 per capita.

Interest

The interest toll was tremendous. Because Alberta was a new territory, far away from the industrial and financial centres of the East, commercial lending agencies had demanded higher rates for their money than was customary in Eastern Canada, and virtually all transactions bordered on the usurious.

Unpaid interest accumulates with deadly rapidity when compounded at the rates commonly charged in Alberta. For example, a debt of \$1,000 on which interest is not paid for seven years (corresponding to the depression years 1930 to 1936) would amount to \$1,606 if compounded at 7%, and \$1,714 if compounded at 8%.

A debtor starting to renew payments after such an interval would find his annual interest payments, at the 7% rate, increased to \$112.42 as compared with the previous \$70.00, and the total debt to be liquidated would be greater by 60%.

Two factual examples are cited in "The Case For Alberta", to reveal the evil inherent in this type of loan. In 1910 an Edmonton resident bought a home for \$2,500 and assumed a mortgage for that amount at 10%. Up to 1936 he would have paid on account a total of \$5,275, and would still owe \$1,300. He was threatened with foreclosure in 1935. The second example is that of a farmer who bought land in 1918 from a trust company which acquired it cheaply in 1900. Up to the end of 1935 he had paid more than \$90,000, but of this amount, only \$53,000 represented principal, and he still owed \$11,000. The trust company steadfastly refused to reduce either principal or interest.

* * *

Aberhart sympathized with the distress of the people in the following words:

"For more than twenty years, the debt problem has been the curse of this country. It has been responsible for more blighted lives and shattered homes than any other single cause of our harrowing distress.

"Debt has hung like a nightmare over our farmers — constantly threatening them with dispossession of their farms and loss of their equities. It has become an evergrowing incubus to the industries, sucking the very lifeblood out of them. In fact, there are few homes throughout the country into which the clammy tentacles of the octopus we call debt have not found their way, draining the economic security of the family and enslaving them to the fear of losing all they possess. I ask you, is that not a subject for our consideration?"

Alberta's citizens, faced with the loss of homes and property, found themselves both dazed and amazed at the high cost of interest. They learned that a loan at 3%, compounded over twenty-three and one-half years, exactly doubles itself, but that a loan at 8% doubles itself **in only nine years.**

Finance vs. Production

Yet in terms of income, Albertans were paying even higher rates. Virtually all private debts were incurred in periods of relative prosperity, when farm prices, and in consequence all other incomes, were not low. But when prices fell and other incomes followed, the fixed charges remained.

In 1932 for instance, it took three bushels of wheat to pay the interest that one bushel paid in 1926. It was estimated that in 1926, it required 16.9% of the total wheat crop to provide \$20,000,000 in interest payments. But in 1935, it required 33.2% of the wheat crop to meet the same payments. Meantime, the payments, and consequently the percentage

of the wheat crop required to meet them, had increased.

The situation had evoked a public outcry against the creditor institutions, with a demand for governmental action to curb the evil. The new Social Credit government, faced with similar shocking conditions in the field of public indebtedness, could well understand the tragic insecurity and consequent resentment of the individual debtors.

Legacy of Destitution

What William Aberhart and his new government inherited was an administrative machine in the last stages of decay. The Province of Alberta, to put it bluntly, was bankrupt. In fact, the ex-Premier, Mr. Brownlee had stated, "the credit of the Province is exhausted". The possibilities of recovery appeared to be dismal at best, and the whole situation was one calculated to bring dismay to the most optimistic of legislators.

But Mr. Aberhart refused to be cast down. "We have a wonderful province," he said. **"We have fertile farm lands and rich forests. We have coal in abundance and a virile, energetic people who are willing to produce. The Province is not bankrupt. It is as rich as ever it was in natural resources, all we lack is money"**.

Financial Shackles

The new government made a quick inventory of the facts and produced a grim and disheartening picture. Of a population of 775,000, more than 52,000 persons in the Province were existing on relief. Of these, 10,000 were heads of families and registered as unemployed. The number not registered was unknown.

Seizures and foreclosures were commonplace, and the great bulk of the population was rapidly

being reduced to a proletariat as homes and property suffered legalized confiscation.

The inventory showed: Total taxation — Dominion, Provincial and Municipal — was estimated at \$48,563,276, or about 30 % of the net income of the people available as consumer purchasing power for everyday needs.

Approximately 50 % of current provincial revenue was being absorbed in bond interest payments. Most of the war bonds had been sold with tax-exemption clauses.

The Provincial Savings Certificates fund was bankrupt and payments had been suspended by the U.F.A. Government.

The Provincial Treasury was empty. There were no funds available to pay the salaries of the Civil Servants.

More than \$250,000 was owing on school-teachers' salaries, and the whole school system was in a chaotic condition.

No proper Sinking Fund provisions had been made to meet maturing bond obligations.

The Provincial road system, built at great cost with borrowed money, was in a condition of complete breakdown.

The Provincial Telephone System installed and run by the U.F.A. Government, had broken down earlier.

Social Services were negligible, to the detriment of the aged, the sick and ailing; to agriculture, business and labour generally.

Thus the inventory of facts and hazards.

* * *

Speaking to the people in one of his addresses, Mr. Aberhart said:

“You see, ladies and gentlemen, what a scientifically unsound money system we have had imposed upon us. True, it is a wonderful racket for the private money monopoly. All I can say is this. If we want to have these distressing results, all we have to do is take no action. Let things drift along. Make no protest. Just keep our mouths shut.

“We need a scientific money system that will enable us to produce and distribute the wealth we have. I want you to help me do something about it. Will you do that?”

The answer was a thunderous roar of approval.

A Realistic Appraisal

Turning now to the other side of the picture, the Social Credit Government brought forth a carefully compiled inventory of Alberta's **real** capital assets, **including that of the population as a productive entity**. Put into the form of a financial statement the inventory showed:

Real Capital Assets

Farmland,	
developed and undeveloped	\$ 448,000,000
Forests	2,864,500,000
Minerals	222,343,715,000
Buildings, irrigation, utilities	
and works	756,347,534
Capitalized valuation of the	
people	4,464,046,125
Net credit balance between	
Province and elsewhere	45,000,000
	<hr/>
TOTAL:	\$230,921,608,659
	<hr/>

The capital resources of the Province, estimated as above, worked out at approximately \$300,000 per

person. It was assumed that if these resources were exploited at the very low rate of one-half of one per cent per annum, the existing living standard of Alberta's people could be increased eight-fold. This would yield an average income of \$1,500 per person, or \$6,000 per family of four, at the current price level.

Such an assumption was not far-fetched, in view of the tremendous natural resources, consisting of oil, gas, coal and other minerals, land, forest and water power, coupled with the known and demonstrable productive capacity of the people.

Obviously, if the people of Alberta were allowed access to their own natural resources, and a properly balanced agricultural-industrial economy were brought into being, Albertans need not lack the things they were capable of producing themselves—for themselves.

A Positive Mandate

The desire to produce, and to enjoy the fruits of production, was embodied in the mandate given to the Government. Moreover, it had been expressly signified that the Government should assume control of public credit—which arises out of the people as a productive entity—and use it to bring about the changes necessary to banish existing conditions of poverty amid plenty, and introduce a new era of abundance for all.

This, the Social Credit government prepared to do. On the face of it, the task need not be too difficult, once the affairs of Alberta had been straightened out. At the earliest possible date the necessary legislation would be introduced and, in view of the public statements made by the new Liberal Prime Minister of Canada, Mr. Mackenzie King, full co-

operation could be expected from the Dominion Government which also was committed to the abolition of **"usury in control"**, and to **"the issue of public credit in terms of public need"**.

The Will of the People

But in the meantime, arrangements had to be made to stem the inroads of the debt institutions into the economic structure of the Province. Debt charges must be lowered and principal adjustments made by mutual agreement if possible. But they must be made. This, because the homes, farms and businesses of thousands of Albertans were endangered, and relief from the debt burden was an imperative need.

Alberta's government was entirely within its legal rights (the moral right is obvious), in moving to protect debtors and the public generally. Under the terms of the British North America Act, to which reference will be made later, property and civil rights fall within the sole jurisdiction of the Provincial Legislatures. Obviously, the Province must act to protect the property of the people, whether owned privately or publicly.

* * *

Mr. Aberhart put it up to the people in an illustrative way, in language that could not be misunderstood:—

"Apart from the astronomical and rapidly pyramiding public debt—with which I propose to deal on another occasion—we have a vast, far-flung, private debt problem, which has fastened its clutches on nearly everyone of our citizens to a greater or lesser degree.

"First, there are the Agricultural debts—the mortgages and agreements for sale with which the greater majority of farmers are burdened. Then we

have the huge volume of industrial debts—mortgages, debentures and so forth, which tend to cripple and finally stifle our important industries. Finally there are the mortgage debts on the houses of the people and on the business buildings in urban centres. They are like great barnacles on the Ship of State.

“All these are what we call bonded debts. They involve the debtor entering into a contract with the creditor to pay a fixed rate of interest, and to repay the principal within a certain period, under the penalty of being dispossessed of the property pledged to secure the loan. And note carefully, that this contract can be enforced irrespective of any change from the conditions under which it was made.

“Now I want you to listen carefully for I am most anxious that you should understand just how vicious and inequitable is this type of debt. It has become established as a feature of our economic system, and on this account we are apt to take it for granted as perfectly right and proper. I assure you, that if we permit it to be continued, it will completely overthrow our economic system, or cause very great confusion and chaos. I know that is a strong statement, but it is true nevertheless.

“In the first place, it is necessary to bear in mind that debt is an obligation to pay money. But every dollar of money which is issued under our present system creates a debt of equal amount and is owed by the people to the banking institutions. It will be obvious then, that the people can never get out of debt to those institutions. Do you get that?

“In order that you should realize just what this means, I am going to ask each of you to imagine that I, alone, have the monopoly right to issue money in Canada, and I also have the full protection of the law

in so doing. Anyone else who dares to issue money will very quickly be hustled into jail.

“Coupled with this authority, I would have the power to issue as much or as little money as I liked, and by that means I would be able to control all production, for no production can be accomplished without money. I would also be able to decide what standard of living the people would be allowed to have, for without money the people would not be able to buy food, clothing or shelter.

“You can readily see, I am sure, the tremendous power that would be mine under such a set-up. I would be absolutely master, and would be free to issue money when and where I liked for purposes which I might approve. On the other hand, I would be able to withhold money from any person or projects of which I did not approve. Do you see how powerful that would make me?

“Now suppose I said, ‘I will issue money only as a loan which must be repaid to me on demand. And for the money I create and lend, I shall require rent in the form of interest. Moreover, I shall want security as well, so that if a person does not repay me with interest I can seize his property.’ Do you realize what I could be doing?

“By demanding interest on the money I issued as loans, I would be requiring the people to pay back to me more money than I had issued. For example, if I issued one million dollars at 7% interest, I would be asking the people to pay me back one million and seventy thousand dollars. Obviously, they cannot do this because I would have only issued one million dollars and nobody else has the right to issue money. The people, therefore, could not possibly pay me back more than they had received from me. So I would have to foreclose, and gradually I would begin to get control of **THEIR PROPERTY**.

"Next, we will assume you noticed that some people got more money than others in the general scramble, and that these accumulated a surplus. Now, suppose I established an investment corporation to invest these surplus funds for the people. And this subsidiary financial institution of mine proceeds to lend this money at six, seven or eight per cent interest, paying the investors, say, three per cent. The investment company, too, would take as security the people's property, which likewise they would seize in the case of default.

"You have but to follow this through and it will be plain to you that the people as debtors to me for all the money they possess, and to my investment company as debtors under its mortgages, cannot possibly pay me both. Either way I get the **PROPERTY**. The people will have to go further and further into debt and will be obliged to surrender more and more of **THEIR PROPERTY**.

"In short, not only would I, as the banker and the sole issuer of money, be **THE EFFECTIVE GOVERNMENT** of the country, but it would only be a question of time before I owned or controlled all the wealth in the nation.

"You may think I have painted a fantastic and fanciful picture. Actually the illustration I have given you, faithfully depicts the manner in which our present financial system operates. Substitute a group of banks for my place in the illustration, and another group of Trust Mortgage and Insurance Institutions for the investment company, and the parallel is perfect. Is it then any surprise that we have this huge and increasing mountain of bonded debt pressing upon agriculture, industry and our people generally? No wonder people cannot bear up under it.

"Another point I wish to bring to your attention

is that these debts have to be paid irrespective of any change in conditions.

"A person who makes a genuine investment in industry, has to take the risks of that industry. If, instead of buying goods with all his income, he invests part of it to finance a new industrial undertaking which produces something the public wants, and readily buys, he is entitled to some reward. But if he uses his money for a venture which proves to be wasteful because the people do not want its products and will not buy them, then he loses his savings.

"That seems to me a fair enough arrangement. But how different is the position with the bonded debt—for example, farm mortgages. A farmer borrows \$5,000 at 8% when his produce—say wheat—is selling for \$1.20 a bushel. Suppose it takes 500 bushels to meet his obligations, after allowing for the freight being deducted from the price he receives. Then suddenly the price slumps to 60¢ a bushel. Even though that price is below his actual production costs, he is expected to meet the same money obligation which in terms of his wheat would be increased to 1,000 bushels, or twice what it was before. Obviously he cannot pay that, and so his debt goes on accumulating at compound interest, his equity in his farm dwindles and, unless something is done to save him, he must lose everything he has built up, and be turned out on the street without even a roof over his head.

"And the same thing applies to industry in a modified form. The evil is inherent in the system of bonded debt. Bonded debt and usury go hand in hand. It will never be possible to give FARMERS SECURITY ON THEIR FARMS, WORKERS SECURITY IN THEIR JOBS, or THE PEOPLE SECURITY IN THEIR HOMES, while we have a

system that places a few creditor financial corporations in the position of demanding from their debtors usury on the money they lend, without sharing any of the debtor's economic risks.

"I want you to note that these all-powerful vultures swoop down on the helpless debtor and dispossess him of everything he has when conditions prevent him from complying with the terms of his mortgage or debenture. Such a system is not only vicious, it is diabolical, essentially unfair and thoroughly un-Christian."

* * *

Rightfully it was contended that the basic civil right in a democracy is the exercise of sovereign right **by the people through their elected representatives**, in regard to the results they want from the management of their affairs. Considered in conjunction with the term, "Property Rights", it was clear that Albertans did possess the moral and constitutional right to determine the results they wanted. Proceeding from this contention, it was obvious that the **PROPERTY and CIVIL RIGHTS** of the Province could quite properly be exercised in the field of **FINANCIAL CREDIT**, which motivates 95% of all economic process, and the only basis of which is the **REAL CREDIT** produced by the people.

To put it another way, Albertans saw in their own ability to produce the goods and services they wanted, the basis on which their Government should instruct the credit institutions—that is, the banks—to make available by normal bookkeeping methods, sufficient financial credit to initiate production and accomplish consumption. This right they invoked, not only in the name of the British North America Act, but in the name of their **CONSTITUTIONAL AND SOVEREIGN DEMOCRACY**.

Despite the avalanche of misleading and wholly vicious propaganda which by this time had descended from the banks and their related institutions, it was felt that by virtue of this same peoples' sovereignty, the required legislative changes could be made without fear of successful attack.

Moreover, in view of the constructive nature of the legislation projected, it was inconceivable that any disruption of the Provincial economy could result; nor that any adverse effect would be felt by the institutions busily propagandizing the people—a hope, however, that did not materialize.

The issues being clarified, Alberta's government now made its initial moves. The Dominion Government was asked for temporary financial aid, which it gave **on condition that a sales tax be imposed**; and the bondholders were invited to confer with the Provincial Government in connection with a readjustment of their currently usurious claims.

First Setbacks

The Social Credit Government was rebuffed in both of the two approaches it made. First, the bondholders refused to consider joint action with the Government. Next, the Dominion Government, after making a small temporary loan to help Alberta cover some of her most pressing commitments, made it a condition of future financial assistance to meet maturing bond obligations, that the Province accept and submit to the over-riding authority of a projected Loan Council, under the direction of an Eastern financial adviser, R. J. Magor.

Obviously, the battle against entrenched monopoly was now joined. The organized financial interests would not deal co-operatively with the Province. And the same powerful interests, through the medium of a Loan Council, sought to wield arbi-

trary power over Provincial finances as a condition of assistance from the Dominion Government. Obviously the financial monopoly power was firmly entrenched in the Dominion field.

The Government of Alberta refused to submit to the Loan Council. It had not been elected on a mandate for the alienation of the basic civil rights of the people. And, following repeated attempts to bring about an amicable agreement with the holders of Provincial bonds, the Province announced a cut of 50% in interest rates, pending a final and equitable readjustment.

The saving in interest charges would be of immediate value in helping to restore the Provincial economy to a workable condition. But income was still inadequate to meet the cost of essential services, and reluctantly the Government was obliged to continue the sales tax as a temporary measure.

"Pay as we go!"

Finally, the Government announced that henceforth, Alberta would borrow no more. The custom of borrowing to meet interest charges, and further borrowing to meet maturing obligations, was ended forthwith. Progress from that date would be measured by the efficient use of actual income. A policy of "pay-as-we-go", would govern Alberta's future activities.

Having thus cut themselves adrift from the institution of debt finance, Albertans immediately found themselves and their Government the objects of unprecedented attack by press, radio and platform—all instigated and financed by representatives of a debt system challenged for the first time in modern history.

Throughout the next nine years the campaign was to be waged unceasingly by the financial monopoly. It was carried into the political field, where a plethora of organizations with patriotic and high-sounding names, and ample campaign funds, attempted to wrest legislative control. Without exception they were discounted, discredited and finally disbanded.

Albertans stood firm in their fight for Economic Democracy.

