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UNIVERSITY OF ALBERTA

THE MANNING ADMINISTRATION,
MUNICIPAL FINANCE AND
THE SOCIAL CREDIT WAY OF LIFE

BY

COLLEEN JUDGE



A THESIS SUBMITTED TO
THE FACULTY OF GRADUATE STUDIES AND RESEARCH
IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF ARTS

DEPARTMENT OF HISTORY

EDMONTON, ALBERTA

(FALL 1990)



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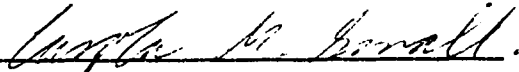
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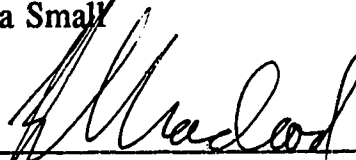
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Paul Voisey



Carola Small



Rod Macleod



Larry Pratt

Date: Sept. 21, 1990

ABSTRACT

Scholars have almost unanimously agreed that the Manning administration's commitment to Social Credit was tenuous because it did little to achieve Social Credit monetary reform. This thesis challenges the consensus by suggesting that it is inadequate for scholars to evaluate the Manning administration's commitment to Social Credit solely in terms of its monetary reform efforts. It argues that by the time Manning became the leader of Social Credit in 1943, Social Credit ideology had evolved beyond a set of monetary reform theories into a philosophy of life and government that recognized the sanctity of the individual and redefined Social Credit's ultimate goal as the preservation of individual freedom in a Christian, democratic society. If the Manning administration is examined in light of this broad social objective, a commitment to Social Credit is evident. This thesis examines the social doctrine of Social Credit as conceived and articulated by Aberhart and Manning in the 1940s, its impact on the Social Credit movement following World War II, and its application to the field of municipal finance during the 1950s.

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CHAPTER 1

SOCIAL CREDIT INTERPRETED

As the decade of the 1950s dawned in Alberta the future of the provincial government looked rosy indeed. For the first time since its inception the Social Credit government of Alberta was not confronted with any apparent crisis from which to save the people of its province. The shadow of the Great Depression had lifted and Alberta's economy was booming. The rapid development of the petroleum industry within the province and its attendant fees and royalties on crown reserves caused Alberta's annual revenue nearly to double between 1947 and 1950, and the continued vigorous activity of drilling companies begat optimism that provincial coffers would continue to swell. For the first time since 1935, the province's financial future was promising. With its newfound wealth, the Social Credit government was able to boost spending and build up large cash reserves while at the same time continue to pay down its debt. Politically, things looked good for Social Credit too. The contentious issue of natural gas export was waning as substantial new reserves of gas were being proven every year, and the elections of 1944 and 1948 had restored Social Credit's hold on power to a very sizeable majority after its embarrassing decline in 1940.¹ Facing only a small

¹For a review of oilfield discoveries in Alberta following World War II see Eric J. Hanson, *Dynamic Decade* (Toronto: McClelland & Stewart Limited, 1958), pp. 66-109. For the Alberta government's revenue figures see Appendix 3. For information on the Debt Reorganization Programme see Manning's comments

opposition in the legislature with no immediate political issue to contend, and backed by record breaking amounts of revenue, the 1950s seemed to offer smooth sailing to Premier Ernest C. Manning and his Social Credit government.

But the smooth sailing soon turned to choppy waters as Alberta's municipal governments mounted an intense lobby in 1950 for the province to share an increasingly larger portion of its new riches with them, and the apparently innocuous circumstance of prosperity rose to present the Social Credit government with one of its greatest challenges ever. Municipal finance dominated the political agenda of the 1950s and, although the province was initially sympathetic to municipal demands, by 1953 it began to view these demands with growing alarm because they were perceived to threaten the way of life that Social Credit had come to stand for. During the Second World War, Social Credit had developed and articulated a comprehensive social philosophy that relegated monetary reform to second place and redefined its central objective as the preservation of human individualism in a Christian, democratic society. As the post-war era began to unfold and the issue of municipal funding burst onto the political scene in Alberta,

in Alberta, Treasury Department, *Budget Speeches*, 1945, pp. 18-19 and 1947, p. 12 ; articles in the *Calgary Albertan* and *Edmonton Bulletin*, March 23, 1950; David G. Bettison, John K. Kenward, and Larrie Taylor, *Urban Affairs in Alberta* (Edmonton: University of Alberta Press, 1975), p.87. For information on the gas export issue of the late 1940s and early 1950s see John Richards and Larry Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto: McClelland and Stewart Limited, 1979), pp. 61-68. In 1940 Social Credit captured only 36 out of 57 seats which was down dramatically from 57 out of 63 in 1935. However, in 1944 and 1948 Social Credit reestablished its foothold by winning 51 out 57 seats in each year. See Kenneth A. Wark, *A Report on Alberta Elections 1905-1982* (Edmonton: Office of the Chief Electoral Officer, 1983), pp. 49-70.

Social Credit's social philosophy became paramount. Members of the Social Credit government interpreted municipal demands for increasingly higher levels of funding as a manifestation of the erosion of human individualism that could potentially destroy the Social Credit way of life. Consequently, municipal finance was perceived by government members as a social problem and its solution was sought within the social sphere.

Although a considerable body of literature has been built-up on the history of municipal finance in Alberta, few scholars have examined the subject past the early 1950s and even fewer have commented on the Manning administration's unique perception of the municipal finance problem. Eric J. Hanson was the earliest, and most prolific, scholar of municipal finance. His work concentrated on depicting the evolution of the structure of local government in Alberta up to 1956 and the local governments' growing financial requirements as a by-product of that evolution. Hanson was a good chronologist of municipal finance but his research did not go beyond that to any useful analysis that could be incorporated into a broader interpretation of Alberta history.² Nevertheless, Hanson's studies were the standard reading on municipal finance until 1975 when David Bettison, John Kenward, and Larrie Taylor published their

²Andrew Stewart and Eric Hanson, "Some Aspects of Rural Municipal Finance," *The Canadian Journal of Economics and Political Science* 14 (November 1948): 481-490; Eric J. Hanson, "Local Government Reorganization in Alberta," *The Canadian Journal of Economics and Political Science* 16 (February 1950): 53-62; Eric J. Hanson, "Public Finance in Alberta Since 1935," *Canadian Journal of Economics and Political Science* 18 (August 1952): 322-40; Eric J. Hanson, "Provincial Grants in Alberta," *Canadian Tax Journal* 1 (September-October 1953): 468-480; Eric J. Hanson, *Local Government in Alberta* (Toronto: McClelland & Stewart, 1956); Eric J. Hanson, "The Changing Structure of Local Government in Alberta," *Canadian Public Administration* 1 (1958): 26-31.

massive tome, *Urban Affairs in Alberta*.³ This study focussed on the development of the urban municipalities since the 1880s and was set within the context of an ongoing urban-rural conflict in the province. Additionally, this study interpreted the UFA and Social Credit governments' responses to the urban municipalities in light of Albertans' longstanding recognition of the value of individual rights. Bettison, Kenward, and Taylor argued the critical feature of Social Credit municipal policy under both Aberhart and Manning was the autonomy afforded local government to man its own ship and make its own decisions. More recently, Alvin Finkel has challenged this interpretation by claiming that it was not the principle of local autonomy that guided the Manning administration's policy toward the urban municipalities but a bias against social planning that was rooted in a social philosophy of capitalist individualism.⁴ Although Finkel failed to explore the relationship of this social philosophy to Social Credit ideology, his study is significant in that it draws attention to the importance of social doctrine in government policy formation.

The articulation and application of Social Credit's social doctrine has been either ignored or examined only marginally in most of the existing scholarly interpretations of Social Credit. This is because most scholars have tended to focus on the Social Credit movement in its nascent form or on the early years of its administration under the leadership of William Aberhart, when economic problems were

³Bettison et al, *Urban Affairs in Alberta*.

⁴Alvin Finkel, "Social Credit and the Cities," *Alberta History* 34 (Summer 1986): 20-26; Alvin Finkel, *The Social Credit Phenomenon in Alberta* (Toronto: University of Toronto Press, 1989), pp. 119-120.

predominant and Social Credit had not yet clearly defined and articulated its social objectives. The seminal and now standard works of Hugh Whalen, C.B. Macpherson, J.R. Mallory, John Irving, and Walter Young all examine Social Credit within an economic and political context and focus on the movement's monetary reform proposals. These scholars view the Social Credit movement as a product of the severe economic conditions of the Depression, the political manifestation of economic protest by farmers and the small-town middle classes. The property-owning, business-oriented nature of its membership dictated that the Social Credit movement would be essentially conservative. It sought only to reform, not revolutionize, the monetary system and leave the existing structure of free enterprise intact. When every attempt at monetary reform was quashed either by the federal government or the courts, and World War II brought unheralded prosperity, Social Credit abandoned its economic reform platform and allowed its latent conservatism to blossom under the direction of Ernest C. Manning. These scholars conclude that by the mid-1940s, Social Credit was social credit in name only. Manning employed Social Credit rhetoric but undertook no major Social Credit initiatives; he cast out the Douglasites in 1948 and with them any pretense of monetary reform, and proceeded to wed Social Credit to free enterprise and orthodox economics for political capital.⁵ Subsequent studies of the Manning administration

⁵Hugh Whalen, "Social Credit Measures in Alberta," *Canadian Journal of Economics and Political Science* 18 (November 1952): 500-517; C.B. Macpherson, *Democracy in Alberta: Social Credit and the Party System*, Second edition (Toronto: University of Toronto Press, 1962); J.R. Mallory, *Social Credit and the Federal Power in Canada* (Toronto: University of Toronto Press, 1954); John A. Irving, *The Social Credit Movement in Alberta* (Toronto: University of Toronto

by John Barr, John Richards and Larry Pratt have reinforced the consensus. According to these studies, the Manning administration deliberately and expediently renounced Social Credit economics in favor of orthodox, free-enterprise economics in order to cultivate strong alliances with industry and finance. Once allied with business, and buttressed by an ever-expanding revenue account, Social Credit was able to rule virtually unchallenged until its dramatic fall from power in 1971.⁶

More recent research by David Elliott and Alvin Finkel has revised this interpretation slightly. Elliott and Finkel have challenged the idea that Social Credit's history follows a conservative continuum by pointing out the radical character of early Social Credit. They claim that early Social Credit was decidedly left-wing and socialist, and point to the Aberhart administration's reformist legislation in the fields of industry, education, labour, and social welfare as evidence. Elliott argues that Aberhart's political ideology was left-wing and notes his willingness to cooperate with Communists and the C.C.F., and Finkel has emphasized the considerable working class, left-wing element of the rank and file of early Social Credit. However, despite their revision to Social Credit in the Aberhart era, Elliott's and Finkel's analyses of Social Credit under Manning fall in line with the consensus. They both agree that the Manning administration quickly and easily abandoned Social

Press, 1959); Walter D. Young, *Democracy and Discontent: Progressivism, Socialism and Social Credit in the Canadian West*, (Toronto: McGraw-Hill Ryerson Limited, 1978).

⁶John J. Barr, *The Dynasty: The Rise and Fall of Social Credit in Alberta* (Toronto: McClelland and Stewart Limited, 1974); Richards and Pratt, *Prairie Capitalism*, Chapter 4.

Credit theories in favour of conservative ideas. Elliott suggests that the shift to conservatism under Manning was the result of the prosperity of the post-war oil boom which made Social Credit economics unnecessary, while Finkel argues that it was due to the mass exodus of Social Credit's left-wing membership. Finkel claims that Aberhart, once in power, became increasingly authoritarian and less willing to entertain socialist views which drove out the left-wing of Social Credit *en masse* to the C.C.F. The loss of the leftist masses allowed the right-wing elements within Social Credit to come to the fore and eventually dominate the party with the ascension to power of the "profoundly conservative" Ernest Manning, who was proud to extol the virtues of capitalism and whose views had little in common with Douglas Social Credit or the early Aberhart Social Credit.⁷

The implicit, and sometimes explicit, assumption in most scholarly interpretations of Social Credit is that the Manning administration's commitment to Social Credit was tenuous at best. Once Aberhart died and an era of prosperity was ushered in by World War II, Social Credit renounced its founding philosophy and its main concern became winning elections through an alliance with business and a fight against socialism. However, Bob Hesketh's

⁷David R. Elliott, "William Aberhart: Right or Left?" *The Dirty Thirties in Prairie Canada: 11th Western Canada Studies Conference*, eds. R.D. Francis and H. Ganzevoort (Vancouver: Tantalus Research Limited, 1980), pp. 11-31; David R. Elliott and Iris Miller, *Bible Bill: A Biography of William Aberhart* (Edmonton: Reidmore Books, 1987); Alvin Finkel, "Social Credit and the Unemployed," *Alberta History* 31 (Spring 1983): 24-32; Alvin Finkel, "Populism and the Proletariat: Social Credit and the Alberta Working Class," *Studies in Political Economy* 13 (Spring 1984): 109-135; Alvin Finkel, "Alberta Social Credit Reappraised: The Radical Character of the Early Social Credit Movement," *Prairie Forum* 11 (Spring 1986): 82; Alvin Finkel, *The Social Credit Phenomenon in Alberta*.

recent study of the Interim Program and the Treasury Branches suggests this assumption is wrong and argues that the Manning administration was more committed to Social Credit than scholars have thought. Hesketh claims that scholars have been misled by restricting their analyses to the letter of Douglas' economic theories. Just as important as the economic theories, he suggests, was Douglas' contention that purchasing power was being deliberately restricted by a conspiracy of international financiers. Social Credit leaders believed their ultimate goal was to defeat this conspiracy by any means at their disposal and this necessarily involved deviating from Douglas' exact economic prescriptions because of the constitutional roadblock facing them. One such devious method was the attempt to create purchasing power through the Treasury Branch network, which was established by Aberhart and maintained by Manning. Hesketh argues that through the Treasury Branches, under a guise of economic orthodoxy, the Manning administration doggedly pursued Social Credit economics until 1955 when Treasury Branch loaning practices led to a financial and political debacle that threatened to bring the Social Credit government down.⁸

Hesketh's work on the Treasury Branches is important because it demonstrates that the consideration of Social Credit ideology beyond its economic theories is germane to any analysis of Social Credit under Manning. While it has long been acknowledged by

⁸Bob Hesketh, "Aberhart, Manning, and the Alberta Treasury Branches: The Interim Program Reexamined," to be published in *Canadian Historical Review*, 1990. This article is a condensation of his M.A. thesis, "The Company A, Company B Charges: The Manning Government, The Treasury Branches, and Highway Contracts," M.A. thesis, Department of History, University of Alberta, 1989.

scholars that Major Douglas' economic precepts grew out of a larger social view that glorified individual freedom and condemned the submergence of it by the selfish group who controlled the international financial system, few have pursued this aspect of Social Credit in any detail. Most of the early scholars of Social Credit -- Macpherson, Mallory, and Irving -- acknowledged the doctrine of individualism and the idea of the conspiracy that accompanied Social Credit's economic theories, but did not view them to be particularly relevant to their analyses of Social Credit.⁹ Mallory, in fact, as well as Barr, Richards, Pratt, and Finkel, saw Manning's propagation of this aspect of Social Credit ideology as little more than a political manoeuvre.¹⁰

The first scholar to give credence to Social Credit's social philosophy was Dennis Groh in his analysis of the political thought of Ernest Manning. Groh claimed that had it not been for Social Credit's social doctrine, Manning would not have accepted Social Credit in the first place. He contended that the principle of individualism and the conspiracy theory were intrinsically appealing to Manning because of his preconceived religious belief that salvation could only be achieved through individual freedom. Manning saw Social Credit

⁹Macpherson, *Democracy in Alberta*, Chapter IV; Mallory, *Social Credit and the Federal Power in Canada*, pp. 151-161; Irving, *The Social Credit Movement in Alberta*, pp. 4-7. To give credit where credit is due, Irving does devote a considerable amount of space in his book to the discussion and analysis of the role of Social Credit's social philosophy in people's acceptance of Social Credit, however, he ultimately discounts its importance by concluding that incredible economic frustration and its psychological impact led people to accept Social Credit.

¹⁰Mallory, *Social Credit and the Federal Power in Canada*, p. 161; Barr, *The Dynasty*, pp. 122-23; Richards and Pratt, *Prairie Capitalism*, pp. 80-81; and Finkel, *The Social Credit Phenomenon in Alberta*, pp. 216-218.

with its objective of freeing man from the tyranny of the financial overlords as a Divine Plan for the salvation of the individual and of society. Groh argued that the immediacy of the economic problems of the Depression years submerged Social Credit's social doctrine but with the advent of prosperity and the rise of the welfare state following World War II, Manning began to emphasize the social philosophy of Social Credit more and more. Manning viewed socialism as another tactic of the conspirators to relieve the individual of his freedom and undermine his opportunity to achieve salvation. In response, Groh concluded, Manning developed the policy of "social conservatism" in the 1960s as a new strategy in combatting the conspiracy. Social conservatism emphasized individual initiative and, through it, Manning believed he could create an environment that would guide the individual back to the path of salvation.¹¹

While Groh limited his analysis of the influence of Social Credit's social philosophy to Manning personally, Bob Hesketh has recently extended it to the Social Credit government as a whole. In an unpublished study of the Manning government's reaction to the Marsh report, Hesketh has shown that Social Credit leaders' understanding of the role of the financial conspiracy in world history and their religious-based belief in individualism dictated the government's position on social issues. He argues that the Manning administration opposed the Marsh Report's social insurance proposals because it viewed them as a tactical ploy by the international

¹¹Dennis Groh, "The Political Thought of Ernest Manning," M.A. thesis, Department of Political Science, University of Calgary, 1970.

financial conspiracy to con the public into accepting further centralized state control as part of a master plan to establish an un-Christian system where human individuality and the right to honor the Creator would be sacrificed. Even further, Hesketh claims this social philosophy provides the missing link between the Aberhart and Manning administrations. He challenges Finkel's assertion that Social Credit underwent a dramatic change from left to right when Manning took power. He maintains that Social Credit's shift to the right was gradual and, in fact, forecast and mandated by Aberhart himself, whose understanding of the danger of socialism in the post-war world was identical to that of Manning's.¹²

Groh's and Hesketh's studies indicate that, perhaps, it is time for scholars to reevaluate Social Credit during the Manning era. They have shown that the Manning administration's propagation of a conspiracy to destroy individual freedom was more than political rhetoric. It was part of an all-encompassing social philosophy that exalted the individual and was closely linked to a Christian belief in individual salvation. Alberta's Social Credit leaders *believed* in the conspiracy against individual freedom and their belief tangibly affected government policy formation. Commenting on the various scholarly interpretations of Social Credit, Manning himself claimed that the social doctrine had been the least understood aspect of Social Credit:

... in the broad sense Social Credit was really a philosophy of

¹²Bob Hesketh, "The Marsh Report and the Manning Government: Social Insurance, Socialism, and the Evil Money Manipulators," submitted to History 671, University of Alberta, 1989.

life and government. I stress that because the impression that was in the minds of a great many people and has been carried on since that time was that Social Credit was concerned only with monetary reform. The monetary reform aspect was the core of the Social Credit proposals, but by no means embraced all of the Social Credit concept.

The philosophy of life and government underlying the Social Credit concept is that people in a democracy are entitled to obtain the results they want from the management of their affairs, provided and assuming that there are the resources and abilities to deliver the things that they desire.

... the goal of the Social Credit philosophy of life and government was a free society in which the individual would have the maximum opportunity to develop himself in the manner in which he chose to develop. As long as you have economic conditions in which people are circumscribed by these conditions, there is no way that that theoretical freedom to develop themselves can be realized.¹³

This thesis will attempt to redress the current imbalance in scholarship by examining Social Credit's social philosophy in greater depth. More specifically, this thesis will examine the social doctrine of Social Credit as conceived and articulated by Aberhart and Manning in the 1940s, its impact on the Social Credit movement following World War II, and its application to the field of municipal finance during the 1950s.

First, however, a clarification of terminology is required. The concepts of *ideology* and *philosophy* are used extensively throughout this thesis and because there is acute scholarly controversy surrounding the very definition and hence, application, of these concepts it is necessary to explain their meanings within the context

¹³Ernest C. Manning, Transcripts of Ernest C. Manning interviews, UAA, 81-32, #2, December 18, 1978, pp. 2, 14.

of this study.¹⁴ An ideology refers to a system of ideas, beliefs, or values that influences an individual's or group of individual's perception of reality and behaviour. A philosophy refers to a system of ultimate values held by an individual or group of individuals. Given these precise definitions, a philosophy can be embodied in an ideology and thus, the terms used interchangeably. In either case, there must be a system. An ideology or a philosophy is more than a random collection of unrelated, loosely-held ideas, beliefs, or values; it is a set of integrated, coordinated, logically-connected ideas, beliefs, or values that provides its adherents with a fairly comprehensive interpretation of the world.

¹⁴For a discussion of the controversy surrounding the meanings of *ideology* and *philosophy* see F.W. Garforth, *The Scope of Philosophy*, (London: Longman Group Limited, 1971); George Lichtheim, *The Concept of Ideology and Other Essays*, (New York: Vintage Books, 1967); David McLellan, *Ideology*, (Minneapolis: University of Minnesota Press, 1986).

CHAPTER 2

THE MUNICIPAL FINANCE DEBATE:
DRUNKEN SAILORS AND THEIR IMPLICATIONS

The discovery of a major oilfield at Leduc in 1947 led to a spate of similar discoveries in Alberta during the following decade¹ and ushered in what one provincial official has called "Alberta's industrial revolution."² In only ten short years, Alberta was transformed from a virtually dormant agricultural society into a vigorously expanding industrial one. The development of petroleum built a second major export industry into the provincial economy. It also brought with it a large inflow of capital that was invested in a variety of industrial activities: petroleum refining, petrochemicals, wholesale and retail trades to supply the petroleum development industry, and service industries, such as equipment maintenance and transportation, that catered to petroleum developers. Between 1946 and 1956 the net value of production in Alberta tripled, with the contribution of mining (primarily petroleum) jumping from 10 to 26 percent. That of construction, which included everything from industrial warehousing to residential housing, rose from 14 to 26 percent, and the contribution of agriculture dropped from 54 to 27 percent.³

¹For a review of oilfield discoveries in Alberta following World War II see Hanson, *Dynamic Decade*, pp. 66-109.

²H.D. Carrigan, Department of Economic Affairs, "Notes on Real Property Tax," 1956, p. 4, PAA, 71.441/48(f).

³Hanson, *Dynamic Decade*, pp. 249, 287.

In the same decade, the provincial population leapt from 803,000 to 1,123,116 as the expanding economy required an ever-increasing labour force. Between 1946 and 1956 the population of Alberta grew by almost 40 percent, a rate exceeding that of any other province in Canada and far surpassing the national average of 27 percent.⁴ In addition, the structure of the population changed. Two-thirds of the population increase was absorbed by the province's two major urban centres, Calgary and Edmonton, whose populations doubled in only ten short years. By 1951 the majority of the population lived in urban areas whereas only a decade before rural areas had hosted the majority.⁵

The rapid influx of industry and population put intense pressure on Alberta's municipalities, especially the urban municipalities, to provide adequate utilities and services: water, electricity, gas, sewage, telephones, highways, roads, sidewalks, housing, schools, hospitals, sanitation, fire prevention and law enforcement. This need was compounded by the fact that at the end of World War II public works in Alberta had long been in a state of decay. The shrinking revenue and mounting debt of the Great Depression had started the process of deterioration and the war years had merely prolonged it. Not only did the municipalities require huge amounts of capital to upgrade existing facilities and finance the construction of new ones, there were also operation and maintenance expenses to consider. At this time, the major source of

⁴Canada, Dominion Bureau of Statistics, *Canada Year Book*, 1945, 1948, 1952, 1957.

⁵Canada, Dominion Bureau of Statistics, *Canada Year Book*, 1952.

revenue for Alberta's municipal governments was the real property tax and most municipal officials believed that this source could not support the mounting expenditure required to provide public works. Immediately following the war, the distressed municipalities turned to the provincial government to ease their financial plight.⁶

The province responded by establishing the Royal Commission on Taxation in 1947. Chaired by J.W. Judge, Deputy Minister of Municipal Affairs, the Commission held public hearings throughout the province and reported in 1948. The Commission found that municipal demands for provincial financial assistance were quite specific. Generally, the municipalities were not in favour of being granted the right to levy new taxes to generate revenue; instead, they wanted a larger share of the proceeds of the tax structure

⁶Hanson, *Local Government in Alberta*, pp. 76-78; Hanson, "The Changing Structure of Local Government in Alberta," p. 29; Alberta, Royal Commission on Taxation. *Report*, 1948, p. 29. Alberta was not unique in this respect. Municipalities across Canada were demanding higher levels of provincial assistance in the post-war era. For instance, see British Columbia, Royal Commission on Provincial-Municipal Relations, *Provincial-Municipal Relations in British Columbia*, 1947; Canadian Federation of Mayors and Municipalities, *Municipal and Intergovernmental Finance 1930-1951*, 1953; Citizens Research Institute of Canada, *Submission to the Committee on Provincial-Municipal Relations of the Province of Ontario*, 1952; D.C. Corbett, *Urban Growth and Municipal Finance: An Analysis and Study Prepared for the Canadian Federation of Mayors and Municipalities*, 1952; Manitoba, Committee on Provincial-Municipal Relations, *Report and Memorandum of Recommendations and the Statement of Government Policy with respect to Provincial-Municipal Relations*, 1953; Nova Scotia, Royal Commission on Public School Finance, *Report*, 1954; Ontario, Royal Commission on Education in Ontario, *Report*, 1950; Ontario, Ontario Committee on Taxation, *Report*, 1967; Saskatchewan, Committee on Provincial-Municipal Relations, *Report*, 1950; Saskatchewan, Local Government Continuing Committee, *Local Government in Saskatchewan*, 1961; Saskatchewan, Royal Commission on Taxation, *Report*, 1965. Also see K. Grant Crawford, "Some Aspect of Provincial-Municipal Relations," *Canadian Journal of Economics and Political Science* 16 (August 1950): 394-407; James A. Maxwell, "Reports on Local Government," *Canadian Journal of Economics and Political Science* 17 (August 1951): 377-382; C.W. Powell, "Provincial-Municipal Financing," *Canadian Public Administration* 6 (1963): 84-91.

already in effect.⁷ In other words, the municipalities wanted to increase their revenue by way of grants from the provincial government. The Commission's final report acknowledged that municipal needs for increased revenue were valid, however, it did not acknowledge that these needs should be met solely through increased provincial grants as this posed a threat to the whole idea of local government responsibility. The Commission argued that "if local governments are to persist they must carry some financial responsibility; they must raise some revenue in support of services,"⁸ but conceded that "some services should receive specific grants on the ground that it is in the interest of the Province, i.e., the people of the Province ... to support a general level of standards."⁹ The Commission's recommendations reflected these two ideas by suggesting that municipal revenue be supplemented in three ways. First, by provincial cash grants for schools and roads, second, by the province assuming a larger portion of the costs of such social services as indigent relief, mother's allowances, child welfare and homes for the aged and infirm, and third, by allowing the municipalities to assess and tax Crown commercial enterprises which were currently tax exempt.¹⁰

After studying the Judge Report for one year the provincial government decided to implement many of its recommendations. In 1949 it lessened the financial burden of the municipalities by assuming 60 percent of the cost of indigent relief and child welfare

⁷Alberta, Royal Commission on Taxation, *Report*, 1948, p. 31.

⁸Ibid., p. 32.

⁹Ibid., p. 33.

¹⁰Ibid., p. 90.

services, taking over the cost of old age and blind pensions, assuming 25 percent of the cost of assessing taxes levied by the municipalities, reducing the municipalities' share of the cost of mothers' allowances from 25 to 20 percent, providing direct grants of \$7,000,000 and \$2,660,000 for schools and roads respectively, and giving \$50,000 in special grants to municipalities in lieu of taxes on certain government owned buildings used for commercial enterprises.¹¹ According to the province, the 1949 changes brought total provincial aid to the municipalities to \$11,070,000, an impressive hike of 45 percent from the previous year's figure of \$7,600,000.¹²

This hike, however, was much less impressive than it appeared due to the province's method of calculating its assistance to the municipalities. The provincial government reported municipal aid in terms of what it spent in the municipalities rather than in terms of actual funds handed over to the municipal governments for their disposal. For instance, the province may have spent \$2,660,000 building roads and highways throughout the province but decided what was to be built where and contracted these out directly. So not only would the decision-making process have bypassed the municipal councils but the money would have been paid straight to the general contractors without ever passing through municipal

¹¹An Act to amend The Old Age Pensions Act, Alberta, Chapter 76, *Statutes of Alberta*, 1949; An Act Respecting the provision of Assistance in Connection with the Costs of Public Welfare Services, Chapter 86, *Statutes of Alberta*, 1949; An Act to amend The Mothers' Allowance Act, Chapter 67, *Statutes of Alberta*, 1949; An Act to provide for the Payment of Grants to Municipalities in Lieu of Taxes on Certain Crown Properties, Chapter 30, *Statutes of Alberta*, 1949; An Act to amend The Child Welfare Act, Chapter 21, *Statutes of Alberta*, 1949; Alberta, Treasury Department, *Budget Speeches*, 1949, p. 14.

¹²Alberta, Treasury Department, *Budget Speeches*, 1949, p. 14.

government hands. And since roads and highways are situated within municipal boundaries as well as provincial boundaries, the province counted this as municipal assistance. This was a misleading method of calculation because many of these roads and highways were not constructed with municipal needs in mind but were intended to improve the transportation network within the province as a whole. Therefore, these were provincial benefits to be utilized by all provincial residents rather than municipal benefits for the express use of residents within a given municipality. The net result of the province's method of calculation was to greatly exaggerate the amounts of provincial assistance to the municipalities. Under this method, any money the province spent could be considered of benefit to the municipalities in some form or other and be deemed municipal aid. Moreover, the basic premise of this method was suspect for two main reasons. First, it implied that the municipal governments were directly responsible for providing all public works while the province was only responsible for supplementation. Second, it demonstrated that the provincial government regarded all provincial revenues as belonging strictly to itself and that any monies transferred to the municipalities were viewed as gifts to the local governments for performing specifically local functions.¹³

Looking at municipal assistance strictly in terms of grants and subsidies, that is, actual monies transferred from the province to the

¹³This point is made by Hanson in "Provincial Grants in Alberta," p. 480; and K. Callard noted that provincial assistance to municipalities was viewed as a favour right across Canada, "The Present System of Local Government in Canada: Some Problems of Status, Area, Population, and Resources," *Canadian Journal of Economics and Political Science* 17 (May 1951): 214.

municipal governments for their disposal and tax concessions given to the municipalities,¹⁴ the 1949 changes were considerably less generous than the province had indicated. The 1949 changes saw municipal assistance rise only 12 percent from \$1,951,945.57 to \$2,193,816.83.¹⁵ This rise was even less significant when calculated on a per capita basis. Per capita municipal aid rose only \$0.19 or 7 percent from \$2.72 in 1948 to \$2.91 in 1949.¹⁶ Moreover, municipal aid was distributed disproportionately between the urban and rural municipalities with the urban municipalities receiving well below the provincial per capita average and the rural municipalities well above.¹⁷ The cities, for instance, which had absorbed the lion's share of the population increase since 1945 were receiving only \$0.28 per

¹⁴For an explanation of how the contributions, grants and subsidies figures to municipalities were arrived at see Notes to Appendix 1. Unless otherwise noted, all figures in the text of this thesis are in absolute dollars, that is, they are unadjusted by the national consumer price index. This method was used because all figures as reported by both the Alberta Department of Municipal Affairs and the Dominion Bureau of Statistics are in absolute dollars and because inflation rates during the period examined are so low that they make little difference to the figures. For example, the average annual percentage increase in municipal funding in Alberta between 1945 and 1966 was 25.72 percent in absolute terms and 21.88 percent as adjusted by the national consumer price index. See Appendix 4 for the national consumer price index, the annual percentage increase of the national consumer price index, and the growth rate of provincial contributions, grants, and subsidies to municipalities as adjusted by the national consumer price index.

¹⁵See Appendix 1, Table II.

¹⁶See Appendix 1, Table III.

¹⁷This discrepancy is due largely to the fact that grants for road and bridge construction and maintenance on an annual and formula basis were paid only to the rural municipalities. Cities, towns, and villages were responsible for their own roads. As for highways, in the rural municipalities the province assumed total responsibility. The building and maintenance of main highways within the boundaries of towns and villages were paid for by the province. The cities only received a per mile grant for the maintenance of main highways within their boundaries. Memo from J.W. Judge, Deputy Minister of Municipal Affairs to W. McGruther, Secretary, Royal Commission on Metropolitan Development, January 31, 1955, PAA, 70.413/271. Hanson also notes this in less detail in "Provincial Grants in Alberta," pp. 473-474.

capita in 1949 compared to the municipal districts and special areas which were receiving \$6.44 and \$4.86 respectively. Alberta's two major cities, Calgary and Edmonton, actually received less on a per capita basis after the 1949 changes with Calgary's per capita grants falling from \$0.29 to \$0.27 and Edmonton's from \$0.24 to \$0.22.¹⁸

Given the paltry increases in municipal assistance which the 1949 changes heralded, the municipalities were faced with only three alternatives to boost their revenues: increase property taxes, incur more debt, or maintain their demands for more assistance from the province. Inevitably, they chose the latter two alternatives. As Table VI in Appendix 1 illustrates, the municipalities which received the least per capita grant money from the province -- the cities, towns, and villages -- saw their debt skyrocket after 1948 as they increasingly resorted to the sale of debentures to finance the cost of public works.¹⁹ The raising of revenue through debt created a vicious circle for the municipalities as the growing cost of servicing the debt only forced them into increasing their tax levies anyway and made their demands for provincial aid more intense. As the municipalities' debt mounted so did their pressure on the province whose revenue account was swelling rapidly from the petroleum development income flowing into it.²⁰

¹⁸See Appendix 1, Tables I and IV.

¹⁹ This debt was exclusive of the debenture debt being incurred by the School Districts themselves who by 1950 owed the combined amount of \$12,544,000. Alberta, Treasury Department, *Budget Speeches*, 1950, p. 19.

²⁰See Appendix 3. As early as 1950, Premier Manning was able to declare that petroleum development income had replaced taxation as the province's major source of income. Alberta, Treasury Department, *Budget Speeches*, 1950, p. 13. Also see "Third of All Revenue Now From Oil and Gas," *Edmonton Bulletin*, March 4, 1950.

In 1950, the province responded to municipal demands by jacking municipal grants by \$776,094.20, a 35 percent increase from the previous year. Again, this increase sounded more impressive than it really was. On a per capita basis, the 1950 changes saw the provincial average rise from \$2.91 to \$3.59, an increase of \$0.68 or 23 percent. The disparity between the rural and urban municipalities was again present but to a much larger degree. The cities overall per capita grants increased by only \$0.01 from \$0.28 in 1949 to \$0.29 in 1950, and while Calgary's per capita figure rose from \$0.27 to \$0.29, Edmonton's fell another \$0.02 from \$0.22 to \$0.20. Meanwhile, the municipal districts received a meteoric increase of \$1.56 per capita which brought their average to \$8.00.²¹

In deference to the growing debenture debt being garnered by the urban municipal governments the province also introduced the Self-Liquidating Projects program as part of its 1950 municipal aid package. Under this program the provincial government set aside \$5,000,000 from its accumulated surpluses to loan to the municipal governments at an interest rate of 2 percent, a rate well below that obtainable on the open market.²² The objective of this program was to enable the municipalities to obtain low cost money to finance the construction of capital projects, but given that the cities' debenture debt alone was growing by \$10,000,000 annually, a \$5,000,000 offering to all the municipalities combined was merely a token.²³

²¹See Appendix 1, Tables II, III, and IV and Appendix 4.

²²"An Act to Assist Municipalities in Financing Self-Liquidating Projects," Chapter 67, *Statutes of Alberta*, 1950. The debenture debt obtained on the open market was bearing interest at rates ranging from 3.5 to 7 percent. Alberta, Treasury Department, *Budget Speeches*, 1950, pp. 19-20.

²³See Appendix 1, Table VI.

A summary of the results of the municipal quest for increased aid from the province as it entered the new decade shows that the municipal governments entrusted with the provision of services to the largest number of people were indeed in dire straits. For all of their efforts between 1945 and 1950 the cities only managed to increase their per capita grant money from the province by \$0.03 from \$0.26 to \$0.29, with both Calgary's and Edmonton's per capita average actually decreasing by \$0.02 and \$0.07 respectively. In contrast, the cities' debt had jumped from \$128.20 per capita in 1945 to \$150.05 in 1950, a rise even more dramatic when it is realized that per capita debt had fallen to \$111.24 in 1948 and shot back up again. The towns and villages fared somewhat better than the cities in the same period, with the towns chalking up a \$0.40 per capita increase in provincial aid and the villages an \$0.08 one. But the windfall of provincial aid went to the debt-free municipal districts whose per capita average leaped from \$1.44 in 1945 to \$8.00 in 1950.²⁴

Up to 1950, the municipalities' pressure on the province had consisted primarily of lobbying through the Alberta Association of Municipal Districts (AAMD) and the Union of Alberta Municipalities (UAM) which met annually with the premier and several of his key ministers. These meetings usually involved the officers of the AAMD and UAM putting forth the resolutions passed at their annual conventions for provincial consideration.²⁵ Little discussion would

²⁴See Appendix 1, Tables IV and VII.

²⁵For instance see "Representations to Executive Council," PAA, 76.318/2994(a) and Cornelia Wood's caucus meeting notes re: Union of Alberta Municipalities Resolutions, PAA, 82.125/182.

actually take place at these meetings but the Minister of Municipal Affairs would always follow-up with a letter to the municipal organizations containing a point-by-point response to their resolutions. The letters would then be presented at the AAMD and UAM conventions the following year for discussion amongst the municipal councillors.²⁶ Needless to say, the municipal-provincial lobbying process was a protracted affair that did not accomplish much. With the tide of population continuing unstemmed and with only token responses from the province, the municipal governments turned to the six-member Liberal, CCF, and Independent opposition group as their only recourse.²⁷

Small but enthusiastic, this group entered the battle with both barrels blasting. Despite the announcement of increased municipal grants and the Self-Liquidating Projects program, Harper Prowse, the leader of the Liberal Party, mounted a fiery attack shortly after the opening of the 1950 legislature. Prowse's assault centred on Premier Manning's current negotiations with New York bankers to refund and eventually retire the province's \$110 million debt by 1973 and the municipal governments' displeasure that Manning was directing the

²⁶The resolutions passed at the annual AAMD and UAM conventions and the letter from the Minister of Municipal Affairs responding to them were usually published in each organization's annual convention handbook. See *The Alberta Association of Municipal Districts Annual Convention Programme and Handbook* and *Union of Alberta Municipalities Report of the Proceedings of the Annual Convention*.

²⁷In 1950 Social Credit held 51 of 57 seats in the legislature. The Independents, Liberals, and C.C.F. held 2 seats each. Not surprisingly, all opposition seats except Arthur Wray (Independent - Banff-Cochrane) came from Calgary and Edmonton constituencies. Wark, *A Report on Alberta Elections 1905-1982*, pp. 66-69. Also, in March of 1950, A.V. Bourcier (Social Credit - Lac Ste. Anne) joined the ranks of the opposition after he was banished by the Social Credit caucus for criticizing government policy. *Edmonton Bulletin*, March 6, 1950.

province's growing revenue toward debt repayment instead of toward them.²⁸ Prowse accused the provincial government of "keeping their own house in order by turning a deaf ear and blind eye toward the cries for help and the desperate position of our municipal organizations."²⁹ He claimed Premier Manning was "deliberately underestimating revenue in order to bolster his position ... [of] refusing to give to the municipalities the assistance they require," and denounced the Premier's "unusual ability to juggle figures to suit his case."³⁰ The attack was so vitriolic that at one point the Speaker of the House interrupted Prowse to warn him that he was treading the boundaries of what was considered acceptable in the legislature.³¹ Prowse, nevertheless, continued his criticism of the province's municipal aid program and was echoed by other opposition members in the ensuing weeks.³² The vituperative nature of the opposition's criticism made lively headlines in the province's newspapers and turned municipal finance into a heated public issue. Editorials began to appear chastising the government for its stand on municipal finance and letters to the provincial government came pouring in as concerned citizens also jumped onto

²⁸*Calgary Albertan*, March 23, 1950; *Edmonton Journal*, March 23, 1950.

²⁹*Calgary Herald*, March 11, 1950.

³⁰*Edmonton Journal*, March 11, 1950. Despite the fact that oil development revenues had jumped from \$10.34 million in 1948 to \$26.55 million in 1949, and that exploration was intensifying annually, Premier Manning, who was also Provincial Treasurer, estimated income from this source for 1950 at a mere \$14.8 million. The actual figure proved to be \$32.76 million. Alberta, Treasury Department, *Budget Speeches*, 1948-1951.

³¹*Calgary Herald*, March 11, 1950.

³²See reports in the *Calgary Herald*, *Edmonton Bulletin*, and *Edmonton Journal* during the month of March, 1950. Also see transcripts of Prowse's radio broadcasts attacking the province's municipal assistance program, PAA, 69.289/1853.

the bandwagon.³³ Throughout 1950 the province's municipal assistance program was subjected to an almost constant barrage of criticism and came to dominate the political agenda, so much so that Alf Hooke, a prominent Socred M.L.A. who held various cabinet positions, years later would comment that to have ignored the issue the Social Credit government "would be only one step removed from political suicide."³⁴

The result of this pressure was that 1951 ushered in a legislative session that was deemed by the media to be "one of the most important to Albertans in many years," and its importance "rested first with the fact that the oil-rich provincial government decided to share its wealth with the public, starting this year, through reduction of taxes and greatly-increased municipal aid."³⁵ The piece of legislation that generated such praise was the Municipal Assistance Act, whose stated intention was "to benefit taxpayers by enabling a reduction in their municipal taxes" and "to benefit municipalities by providing them with additional revenue."³⁶ Under this act 40 percent of the proceeds of the fuel oil tax was paid into a newly-created municipal assistance fund which, in turn, was redistributed amongst the municipalities in two forms. First, a tax reduction subsidy not exceeding 3 mills was to be paid annually to every municipality that either reduced or retained its aggregate

³³Hundreds of letters to the Premier regarding municipal financing are on file in PAA, 69.289/1683, 1685(a), 1689(b), 1693(b), 2057.

³⁴Alfred J. Hooke, "A New Look at Municipal Problems, Part IV," 1958, p. 5. PAA, 74.66/417.

³⁵*Edmonton Journal*, April 7, 1951.

³⁶"An Act to Provide for Assistance to Municipalities," Chapter 54, *Statutes of Alberta*, 1951.

millrate below the highest millrate it levied on a comparable basis of assessment in any year after 1949. The amount of the subsidy was calculated at 1 mill for each mill of tax reduction from the preceding year. Second, any balance in the fund after the tax reduction subsidy was paid out was then to be distributed to the municipalities in the form of an unconditional cash grant based on each municipality's assessment in relation to the total assessment of all the municipalities. According to the province's calculations, almost \$5,000,000 more would be paid out annually to the municipal governments under the Municipal Assistance Act.³⁷ In addition, the province beefed up its road and bridge grants and passed an amendment to the Self-Liquidating Projects Act which raised the amount of low-interest loan money available to the municipalities from \$5,000,000 to \$12,000,000.³⁸

The Municipal Assistance Act of 1951 was not the province's final word on municipal aid. At the opening of the 1952 legislative session the lieutenant governor announced amendments to the Municipal Assistance Act which were "designed to extend greater assistance to municipalities and particularly to aid those municipalities which are in more difficult financial circumstances."³⁹ There were two major amendments to the Act. First, the proportion of the fuel oil tax proceeds diverted into the municipal assistance

³⁷A detailed explanation of the Municipal Assistance Act is contained in Alberta, Treasury Department, *Budget Speeches*, 1951.

³⁸"An Act to Amend the Self-Liquidating Projects Act," Chapter 81, *Statutes of Alberta*, 1951. See Alberta, Treasury Department, *Budget Speeches*, 1951 for the details of the road and bridge grant increases.

³⁹Hon. J.J. Bowlen, 1952 Speech from the Throne, reprinted in *Edmonton Journal*, February 21, 1952.

fund was increased from 40 percent to 50 percent, adding approximately \$1.3 million more to the fund.⁴⁰ Second, 20 percent of the fund was now to be paid out in the form of equalization grants. These grants were to be distributed according to the need of each municipality for economic assistance and were calculated by some indecipherable formula which could, but not necessarily, take into account area, population, tax assessment, and any other factors the Provincial Treasurer deemed "relevant."⁴¹ The Self-Liquidating Projects Act was also amended in 1952 increasing the amount of low-interest loan money available to the municipalities from \$12,000,000 to \$17,000,000.⁴²

With the 1951 and 1952 changes the fortunes of the municipal governments vastly improved. The total amount of grant money paid to all municipalities skyrocketed from \$2,969,911.03 in 1950 to \$10,338,533.70 in 1951 - an increase of 248 percent - and the 1952 amendments raised this figure to \$12,608,115.49. Grants per capita shot from \$3.59 in 1950 to \$12.63 in 1951 to \$15.10 in 1952.⁴³ Although the province claimed the passage of the Municipal Assistance Act put Alberta's municipalities in the enviable position of receiving the highest per capita grant amounts of any province in Canada,⁴⁴ municipal finance as a political issue would just not die.

⁴⁰This was Premier Manning's estimate. See Alberta, Treasury Department, *Budget Speeches*, 1952, p. 16.

⁴¹"An Act to Amend the Municipal Assistance Act," Chapter 58, *Statutes of Alberta*, 1952.

⁴²"An Act to amend The Self-Liquidating Projects Act," Chapter 85, *Statutes of Alberta*, 1952.

⁴³See Appendix 1, Tables II and III.

⁴⁴Although provincial-municipal grant statistics for all provinces in Canada are not available until 1955, it is reasonable to assume from the 1955 figures

During the 1952 legislative session the provincial government was treated to Mr. Prowse's most acerbic criticism to date. Prowse charged that the province, "proud of its debt reduction,"⁴⁵ was "making its own reputation through its niggardly treatment of the municipal governments."⁴⁶ He accused the province of having a "rich uncle-poor nephew" attitude toward the municipalities and of making them believe that certain provincial responsibilities were their own. As a result, he claimed, the municipal governments were "going in the red" at such a fast pace that their combined debt was greater than that of the province.⁴⁷

There was a lot of truth in Prowse's accusations -- but only regarding the urban municipalities. Despite the fact that the Municipal Assistance Act had raised the provincial per capita grant average to \$15.10 by 1952, once again the urban municipalities fell well below this average while the rural municipalities were well above. Of the urban municipalities, the cities received the highest per capita grants at \$8.34, the villages were second with \$6.61 and the towns third with \$6.58. Meanwhile, the rural municipalities were enjoying a much more comfortable financial position. The newly-created counties were receiving grants per capita of \$16.19,

that Alberta municipalities did receive the most since their 1951 per capita average was higher than any other province's 1955 average. See Appendix 2, Tables I and II. Also, as early as 1953 Premier Manning claimed his province's per capita grants to the municipalities were the highest in Canada. Manning to Jean Chancellet, November 9, 1953, PAA, 69.289/1693(b) and Manning, transcript of broadcast, "\$190,000,000 in Five Years!" December 1953, PAA, 69.289/1799. In 1952, C.E. Gerhart, Minister of Municipal Affairs, claimed visitors to Alberta were "completely staggered" by the amount of provincial aid to the municipal governments. *Edmonton Journal*, March 4, 1952.

⁴⁵*Calgary Herald*, March 11, 1952.

⁴⁶*Edmonton Journal*, March 11, 1952.

⁴⁷*Edmonton Journal*, March 27, 1952 and March 11, 1952.

the municipal districts were getting \$17.30, and the special districts \$12.53.⁴⁸ As for municipal debt, the municipal districts and special districts had none. The counties were carrying a per capita debt of \$34.28, the villages \$48.26, and the towns \$91.32. The cities combined per capita debt was \$205.44, with Calgary's falling below this figure at \$160.86 and Edmonton's rising above at \$271.51.⁴⁹

The urban-rural difference was due largely to the fact that grants for road and bridge construction and maintenance on an annual and formula basis were paid only to the rural municipalities.⁵⁰ Cities, towns, and villages were responsible for their own roads. As for highways, in the rural municipalities the province assumed total responsibility. The building and maintenance of main highways within the boundaries of towns and villages were paid for by the province. The cities received only a per mile grant for the maintenance of main highways within their boundaries.⁵¹ The root of this urban-rural funding discrepancy was not that it cost more per capita to provide basic services in low-density rural areas than in high-density urban areas,⁵² but that the Social Credit

⁴⁸See Appendix 1, Table IV.

⁴⁹See Appendix 1, Table VII.

⁵⁰Next to education, roads were the municipal governments' largest expense. See Hanson, *Local Government in Alberta*, p. 89.

⁵¹Memo from J.W. Judge, Deputy Minister of Municipal Affairs to W. McGruther, Secretary, Royal Commission on Metropolitan Development, January 31, 1955, PAA, 70.413/271. Hanson also notes this in less detail in "Provincial Grants in Alberta," pp. 473-474.

⁵²Carl Frederick Kraenzel, *Great Plains in Transition* (Norman: University of Oklahoma Press, 1955). The province never defended its urban-rural funding difference on the basis that it cost more to provide services in low-density rural areas than high-density urban areas.

government's power base lay in rural Alberta⁵³ and government members held the mistaken idea that Alberta was a predominantly rural, agriculture-based society. In 1945 the province's Post-War Reconstruction Committee nostalgically viewed Alberta as essentially rural and pre-industrial in character⁵⁴ and this vision seems to have persisted well into the 1950s, even though the majority of the province's population lived in urban areas by 1951. As late as 1957, the Provincial Treasurer's comments on municipal funding still reflected this distorted perception:

"Shall all the people contribute to provide some of the people with a higher than average standard of service?" Ought the rural municipalities and villages and small towns whose public buildings are modest indeed, whose children have no parks or stadiums, whose housewives carry out daily the dirt brought in from unpaved walks, whose families can enjoy city entertainment or even city purchasing benefits only at the extra cost of a trip to the city - shall these people contribute to help us pay for luxurious city halls, tot lots and playing fields, zoos, pavements and boulevards?⁵⁵

The urban-rural funding discrepancy was duly noted by the opposition members who all except for one came from the urban constituencies of Calgary and Edmonton.⁵⁶ They reversed the

⁵³Thomas Flanagan, "Stability and Change in Alberta Provincial Elections," *Alberta Historical Review* 21 (Autumn 1973): 1-8.

⁵⁴Hesketh, "The Marsh Report and the Manning Government: Social Insurance, Socialism, and the Evil Money Manipulators," pp. 18-19.

⁵⁵E.W. Hinman, "Arguments to Close Debate on Budget Address," 1957, pp. 4-5, PAA, 69.289/2140. Even as late as 1960 an anti-urban outlook was held. Manning said he wanted "to check the trend ... of people flocking into the larger centres. I don't think this is good for the people or for the country," Alberta Social Credit League, Constituency Executives' Spring Conference, April 8, 1960, p. 2, PAA, 82.153/6.

⁵⁶Arthur Wray (Independent-Banff-Cochrane) was the exception. All other opposition seats came from Calgary and Edmonton constituencies. Wark, *A Report on Alberta Elections 1905-1982*, pp. 66-69.

province's charges by claiming that the cities were subsidizing the rural municipalities by paying the most into the Municipal Assistance Fund through the fuel oil tax, the majority of which was then spent on roadbuilding in rural areas while the urban centres had to finance their roads through the sale of debentures.⁵⁷ And there was no doubt about it, the urban municipalities were carrying a much higher per capita debt load than the rural municipalities.⁵⁸

Throughout the early 1950s the opposition held constant vigil over the province's municipal aid program. Rarely a day went by during any of the legislative sessions that some charge was not levelled against it.⁵⁹ By 1953 the municipal finance debate had escalated into a full-scale war. As municipal assistance progressively increased and municipal cries for more money only got louder, the provincial government went on the offensive. Only several days into the 1953 session of the legislature, C.E. Gerhart, Minister of Municipal Affairs, cast the first stone against the cackling opposition with the proclamation that Alberta's municipalities were "over-spending their budgets like a bunch of drunken sailors." Gerhart claimed the municipalities were spending not because they needed to, but because the money was made available to them by the provincial government.⁶⁰ "As everyone knows", elaborated Alf Hooke, "much of

⁵⁷*Edmonton Journal*, March 27, 1952.

⁵⁸See Appendix 1, Table VII.

⁵⁹The province of Alberta had no *Hansard* at this time but legislative proceedings were covered by all the major newspapers in the province. See the *Calgary Albertan*, *Calgary Herald*, and the *Edmonton Journal* coverage. Individual citations are too numerous to list. Also see transcripts of Prowse's provincial affairs broadcasts for 1953 and 1954 attacking provincial municipal financing, GAI, M1724/125.

⁶⁰*Calgary Albertan*, February 26, 1953; *Edmonton Journal*, February 26, 1953.

the excessive borrowing done over the past few years has been done owing to the fact that municipalities could secure government loans at low rates of interest for self-liquidating projects I have spoken to many councillors who have told me that they have borrowed for no other reason than that Provincial money was available at low rates of interest."⁶¹

Hooke neatly summarized what he believed was at the bottom of the municipal finance issue in a report to Premier Manning: "... it has become evident that Municipal Governments have become less and less money and cost conscious. Yesterday's extravagances become today's necessities."⁶² Hooke likened the municipalities to people suffering from a serious disease and he believed "the root of the disease is expansion." To him, the city of Edmonton was a case in point. "The City's situation," he claimed, "is to some degree not unlike that of a land-hungry farmer who gives way to an urge to acquire adjacent raw lands and bring them under cultivation faster than his finances will permit." Hooke queried, "Why should it always be assumed that the expansion of a City, even to a state of bankruptcy, is an inevitable natural process which cannot be halted or slowed down?" In his opinion, "The expansion of a City, like that of a farmer's holding or a manufacturing firm, is a result of human activity, and therefore, is subject to human will."⁶³

⁶¹Alfred J. Hooke, "A New Look at Municipal Problems," Part II, c. 1956-58, pp. 7-8, PAA, 69.289/2142(b).

⁶²Alfred J. Hooke, "Taxes and Government Financing," 1956, p. 12, PAA, 71.441/48(f).

⁶³Alfred J. Hooke, "The City of Edmonton's Growth and its Debt Situation," 1957, pp. 1-3, PAA, 69.289/2142(b).

"Human will," indeed, was what most government members believed underpinned the cries for increased municipal assistance.⁶⁴ They thought that the province's post-war prosperity had caused the will of the people to change -- and not for the better. It appeared that people were losing all sense of value and responsibility as they increasingly demanded more from the government. The province believed that when people had to pay for what they obtained they demanded less, but now that they no longer paid the total bill they demanded more.⁶⁵ The Committee on Municipal Finance observed that "people are demanding a higher standard of living than they are able to pay for more and more services are being provided for people who pay less and less of the cost."⁶⁶ "I think in the minds of a lot of our people," commented Premier Manning, "there is the idea that the province is rolling in money."⁶⁷ Yes, concurred Alf Hooke, "many people in our Province believe that we have millions hidden away in a sock or in a safety deposit box, upon which we can

⁶⁴See for instance, "Change in Philosophy Blamed For Municipalities Demands," *Edmonton Journal*, March 1, 1955 ; "Demands for Grants by Towns 'Dangerous'," *Calgary Herald*, March 1, 1955; and "'Orthodox' Money System Blamed for Budget Faults," *Edmonton Journal*, March 12, 1955; "Can We Afford It?" *The Alberta Municipal Counsellor* , March 1957, p. 2. The provincial government steadfastly maintained its funding of the municipalities was more than adequate. For instance see E.C. Manning's "Municipal Debt Increase" and "\$190,000,000 in Five Years!" PAA, 69.289/1799; Manning to Jean Chancellet, Jousard, Alberta, November 9, 1953, PAA, 69.289/1693B; "These are the Facts," February 28, 1955, PAA, 86.125/406; Manning to E.N. Daly, Munson, Alberta, June 4, 1956, PAA, 69.289/2057; "These are the Facts," May 6, 1958 and May 13, 1958, GAI, M1769/259.

⁶⁵Ibid.

⁶⁶Minutes of the Municipal Finance Committee meeting, June 20, 1956, PAA 71.441/48(f).

⁶⁷Ernest C. Manning, Address to Union of Alberta Municipalities, *Union of Alberta Municipalities Report of the Proceedings of the Forty-Fourth Annual Convention*, 1948, p. 78.

draw at any moment."⁶⁸ Nobody summarized the perceived change in public attitude as concisely as Ted Hinman, the man who became Provincial Treasurer in 1956:

... when times are good our tastes and money philosophies change. Our citizens who so lately audited the smallest expenditure cry for extravagance in every field of public service we press our legislators to take over individual responsibilities, service our pleasure-seeking habits, provide for our misfortunes and old age and relieve us from the morality of love, service and charity.⁶⁹

Hinman's statement, in a nutshell, reveals what the other government members were trying to express: the perception of the breakdown of individual responsibility in society. Government members believed that the public in its insatiable desire for a higher standard of living had forced the municipalities into over-spending their budgets like a bunch of drunken sailors. Rather than accepting responsibility for their actions, both the public and municipal officials then turned to the province for help. The province had responded by embarking upon a municipal grants system which it had now come to regret for two main reasons. First, in handing out such large sums of money to the municipalities the provincial government had been compelled to control the spending of that money to a considerable degree. "However wise and necessary such controls may be," explained Hinman, "their implementation must contribute to centralization of governmental powers and

⁶⁸Alfred J. Hooke, "Brief on Provincial-Municipal Finances," 1957, p. 5, PAA, 69.289/2142(a).

⁶⁹E.W. Hinman, "Arguments to Close Debate on Budget," 1957, PAA, 69.289/2140.

administration."⁷⁰ He believed that such a system was "unsound in principle" because it "reduce[d] local governments to the status of mere spending agencies dispersing funds in the collection of which they ... have no voice or responsibility."⁷¹ Second, "the people, more and more relieved of providing the funds, have been encouraged to make demands for services which we cannot collectively afford."⁷² "Out of all of this," Hinman concluded, "comes the realization that our system has led our people to expect in the administration of their affairs a good many things which have implications which the people do not anticipate. It is high time for these implications to become general knowledge. It is time to put some Social Credit to work."⁷³

To fully understand the "implications" of Alberta's municipal finance structure as perceived by government members and what was meant by putting Social Credit to work, it is essential to understand Social Credit ideology because, as Socreders themselves maintained, "Every policy has an underlying philosophy."⁷⁴ Most importantly, it is essential to understand Social Credit ideology as it was understood by Socreders at that time. For the Social Credit ideology of the 1950s was a unique and systematic interpretation of politics, economics, religion, and history that had evolved out of the Second World War and transcended Major Douglas' original view that all world problems could be solved by providing increased

⁷⁰E.W. Hinman, "Putting Social Credit to Work," *The Busy Bee*, May-June 1956, p. 8, PAA, 82.153/25.

⁷¹E.W. Hinman, Alberta, Treasury Department, *Budget Speeches*, 1954, p. 28.

⁷²Hinman, "Putting Social Credit to Work," pp. 8-9.

⁷³*Ibid.*, pp. 9-10.

⁷⁴Alberta, Post-War Reconstruction Committee, *Report*, 1945, Introduction, p. VII.

purchasing power to the consumer. Chapter 3 will examine the evolution and articulation of Social Credit ideology and how it affected the government's approach toward municipal finance.

CHAPTER 3

THE SOCIAL CREDIT WAY OF LIFE

"REMEMBER," chided the Alberta Social Credit Board in 1946, "Social Credit is NOT a Political Doctrine. Social Credit is NOT a Money Scheme. Social Credit is a Way of Life Based on Christian and Democratic Principles."¹ By the end of World War II, Social Credit ideology had evolved beyond a set of monetary reform theories into what Premier Manning called a "philosophy of life" based on the ideals of freedom and security.² Social Credit as a philosophy of life was a concept that had developed gradually over years. It had been introduced by Premier Aberhart and refined by his successor, Ernest Manning, during the Second World War and was the product of their conspiratorial understanding of the history of the twentieth century and of their hope for the salvation of mankind. This philosophy relegated monetary reform to second place and redefined Social Credit's central objective as the preservation of human individualism in a Christian, democratic society. As the war ended and the post-war era unfolded this social doctrine took on increasing importance, so much so that by the mid-1950s it had become the very essence of Social Credit, and Social Credit had become a party dedicated to social, rather than economic, reform.

¹Alberta Social Credit Board, "True Facts of Social Credit," 1946, PAA, 68.74/85.

²Ernest C. Manning, handwritten notes, c. 1945, PAA, 69.289/1261.

Christianity was the basis of the Social Credit way of life. It formed the core of Aberhart's and Manning's thought and their views on all other matters emanated from this core.³ To both Aberhart and Manning, the cornerstone of Christianity was individual freedom, the "God-given right to make up your own mind and to make your own decisions."⁴ Freedom was essential because man could only achieve his "ultimate destiny", salvation through Christ, if he was "free to honor his Creator in his manner of living."⁵ The achievement of salvation was an individual struggle; man could be saved if he lived his life in the service of God but he had to choose to do so.⁶ Consequently, society had to be structured in such a way as to allow him the freedom to make this choice and history showed that only a "democratic system ... allowed the freedom necessary for self-expression and the development of initiative in everyday life."⁷ This was so because of the unique relationship of the individual to the state in a democracy. In a "true" or "properly functioning" democracy individual citizens collectively were the supreme authority. The people decided the results they wanted and the state

³Ernest Manning, Transcripts of Ernest C. Manning interviews, UAA, 81-32, #39, p. 26; Elliott and Miller, *Bible Bill*, Chapters 1-10.

⁴William Aberhart, *Post -War Reconstruction, Second Series of Broadcasts* (Edmonton: Today and Tomorrow, c. 1943-44), p. 42, PAA, 68.328/19; Manning believed freedom was "one of God's great gifts to man" and defined it as "the right to choose," see "Alberta - Home of Social Credit," c. 1945, p. 4, PAA, 69.289/1261.

⁵Manning, "Alberta - Home of Social Credit," p. 4; and National Series No. 4, "This is a Crusade," c. 1944, p. 2, PAA, 69.289/1824.

⁶ For Aberhart's views see Elliot and Miller, *Bible Bill*, p. 116; for Manning's views see Dennis Groh, "The Political Thought of Ernest Manning," pp. 37-43..

⁷William Aberhart, *Post-War Reconstruction, First Series of Broadcasts* (Edmonton: Today and Tomorrow, c. 1942-43), p. 59, PAA, 68.74/12; Manning said "The only social system which provides real freedom for people is a genuine democracy ..." see "Alberta - Home of Social Credit," p. 4.

and all of its institutions existed for the sole purpose of enabling them to obtain those results.⁸

Aberhart and Manning believed that the results most people wanted were universal: maximum personal freedom and maximum economic security.⁹ In their view, one flowed out of the other and back again. Freedom was paramount. If people were free to choose their work they would obtain economic security. People would choose to work at what made them happy and would willingly toil at what they chose to do. Their toil would produce abundance and eliminate economic want.¹⁰ Released from the fear of hunger, people would then be free to devote more attention to "cultural pursuits -- the arts, sciences, religion, meditation, and so forth."¹¹ The pursuit of culture would lead to cultural progress which was the hallmark of a truly Christian society for its effects were good. It progressively reduced human misery, and thus, was a vehicle through which individuals could achieve salvation. Progress was cumulative; it was "built up over centuries by each generation inheriting the store of knowledge and skill accumulated in the past, adding to it, and then passing it on to the next generation," and had resulted in "Man's ability to produce an abundance of goods and services ... with less

⁸Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 54; and Ernest C. Manning, Alberta Series No. 2, "The Basis of Government Policy," c. 1944, p. 1, PAA, 69.289/1824.

⁹Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, pp. 14, 81; Manning continually talked about freedom and security and in nearly every speech he gave during his tenure as Premier he mentioned them as society's objectives. For a specific reference see National Series, No. S.1, c. 1944, p. 2, PAA, 69.289/1824.

¹⁰Manning, National Series No. 4, "This is a Crusade," p. 2, PAA; and Aberhart, *Post-War Reconstruction, First Series of Broadcasts*, pp. 59, 63 and *Post-War Reconstruction, Second Series of Broadcasts*, pp. 80-82.

¹¹Aberhart, *Post-War Reconstruction, First Series of Broadcasts*, p. 63.

and less human toil, by the use of wonderful, power-driven machinery."¹² The benefits of progress were that "as we produce more and more ... every true citizen should enjoy increasing economic security, and greater freedom to seek after happiness, goodwill and culture."¹³ Economic security and freedom were a "Common Cultural Heritage," something everyone had a right to share in because they had arisen from the efforts of generations of individuals working collectively and cooperatively to improve society.¹⁴ Both Aberhart and Manning believed that the desire for progress had fuelled the course of history but that now, in the twentieth century, progress was being threatened by a "minority group" which was working at cross purposes to the rest of society.¹⁵ Instead of cultivating the fruits of progress, this group was "trying to divest the great bulk of the people of their freedom and security."¹⁶

The existence of this minority group first became evident to Aberhart and Manning during the Great Depression, when "poverty in the midst of plenty" reigned supreme.¹⁷ It appeared that there were plenty of goods and services available for consumption but

¹²Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 80; and Manning, "Alberta - Home of Social Credit," p. 7.

¹³Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 82.

¹⁴Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 80-83; for Manning on cultural progress see, "Aims, Objectives and Policies of Social Credit," *The Busy Bee*, May-June 1961, p. 7, PAA, 82.153/26; and Alberta Social Credit League's 29th Convention Address, 1963, PAA, 82.153/10; Alberta, Post-Reconstruction Committee, *Report*, 1945, pp.V-VI also emphasized the importance of cultural progress to Christian society. The idea of the cultural heritage originated from Major Douglas; see Macpherson, *Democracy in Alberta*, Chapter IV.

¹⁵Manning, National Series No. 4, "This is a Crusade," p. 2.

¹⁶Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 60.

¹⁷Aberhart, *Post-War Reconstruction, First Series of Broadcasts*, p. 77; Manning, National Series, No. S.1, p. 1.

people lacked the money necessary to purchase them. Aberhart and Manning believed this shortage of money was chronic; the result of an inherent defect in the structure of the modern industrial productive system. This defect had been exposed by Major C.H. Douglas whose A+B Theorem showed that there was never enough money distributed in the course of producing goods to enable them all to be bought. In Douglas' theorem, "A" consisted of all payments made to individuals, such as wages and salaries, in the course of production and "B" consisted of all payments made to other organizations for raw materials, bank charges, and other overhead in the course of production. The cost of goods produced, therefore, equalled "A+B". However, only "A" represented the purchasing power available to buy the goods produced. And since the cost of goods was "A+B", "A" could never purchase "A+B"; this was the chronic lack of purchasing power.¹⁸ It followed that in order to buy all of the goods produced people had to obtain additional purchasing power. Under the existing monetary structure, people could only obtain additional purchasing power through credit from the international banking system. The resulting debt, coupled with the practice of usury, created a vicious circle wherein the purchasing power available to buy goods continually decreased as more and more purchasing power went toward debt repayment and interest. As the purchasing power available to buy goods continually decreased people were forced to go still further into debt in order

¹⁸Macpherson, *Democracy in Alberta*, p. 108. Manning discusses in great detail the chronic shortage of purchasing power and its consequences in "Canada's Post-War Outlook," c. 1946, PAA, 69.289/1261.

buy goods or to stop buying them. If people did not buy all of the goods produced then the producer would not have enough money to pay his production costs. He would either have to borrow money or reduce production costs, both of which would ultimately lead to reduced purchasing power for the people. To Aberhart and Manning the implications of this system were clear. Finance had grown to such a point in the twentieth century that the financiers had become capable of controlling the entire economic system through the extension and withdrawal of credit. Society had become dependent upon the banking system for its economic security.¹⁹

This dependency in itself would not have been cause for alarm had the financiers been working toward the same objective as the rest of society, to "further promote the material well-being and happiness of mankind,"²⁰ but Aberhart and Manning believed this was not the case. Rather, the financiers, the "small group" of men who controlled the international monetary system, were "first, last and always out for no. 1," and they extended credit "only on such terms as assure them private gain, rather than in terms of public need."²¹ Even further, Aberhart and Manning were convinced that the Depression had been "caused by a stringent withdrawal of credit or purchasing power from circulation by the Financial Manipulators"

¹⁹ Aberhart and Manning talked frequently about this system of debt and interest and the problems associated with it. See Aberhart's broadcasts Nos. 11, 13, 14, and 19 in *Post-War Reconstruction, Second Series of Broadcasts*; and Manning's "Financial Tyranny and the Dawn of a New Day," 1939, PAA, 82.153/117.

²⁰ Manning, "Financial Tyranny and the Dawn of a New Day," p. 3.

²¹ Manning, "Financial Tyranny and the Dawn of a New Day," p. 27; Aberhart, *Post-War Reconstruction, First Series of Broadcasts*, pp. 77-78, 89; and *Post-War Reconstruction, Second Series of Broadcasts*, p. 75.

in a bid to takeover control of all property through loan defaults.²² This withdrawal of credit was obvious due to the paradox of poverty amidst plenty. Again, the surplus of goods sitting on the shelves proved to Aberhart and Manning that the problem of the Depression was one of purchasing power not production: "The people are not allowed the money to buy the goods they want."²³ The solution, then, was to create more purchasing power and this could be done through the implementation of Social Credit.

The Social Credit that Aberhart espoused during the Depression was a method of increasing purchasing power that circumvented the international banking system. The intent of Social Credit was to replace the current debt system with a credit system wherein basic dividends would be drawn from the cultural heritage and distributed unconditionally by the state to all individuals as a means of increasing their purchasing power. The dividend would be supplemented by the just price, a state-controlled pricing system that would ensure the lowest possible price for consumer goods.²⁴

²²Aberhart, *Post-War Reconstruction, First Series of Broadcasts*, pp. 77-78; and *Post-War Reconstruction, Second Series of Broadcasts*, pp. 4-5.

²³Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 83; Manning, "Canada's Post-War Outlook," p. 6.

²⁴Irving is the best source on Aberhart's Social Credit ideas and proposals, *The Social Credit Movement in Alberta*, Chapters III - IV; also see Elliott and Miller, *Bible Bill*, Chapters 12 - 13. The just price has not been adequately studied by scholars and, in fact, it is hard to determine from existing scholarship exactly what the just price entailed. H.E. Nichols in *Alberta's Fight for Freedom*, Part 5, (Edmonton: Alberta Social Credit League, 1963), pp. 98-99 sheds the most light on the subject. Nichols explains that in calculating the retail price of consumer goods the producer must include a fraction for the cost and maintenance of machinery. However, although the consumer is paying for these capital costs he never gets ownership of the machinery for which he is paying. Therefore, to give justice to the consumer these capital costs must be lopped off the retail price. In turn, the government would reimburse the producer by ordering the creation of additional money to be paid to the him. The result would be even-handed justice all around. Manning talked about

The creation of purchasing power by way of the dividend and the just price was to have two results. First, it would correct the existing imbalance in production and consumption by allowing people to buy all of the goods produced, and second, it would break the financial monopoly's stranglehold on the economic system by providing an alternate source of credit.

The implementation of Social Credit seemed easy enough to Aberhart. Before his premiership, Aberhart contended that credit could be created through the mere stroke of a pen in a bookkeeper's ledger.²⁵ Once in office, of course, he was forced to deal with the dollars and cents reality of the monetary system and where the money for social credit would come from. However, the reality that Aberhart, Manning, and all Socreders were least prepared to face was the battle waged against the Social Credit government to maintain the economic status quo. Piece after piece of Social Credit legislation was either disallowed by the federal government or declared *ultra vires* by the courts; every attempt to implement Social Credit was frustrated by the constitution.²⁶ Not having the constitutional power to change the financial system, the Social Credit government concentrated on freeing the people of Alberta from the dictates of the financial overlords by freeing them from debt. It arbitrarily reduced the interest payable on its bonded debt, postponed the repayment of other debt, implemented a pay-as-you-

the necessity of eliminating the cost of machinery in the price of goods but did not refer to the just price, "Alberta -Home of Social Credit," p. 7.

²⁵Irving, *The Social Credit Movement in Alberta*, p. 114; also see Elliott and Miller, *Bible Bill*, Chapter 13, "Where Will All the Money Come From?"

²⁶Mallory, *Social Credit and the Federal Power in Canada* provides a detailed description of the disallowed and *ultra vires* Social Credit legislation.

go policy, and embarked upon the Interim Program which created "an alternative credit structure" to the existing banking system through the establishment of the Treasury Branches.²⁷

The constant obstruction of Social Credit monetary reforms only reinforced Aberhart's and Manning's belief that a financial monopoly existed. To them, every thwarted attempt to break the monopoly more clearly revealed how strongly it was entrenched.²⁸ The foiled Social Credit legislation along with the criticism levelled by the newspapers and various business and citizens' groups against the Social Credit government revealed the extent to which the monopoly had infiltrated and was controlling society. Not only had the financiers succeeded in gaining complete control over the economic system, claimed Manning, but they had managed to consolidate their position by convincing the people and most governments that this arrangement was proper:

[The monopoly] hides behind the bulwark of man's inherent fear of departing from established customs and methods. It wards off its assailants by dire predictions of certain blue ruin and chaos if it should be deprived of its professed guardianship over the economic life of mankind, and for fear its mask of deception should at any time be torn

²⁷ For the objectives of debt reduction and default and the pay-as-you-go policy see Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, pp. 29-30; also see Mallory, *Social Credit and the Federal Power in Canada*, pp. 91-122 for the debt adjustment measures undertaken by Aberhart. For the intentions and details of the Interim Program see H.E. Nichols, *Alberta's Fight for Freedom*, Part 5, pp. 84-88; and Bob Hesketh, "Aberhart, Manning, and the Alberta Treasury Branches: the Interim Program Reexamined." Manning also described the Treasury Branches as "a new line of attack in its battle to get control of Province's credit resources," see "Alberta - Home of Social Credit."
²⁸ Manning, "Financial Tyranny and the Dawn of a New Day," p. 27; for Aberhart's reactions see Elliott and Miller, *Bible Bill*, Chapter 18, "Aberhart Versus the Constitution."

away it has taken the added precaution of barricading itself behind every conceivable constitutional and legal barrier known to man. The undeniable truth of this contention has been borne out by the experience of this Government. Every outstanding Act passed by the peoples' duly elected representatives in this Legislature which challenged that financial monopoly and claimed for the citizens of Alberta the right to exercise some measure of control over matters so vital to their welfare, has been either disallowed by the Federal Government or declared *ultra vires* by the Courts.²⁹

When World War II broke out in 1939 and proposals for post-war reconstruction began to surface shortly thereafter, the full scope of the financial conspiracy was realized by Aberhart and Manning.³⁰ It became clear that the financiers were not merely seeking wealth and the power that wealth carried with it but absolute world domination.³¹ The financiers' real intent was to destroy everything associated with the Christian democratic way of life.³² Through their usurpation of the international monetary system and their orchestration of the Depression the Money Lords had already succeeded in destroying mankind's economic security. Now, through their manipulation of wartime conditions, they were attempting to destroy the most sacred of all human rights: individual freedom.

²⁹Ernest Manning, "Financial Tyranny and the Dawn of a New Day," pp. 27-28; for Aberhart on the custom and taboo of the financial system see *Post-War Reconstruction, First Series of Broadcasts*, pp. 89-91.

³⁰Manning claimed that as early as 1940 the Social Credit government could foresee the post-war situation developing. "Alberta - Home of Social Credit," p. 15.

³¹Manning, "Alberta - Home of Social Credit," p. 5; Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 92.

³²Manning, National Series No. 4, "This is a Crusade," pp. 2-3; Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, No. 15.

It was not the war itself but the proposals for post-war reconstruction that gave Aberhart and Manning their first clue to the financiers' true intent. At front and centre of these proposals were the Beveridge Plan and Union Now, both of which appeared to exploit society's acceptance of increased state control as a necessary wartime measure. The Beveridge Plan was a British report released in 1942 advocating the adoption of comprehensive compulsory state social insurance for future economic security, and was echoed in Canada's Marsh Report of 1943. Union Now was the forerunner to the United Nations; it was a plan put forward early in the war to ensure peace in the post-war era through the creation of an international security force. The common element between the two proposals, as Aberhart and Manning perceived it, was "centralized control of the many by the few."³³ The first involved the compulsion and regimentation of the people by a State authority and the second involved the surrender of national sovereignty to an international authority.³⁴ Under such plans, contended Aberhart and Manning, "there can be no such thing as freedom for the individual citizen. He is but the creature of the vast State machine run by an army of

³³Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 58; Manning characterized post-war reconstruction proposals in terms of "control by a State monopoly with all power centralized in those operating the State," see "Alberta - Home of Social Credit," p. 9.

³⁴Ernest Manning, "National Series, No. 1, Act or Perish," c. 1944, p. 2, PAA, 69.289/1824; Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, No. 17. In addition, both Aberhart and Manning objected to compulsory state social insurance because they believed it did not solve the problem of the shortage of purchasing power. Social insurance merely involved the redistribution of an already inadequate amount of purchasing power. If anything, the compulsory deductions from wages for such schemes further reduced the amount of purchasing power available to the individual to buy goods. Aberhart, *Ibid.*; and Manning, "Canada's Post-War Outlook," pp. 8-11.

bureaucrats, storm-troopers and secret police, who keep the people in slavish subjection to the powers that be."³⁵ The submergence of individual freedom evident in all of the proposals for post-war reconstruction made them highly suspect. "Every measure for the post-war period," commented Aberhart, "involve[s] the perpetuation of State bureaucracy and all carry us another step towards the Supreme State ... This is causing us to wonder what is the purpose of it all, and who is behind it!"³⁶ Who else, indeed, but the power-hungry "over-lords of finance," the same "bloodsucking," "slimy octopus" that wreaked economic havoc upon the world during the Depression.³⁷ "Finance," Aberhart claimed, is "gradually imposing more and more controls and restrictions on us until it has gained control of the entire State, established one vast monopoly, and has us all regimented under a system indistinguishable from Nazi Germany."³⁸ Manning placed the post-war reconstruction proposals into the context of a "carefully laid conspiracy" by International Finance "to rob the democratic nations of their national sovereignty, to eliminate true democracy, to undermine the British Empire as a Commonwealth of free and sovereign peoples and to set up a World Dictatorship."³⁹ The Money Barons already controlled the monetary system, he claimed, and through Union Now they were attempting to gain control of the armed forces too:

³⁵Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 88; Manning, "Alberta - Home of Social Credit," p. 9.

³⁶Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, pp. 89-90.

³⁷Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, pp. 24, 30.

³⁸Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 92.

³⁹Manning, "National Series No. 1, Act or Perish," p. 2.

... control of finance and of the armed forces would make their power absolute. They would have the power to manipulate the money systems of the countries in the Union to impose any conditions they liked upon the people - and if the people were driven to revolt in desperation, they would find themselves helpless - for *they* would be unarmed while *the supreme central authority* would have control of the armed forces.⁴⁰

Once the true objective of the financiers had been revealed in the plans for the post-war era the history of the previous twenty years fell into place. The Depression and the war had all been part of the "blueprint of ... International Finance" for the total enslavement of mankind.⁴¹ Both Aberhart and Manning believed the Depression had been engineered by the private money monopoly with two purposes in mind. First, the unemployment, poverty, and hardship of the Depression had been intended to lower the morale of the people. Haunted by the fear of economic insecurity people would then willingly give up their individual freedom and accept the idea of "more and more State control as the price they must pay for economic security."⁴² Second, the Depression had been intended to manipulate national governments into getting rid of their surplus of goods by blasting their way into world markets with the intention of selling a maximum of goods to other countries and buying a minimum in return. But since all countries were pursuing the same

⁴⁰Manning, *Ibid.*; for Aberhart's similar views on Union Now see Elliott and Miller, *Bible Bill*, p. 303.

⁴¹Manning, *Ibid.*

⁴²Manning, "Alberta - Home of Social Credit," p. 9; also see Manning's analysis in "Aims, Objectives and Policies of Social Credit," p. 6; for Aberhart's views see *Post-War Reconstruction, Second Series of Broadcasts*, pp. 38-39.

goal, foreign trade became highly competitive. This intense competition combined with national trade barriers and restrictions had created the serious international tension which led to the outbreak of World War II.⁴³ Since the war was so long, so bloody, and so costly, it made governments susceptible to the notion of surrendering their national sovereignty to an international authority to ensure future world peace. Given Aberhart's and Manning's interpretation of events, it followed that all plans involving the centralization of power in any form were the handiwork of the financiers in their plan to crush human freedom and security.⁴⁴

Aberhart and Manning believed that the money monopolists' tactics were "subtle" and "insidious,"⁴⁵ and that the monopolists were using socialism and its promise of economic security as a guise "to infiltrate into every facet of remaining free society, in order to soften and prepare the way for complete subjugation a little later on."⁴⁶ Through various compulsory social insurance schemes, the

⁴³Manning, "Canada's Post-War Outlook," p. 7; and National Series, No. 8, c. 1944, p. 3, PAA, 69.289/1824.

⁴⁴The obvious question that emerged at this point was how could Social Credit be against increased State intervention when its plans for monetary reform were all contingent upon increased State control? "The answer is simple and logical," explained Manning. "State enterprise for the purpose of creating beneficial competition and breaking existing monopoly control must be distinguished from the socialistic doctrine of the Supreme State under which the State ultimately takes over all Industry for the purpose of eliminating competition, and establishing one Supreme State Monopoly." He went on to say that the Alberta government had entered the fields of fire and life insurance and the sale of farm machinery and so on "not to create a State monopoly but to fight and break existing private monopoly and combine control." Alberta Series No. 2, "The Basis of Government Policy," p. 3.

⁴⁵Manning, "National Series No. 1, Act or Perish," p. 2; and "The Problem and Price of Survival," Speech to Business and Professional Men and Women, Edmonton, October 24, 1961, p. 8; Aberhart calls them "stealthy," *Post-War Reconstruction, Second Series of Broadcasts*, p. 60.

⁴⁶Manning, "The Problem and Price of Survival," p. 7; also see Manning, Alberta Series No. 2, "The Basis of Government Policy," p. 2.

financiers were "whittling away at the freedoms of individual men and women" without people even being aware that they were "being duped and robbed of everything."⁴⁷ Aberhart and Manning argued that awareness was the peoples' best defence: "unless they know the nature of the beast, they may not be able to recognize it if it attacks them."⁴⁸ The whole purpose of Aberhart's post-war reconstruction broadcasts was to enlighten people, to enable them to "understand the great world problem and their relationship to it:"

Our battle at the moment, is against state socialism, regimentation and the control of the many by the few. It appears to me that State Socialism is creeping right into the very life of the Canadian people, and it seems to be making its bed as if it intends to remain long after this war has been won. To permit such a condition to be established will mean that, even though we defeat the Axis powers, we will have lost the war, because we will have lost the ideal of democratic freedom and economic security.⁴⁹

Both Aberhart and Manning viewed the war as a battle between "two opposing ideologies ... democracy versus totalitarianism, individual freedom and economic security versus regimentation and socialization."⁵⁰ They argued that each individual had a personal

⁴⁷Manning, "The Problem and Price of Survival," p. 13; Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 24.

⁴⁸Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 86; Manning said, "The public must be made aware of the danger. This is the responsibility of every person, in every position of public influence," "The Problem and Price of Survival," p. 12.

⁴⁹Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, pp. 35, 39-40; Manning argued that people "must have an absolutely clear understanding of this question", Alberta Series No. 2, "The Basis of Government Policy," p. 1.

⁵⁰Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 37; Manning pointed out the "opposite and conflicting viewpoints of democracy and the doctrine of the Supreme State. That, ladies and gentlemen, is *the*

interest in this struggle because "to have democracy destroyed, and economic security frustrated, is actually to lose all of our personal freedoms."⁵¹

Reducing the issue to one of personal freedom allowed Aberhart and Manning to recast World War II and the reconstruction of post-war society in terms of a "conflict between paganism and Christianity."⁵² Since freedom was the very cornerstone of Christianity and the only means through which man could achieve salvation, anything which detracted from freedom was necessarily "anti-Christian"⁵³ and the work of the anti-Christ, the devil incarnate, in the cosmic battle between God and Satan.⁵⁴ Aberhart believed

dominating issue which is being fought out in the world today," Alberta Series No. 2, "The Basis of Government Policy," p. 1.

⁵¹Aberhart, *Post-War Reconstruction, Second Series of Broadcasts*, p. 37; Manning said "the question over which all the strife and turmoil arises is the freedom of the individual," "Alberta - Home of Social Credit," p. 3.

⁵²Aberhart, *Post-War Reconstruction, First Series of Broadcasts*, p. 22; Manning said every Canadian was faced with making "a choice between ... Christian democracy .. and the materialistic and pagan doctrine of State Socialism," "Alberta - Home of Social Credit," p. 19.

⁵³Aberhart constantly used the terms "anti-Christian" and "un-Christian," see *Post-War Reconstruction, First Series of Broadcasts*, pp. 17-24 and *Post-War Reconstruction, Second Series of Broadcasts, Second Series of Broadcasts*, pp. 7, 9, 23; Manning talked about "anti-Christian" ideas in "National Series, No. 1, Act or Perish," p. 3 and National Series No. 4, "This is a Crusade," p. 2.

⁵⁴Aberhart and Manning so readily accepted the idea of an anti-Christian conspiracy because of their knowledge of and faith in biblical prophecy. Central to their prophetic ideas was the belief in the eventual alignment of mankind into two opposing camps -- Christian and anti-Christian -- in preparation for a final clash between God and Satan. Both believed a False Prophet would emerge to organize and lead certain nations in the worship of the anti-Christ in anticipation of the climactic Battle of Armageddon, wherein Christ and the Christians would meet the anti-Christ and his forces head-on. For Aberhart's prophetic views see Elliott and Miller, *Bible Bill*, pp. 37-40. Manning's prophetic views are harder to pin down because he never referred to God and Satan directly. However, he often talked about the struggle between good and evil and the inevitable clash between the two. See for instance, National Series No. 4, "This is a Crusade;" "Alberta - Home of Social Credit;" "Social Credit", *The Busy Bee*, March-April 1957, p. 2, PAA, 82.153/25; "The Problem and Price of Survival." Manning also believed socialism in its various forms was the False Prophet that would lead mankind into the worship

that the money monopolists, because of their various plots to vanquish human freedom, were agents of the anti-Christ and that they had seized control of the world's monetary system in the first place through "Black Magic ... derived from the powers of darkness."⁵⁵ Manning agreed. He contended that "those who control and manipulate our financial system" were part of an "organized ... methodical ... deliberate ... anti-Christian conspiracy, seeking to destroy everything which can be identified with the true Christian way of life."⁵⁶ "What is more," he added, "the greater becomes the centralized control of our institutions, and the less freedom and security the individual citizen has, the more blatant and the more intense becomes this anti-Christian campaign."⁵⁷

The logical culmination of this anti-Christian intrigue was that Social Credit, in its relentless battle against the financial powers and their socialist puppets, was taking "a definite and uncompromising stand for the principles inherent in the Christian faith, [and] in democracy."⁵⁸ Therefore, Social Crediters could rightly claim that "there is a lot more to Social Credit philosophy than the mere reform of the monetary system."⁵⁹ "The objective of Social Credit,"

of the anti-Christ. See "Hon. E.C. Manning on the Provincial Election", *The Busy Bee*, April-May 1959, p. 4, PAA, 82.153/25 for reference to "the false gods of collectivism" and "The Problem and Price of Survival," pp. 4, 6 for reference to the "godless ideology" of Communism which "holds that human destiny is to be realized wholly within the realm of materialism, and that in that realm alone man can, and must, work out his individual and his collective salvation."

⁵⁵Aberhart, *Post-War Reconstruction, First Series of Broadcasts*, pp. 86, 89; Aberhart's biographers point out that Aberhart equated the anti-Christ with international finance, Elliott and Miller, *Bible Bill*, p. 303.

⁵⁶Manning, National Series No. 4, "This is a Crusade," p. 2.

⁵⁷Manning, *Ibid.*, p. 3.

⁵⁸Manning, *Ibid.*

⁵⁹Manning, "Aims, Objectives and Policies of Social Credit," p. 4.

explained Manning, "is the freedom of the individual citizen in a properly functioning Christian democracy" and Social Credit monetary reforms "are but the means for bringing [this] about."⁶⁰ By the end of the war, Social Credit and the future of Christianity and democracy had become intertwined and the Social Credit government of Alberta now believed it held a sacred trust. It alone was challenging the dictates of the financial overlords and in so doing was fighting for the rights of all humanity:

Alberta seeks to decentralize power; to make governments and institutions the servants of the people, and not their masters. Social Credit aims to elevate man to the highest pinnacle of economic, cultural, individual and social achievement. It will lead the way to personal security with a maximum of personal freedom. Social Credit aims to establish every man in his own right. No other human philosophy in the world today offers anything but ultimate slavery.⁶¹

Social Credit had always had a sense of urgency about it because of the immediate economic problems of the Depression, but by the end of World War II, it had developed a sense of mission as well. Social Credit had become a "crusade" to maintain a way of life - "the Christian and democratic way of life" - and this crusade was enshrined in the Alberta government's plans for the reconstruction of post-war society.⁶² "We as Social Crediters know the truth,"

⁶⁰Manning, "Alberta - Home of Social Credit," pp. 5, 3; Aberhart agreed. He said "The Social Credit financial reform proposals, are designed to make a smooth transition from our present debt-ridden, warped, poverty stricken, greedy, money-monopoly system, to a properly functioning economic democracy where the returns ... are reflected to the welfare of the people, and not the favored few," *Post-War Reconstruction, Second Series of Broadcasts*, p. 83.

⁶¹Nichols, *Alberta's Fight for Freedom*, Part 5, p. 105. This was the official history of Social Credit sponsored by the Alberta Social Credit League.

⁶²Manning deliberately chose to describe the Social Credit movement in terms of a "crusade" rather than a "campaign" because of word's religious

exclaimed Premier Manning, "and we must ... spread that truth every day of our lives."⁶³ Socreders had placed themselves in the vanguard of the righteous in a struggle that they believed was "capable ultimately of destroying the whole fabric of civilization" and thus, had prepared themselves to meet their Ultimate Destiny, for they knew that "God honours individuals, organizations, and governments that respect Him."⁶⁴

This sense of mission became increasingly more central to Social Credit as the post-war era unfolded and the Canadian government made plans to implement a comprehensive and compulsory system of state social insurance.⁶⁵ Throughout the late 1940s, the province of Alberta -- the beachhead of Social Credit and bastion of true Christian democracy -- stood firm in its rejection of such federal plans.⁶⁶ However, when the municipal finance issue erupted in the early 1950s, the Social Credit government experienced a rude awakening as the "implications" of its municipal funding structure were finally comprehended. Through its program of municipal grants and loans the Alberta government realized that it,

connotations, see National Series No. 4, "This is a Crusade," p. 1; "Alberta - Home of Social Credit," p. 3; Alberta, Post-War Reconstruction Committee, *Report*, 1945, "Approach to the Problem," pp. I-XIII.

⁶³Paraphrase of E.C. Manning, Alberta Social Credit League, Report of 21st Annual Convention, 1955, p. 31, PAA, 82.153/3.

⁶⁴Manning, National Series No. 8, p. 3; Alberta Social Credit League, "Special Provincial Constitutency Executives' Conference", September 30, 1968, p. 2, PAA, 82.153/6.

⁶⁵See Dennis Guest, *The Emergence of Social Security in Canada*, Second edition revised (Vancouver: University of British Columbia Press, 1985), Chapters 8 and 9 for details of the federal plans.

⁶⁶Hesketh, "The Marsh Report and the Manning Government: Social Insurance, Socialism, and the Evil Money Manipulators."

too, had unknowingly embarked upon a course that was eroding Christianity and democracy rather than reinforcing it.

Government members believed this erosion had occurred in three ways. First, the province's system of municipal grants had resulted in "centralization of authority in the Provincial Government" and had "reduce[d] local governments to the status of mere spending agencies dispersing funds in the collection of which they ... have no voice or responsibility."⁶⁷ This system, in turn, had led to "a 'decay in democratic virility' wherein we as individuals tend to lose touch on how our own affairs are being administered."⁶⁸ Second, centralization coupled with the province's assumption of more and more of the cost of municipal services led to "services without individual responsibility"⁶⁹ and the loss of personal freedom because the more the individual "is forced to rely on the state for services which he no longer is able to provide for himself, to that extent the collective will of the state replaces his freedom of choice as an individual."⁷⁰ Third, government members viewed the province's "new wealth" as "an effective bulwark against ... the chronic defects in the ... monetary system" that should be managed with great caution.⁷¹ Steadily increasing levels of municipal assistance along with the public's expectations that this would continue indefinitely

⁶⁷E.W. Hinman to M.H. Ponich, May 7, 1956, PAA, 71.441/48(f); Ernest Manning, Alberta, Treasury Department, *Budget Speeches*, 1954, p. 28.

⁶⁸A.J. Hooke, "Democracy and the New Deal", *The Alberta Municipal Counsellor*, Vol. I, No. 6, June 1956, pp. 3, 7.

⁶⁹Alberta Social Credit League, Report of the 23rd Annual Convention, 1957, p. 8, PAA, 82.153/4.

⁷⁰Ernest C. Manning, Alberta, Treasury Department, *Budget Speeches*, 1948, p. 21.

⁷¹Manning, *Ibid.*, 1954, p. 27.

signalled a trend that could potentially draw the province back into the vortex of the debt system and into the clutches of those who were trying to destroy freedom and security for all of mankind:

As the province has gone further and further along this line [of steadily increasing municipal assistance] it has become evident that Municipal Governments have become less and less money and cost conscious. Yesterday's extravagances become today's necessities. Professional people, salesmen, vain administrators and an unreasonable public with equal disregard for the economic future have equally contributed to a standard of public spending on capital account which may well prove to be the fatal mill stone to drown our future economic stability.⁷²

Democracy, personal freedom, and economic security -- the very foundation of the Social Credit way of life -- were perceived to be at issue in municipal finance, and by the fall of 1955, the province believed that it had reached a crisis stage as its contributions toward municipal costs reached previously unheard of levels and the municipalities were still demanding more.⁷³ Because, as Chapter 2 suggested, government members believed municipal demands stemmed from the loss of individualism this crisis provided the impetus for the final shift in emphasis in Social Credit from monetary reform to social reform. Social reform was necessary, claimed Premier Manning, because "the serious problems we face ahead ... are *not* physical problems, but problems in the psychological field - in field of men's minds."⁷⁴ The municipal finance issue had made it

⁷²A.J. Hooke, "Taxes and Government Financing," 1956, pp. 12-13, PAA, 71.441/48(f).

⁷³E.W. Hinman to Solon E. Low, July 5, 1956, PAA, 71.441/48(k). Hinman identified the fall of 1955 as the point at which the government decided the current municipal finance structure had to go.

⁷⁴Paraphrase of Premier Manning, Alberta Social Credit League, Board of Directors Meeting, November 29, 1955, p. 31, PAA, 69.289/1843.

clear to the Social Credit government that a return to the principle of individuality was urgently required if Christianity and democracy in Alberta were to be preserved.

In one respect, municipal finance was a godsend to Social Credit because it peaked at the same time the Social Credit League and government required something tangible to focus their energies upon. In the summer of 1955, the Social Credit government was just emerging from the bloody aftermath of a provincial election fraught with opposition charges of corruption and maladministration in the Treasury Branches. Social Credit had pulled through to win the election but had suffered serious wounds. Twenty-four seats had gone to the Liberals, Conservatives, C.C.F., and Independents to present the Social Credit government with its largest opposition ever, and its reputation for good and honest government had been severely tarnished. In addition, the validity of Social Credit's economic theories had been called into question as their unsuccessful application through the Treasury Branches had created the financial and administrative quagmire that nearly dragged Social Credit down.⁷⁵ Social Crediters assuaged the pain of their election losses and the apparent futility of their economic precepts by rallying around their righteous social objective.⁷⁶ After all, the real goal of Social Credit was not monetary reform, but the freedom of the

⁷⁵For details of the 1955 election and its consequences, as well as the government's application of Social Credit economics through the Treasury Branches, see Hesketh, "The Company A, Company B Charges: The Manning Government, The Treasury Branches and Highway Contracts."

⁷⁶See for instance, Mrs. Ernest C. [Muriel] Manning, "What About Reserves," *The Busy Bee*, October 1956, p. 13, PAA, 82.153/25; "Social Credit," *The Busy Bee*, March-April 1957, pp. 2-5, PAA, 82.153/25; and Orvis Kennedy, "The League Page - President's Message," *The Busy Bee*, December 1959, p. 6, PAA 82.153/25.

individual in a properly functioning Christian democracy, and the municipal finance issue showed that Christian democracy was never in greater jeopardy in Alberta than it was at the moment.

Social Crediters knew what had to be done. Christian democracy was based on certain fundamental principles and Albertans needed to get back to those principles if Christian democracy was to survive. Premier Manning was quick to establish the guidelines for the future. At the 1956 annual convention of the Alberta Social Credit League, Manning introduced the "Social Credit Yardstick."⁷⁷ Originally consisting of ten points, the Yardstick was later honed down to four basic principles by which Social Crediters were to "measure every proposal, test every statement, analyze every policy -- and if they don't fit in with these four principles, then you know at once that they are getting away from the track that is the goal and purpose of true Social Credit."⁷⁸ The four principles were:

1. The individual is the most important factor in organized society. He is a divinely created being with both spiritual and physical potentials and needs -- has certain inalienable rights which must be respected and preserved. The individual must always remain the important unit. The operation of the people collectively and institutions of the State should exist to assist the individual, as such, in gaining the security and the advancement and the development that is possible to him by his own initiative, and at the same time help him in the preservation of his individual independence and freedom and responsibility.

⁷⁷"The Social Credit Yardstick," PAA, 68.74/153F; reprinted in *The Busy Bee*, December 1956, pp. 2-4, 19, PAA, 82.153/25.

⁷⁸Manning, "Aims, Objectives and Policies of Social Credit," p. 4.

2. ... the major function of democratic government in organized society is to secure for the people the results they want from the management of their public affairs as far as such results are physically possible and morally right
3. Security alone is not enough. There must be both security and freedom security without the surrender of your freedom and without the surrender of your individual responsibility....
4. ... whatever is physically possible and desirable and morally right can be, and should be, made financially possible⁷⁹

By 1956 Social Credit had become a party dedicated to the maintenance of principles, those principles that were essential to the preservation of a Christian democratic society and, according to Orvis Kennedy, President of the Social Credit League, those "principles which have been the basis of our movement from the beginning." "Let us each renew our knowledge of, and faith in, our principles," he urged Social Crediters, "and then get out to our neighbors with the truth of Social Credit ... and the picture of the future that is ours if we but claim it."⁸⁰ With a clear sense of direction, the Social Credit government set out to attack the roots of the municipal finance problem.

⁷⁹Manning, *Ibid.*, pp. 4-7; also see "Four Basic Principles of Social Credit," *The Busy Bee*, January-February 1961, p. 18, PAA/82.153/26.

⁸⁰Orvis Kennedy, "The League Page - President's Message," p. 6.

CHAPTER 4

ATTACKING THE ROOTS: THE NEW DEAL, THE DIVIDEND, THE FIVE-YEAR PROGRAM, AND THE SOCIAL CREDIT CRUSADE

Measured by its own yardstick, Social Credit's municipal finance policy came up short. Alberta's municipal finance structure was centralized, undemocratic, and financially unsound; it was the antithesis of everything that Social Credit claimed to represent. As discussed in Chapter 2, government members thought that the municipal finance problem was rooted in the breakdown of individualism and they believed that they must "attack the disease at its roots" by putting Social Credit to work.¹ This involved a return to "the sacred rights and responsibilities of the individual -- the very foundation of Social Credit philosophy" through the decentralization and restructuring of the municipal finance system:

Here is the challenge to Social Credit. Have we the courage and leadership to bring about the fullest possible decentralization of administrative responsibility; to bring to local government level the greater number of administrative decisions so that every individual citizen will have the greatest opportunity to make known what he expects in the administration of government affairs? Are we ready to sponsor a revision of the tax system so that everyone of us will contribute and be reminded daily that we are contributing toward the costs of the services we demand from our governments? Only thus can we make

¹Hooke, "The City of Edmonton's Growth and its Debt Situation," p. 3.

more secure the sacred rights and responsibilities of the individual -- the very foundation of Social Credit philosophy.²

With this goal in mind, the province introduced the "New Deal" in the spring of 1956 and the Oil and Gas Royalties Dividend in the spring of 1957.³

The idea of the New Deal was contained in a brief tabled by the Provincial Treasurer, Ted Hinman, entitled "Time for a New Deal in Municipal Finance", which called for the current system of municipal loans and grants to be replaced by a mutually agreed to reorganization of the tax structure that would broaden the municipalities' taxation powers.⁴ This reorganization was to have two effects. It would re instill a sense of individual responsibility in Alberta's citizens by making them "realize that if they want more services they must be prepared to pay," and it would make the municipal governments financially independent by enabling them "to raise their own funds and spend them as they please."⁵ The proposed New Deal was not only to make the public and the municipalities more independent, it was also to return control of the

²Hinman, "Putting Social Credit to Work," p. 11.

³The New Deal and the dividend had been planned since 1954; see E.C. Manning, Alberta, Treasury Department, *Budget Speeches*, 1954, p. 28 and Question and Answer Session, Semi-Annual Constituency Presidents' Conference, April 5-6, 1954, pp. 5-6, PAA, 79.228/74.

⁴E.W. Hinman, "Time for a New Deal in Municipal Finance," March 1956, PAA, 78.137/Box 1.

⁵Municipal Finance Committee Meeting, June 20, 1956, p. 1, PAA, 71.441/48(f); Fred Colborne, Minister without Portfolio, "Is This Really a New Deal?" no date, p. 2, PAA, 69.289/2142B; also see 1957 throne speech, "My government believes it is of the utmost importance in the reorganization of provincial-municipal responsibilities and the allocation of revenues accruing from the development of natural resources that all practical steps be taken to improve the financial position of the individual citizen and thus lessen his dependence on the state for social and economic security," reprinted in *Calgary Herald*, February 15, 1957.

local governments to the citizens, thereby restoring the democracy that was perceived to have been eroded under the existing system of municipal financing. "It is a conviction of this Government," expounded Mr. Hinman:

that a great many services can best be administered at the municipal level; that an acceptable proportion of all sources of public revenue ought to be attached to those services; that decisions as to new services and the standards to be accepted in already established services ought to be in the hands of the citizens; that the citizens of a municipality will then have to accept the responsibility of assessing themselves It is our conviction that this system will bring about a return to the basic democracy from which Canada has been straying.⁶

For it is "vital to the survival of democracy," he explained, "to keep administrative responsibility as close as possible to the people. Only by this means can any considerable number of our people get any experience in democratic practices and police properly the work of our elected bodies."⁷ Translated and condensed, this meant that the province thought the individual would take some responsibility for keeping municipal spending in check if he knew that the costs of government services would be coming directly out of his own pocketbook.⁸

⁶E.W. Hinman, Alberta, Treasury Department, *Budget Speeches*, 1956, p. 35.

⁷E.W. Hinman, "Time for Decisions," speech delivered to the Union of Alberta Municipalities, Calgary, October 23, 1957, P.A.A., 78.137.

⁸Hinman actually made this connection in "Arguments to Close Debate on Budget," p. 13; and Floyd Gilliland, a Social Credit M.L.A. wrote that "I for one will be glad to apportion a percentage of certain revenues for municipal purposes, beyond that if they want to continue to have Champagne appetites and their electors are still willing to have that kind of action, then let them pay taxes to provide all the extras that those appetites insist on having," Gilliland to Solon Low, September 11, 1957, GAI, M695/174.

The brief, "Time for a New Deal in Municipal Finance," was not a detailed plan for a New Deal. Rather, it was an analysis of the municipal finance problem and an outline of the various factors that had to be considered in solving it. The brief was to serve as a basis for discussion between the province, the municipal bodies, and the citizens from which the actual New Deal was to emerge.⁹ Thus, the process of creating the New Deal was to be an exercise in democracy. "It is believed," explained H.D. Carrigan of the Department of Economic Affairs, "that by stimulating the free discussion of various forms of taxation and assessment, together with the allocation of related responsibilities, a program of municipal tax reform may be initiated at the grassroots."¹⁰ "We are being called on to reaffirm our faith in democracy," said Alf Hooke of the New Deal:

The whole procedure is democracy in action, for it gives each one of us a chance to help decide the shape of things to come. Here is our opportunity to assure ourselves that the new deal we hope will emerge from current [sic] discussions and debates will be closer to what we want. If it is true there has been a tendency to get away from the principles of democracy, this is our chance to get back on the track.¹¹

True to its intent, the province attempted to encourage discussion at the "grassroots." Hinman's brief was revamped into a booklet entitled "How Shall We Tax Ourselves?" and distributed to various municipal, business, professional, and labour organizations

⁹"Provincial-Municipal Relations," *The Alberta Municipal Counsellor*, Vol. 1, No. 5, May 1956, p. 4.

¹⁰H.D. Carrigan, "Notes on Personal Property Tax," 1956, p. 1, PAA, 71.441/48(f).

¹¹Alfred J. Hooke, "Democracy and the New Deal," *The Alberta Municipal Counsellor*, Vol. 1, No. 6, June 1956, p. 3; also see Alfred J. Hooke, "The Department of Municipal Affairs," *The Busy Bee*, November 1956, p. 8, PAA, 82.153/25.

throughout the province, as well as interested individuals, requesting their suggestions for a New Deal.¹² In order to obtain a wide sampling of opinion on the issue, the Department of Municipal Affairs distributed 800 questionnaires on the New Deal in its monthly publication, *The Alberta Municipal Counsellor*.¹³ Additionally, a Provincial-Municipal Finance Committee was established, consisting of the Provincial Treasurer, representatives of the Union of Alberta Municipalities and Alberta Association of Municipal Districts, and the mayors of the major cities in the province, to study and resolve the problems involved in any restructuring of municipal finance.¹⁴ All of these discussions and public input were to culminate in a New Deal by 1958 and be incorporated into a Municipal Bill of Rights which would clearly delineate which functions of government belonged to the municipalities and attach an appropriate revenue source to each function.¹⁵

While the New Deal was being studied and discussed, the province came out with the Oil and Gas Royalties Dividend. Contrary to media claims, this dividend was never intended to be a Social Credit dividend because it involved the redistribution of existing revenue rather than the creation of new purchasing power.¹⁶

¹²"How Shall We Tax Ourselves?" Alberta, Treasury Department, 1957, PAA, 82.153/117.

¹³A copy of both the questionnaire and its results is contained in PAA, 86.105, Box 7.

¹⁴See various files in PAA, 71.441/48(k), 74.66/417, and 77.285, Box 5; also see "Officials to Discuss Municipal Financing," *Calgary Herald*, March 28, 1956.

¹⁵E.W. Hinman to Solon Low, July 5, 1956, PAA, 71.441/48(k); and Hinman, "Time for a New Deal in Municipal Finance," p. 4.

¹⁶See Ernest Manning, "Discussion of Dividend Proposals," Alberta Social Credit League, Report of the 22nd Annual Convention, 1956, p. 19, PAA, 82.153/4; and

Instead, the Oil and Gas Royalties Dividend was intended to be an alternative to increased municipal grants that was to have both social and political effects.¹⁷ The social thrust behind the dividend was much the same as that behind the New Deal: to inculcate a sense of individual responsibility. This intention was clearly expressed in a private meeting between several cabinet ministers in 1955, the year that the government thought it had reached a crisis stage in municipal financing. At this meeting it was decided that "it is time to consider individual dividends which will have the effect of ... placing some responsibility on the individual to look after his own security."¹⁸ Not only was the principle of individual responsibility involved, claimed Fred Colborne, Minister without Portfolio, but "paying this money directly to the individual citizen is the more democratic way."¹⁹ Yes, agreed Premier Manning, "what we are concerned with is ... the principle of paying the dividend directly to the citizens of Alberta."²⁰ "The payment of the Oil and Gas Dividend to all Alberta citizens establishes a new principle in democratic

Fred Colborne, "Provincial Affairs Broadcast," *The Busy Bee*, March-April 1957, pp. 6-11, PAA, 82.153/25.

¹⁷"An Act to Enable Citizens of Alberta to Participate Directly in the Benefits Accruing from the Development of the Oil and Gas Resources of the Province," Chapter 64, *Statutes of Alberta*, 1957. The dividend was intended to be an alternative to municipal grants and many Sacred M.L.A.s clearly stated this. See for instance, Floyd Gilliland to Solon Low, July 17, 1955, GAI, M695/174; E.C. Manning, Question and Answer Session at Constituency Presidents' Conference, April 5-6, 1954, pp. 5-6, PAA, 79.228/74; E.C. Manning, Question and Answer Session at Constituency Executives' Conference, April 25, 1958, p. 2, GAI, M1769/259; Colborne, "Provincial Affairs Broadcast," pp. 10-11; and Alberta Social Credit League, Annual Convention Reports, Resolution 54, 1955, Resolutions 36-37, 1956, Resolutions 22-36, 1957, PAA, 82.153/4.

¹⁸"Report of Discussion Regarding Government Grants to Municipalities with A. Aalborg and E.W. Hinman present," PAA, 69.289/2142A.

¹⁹Colborne, "Provincial Affairs Broadcast," p. 10.

²⁰Manning, Question and Answer Session at Constituency Executives' Conference, April 25, 1958, p. 2.

government," explained the Alberta Social Credit League, because it "recognize[s] the right of every citizen to spend his own money as he sees fit" and represents "a reversal of the growing tendency toward centralization of Government."²¹ Ted Hinman concurred. Through the dividend, he asserted, the province was telling its citizens that "You need not let the government decide what is good for you in all things which require our collective money."²²

Although the Oil and Gas Royalties Dividend was part of the provincial government's social agenda, it occupied a position on the political agenda as well. This was evident by the timing of the dividend. The idea of an individual dividend had been bandied about as early as March of 1954,²³ but no concrete action was taken to implement it until after Social Credit's unprecedented loss of seats in the 1955 election. Members of the provincial government believed that they could use the dividend to increase their political popularity in two ways. First, they thought that the dividend would enable them to capitalize on the impact of the New Deal. As Floyd Gilliland, M.L.A. explained it, once municipal grants were either capped, decreased, or possibly even withdrawn through the New Deal, and the municipalities were forced to raise municipal taxes to finance local services, the provincial government would "come to the rescue" of individual taxpayers with the dividend.²⁴ Second, it was

²¹ Alberta Social Credit League, Report of the 23rd Annual Convention, 1957, p. 8, PAA, 82.153/4.

²² E.W. Hinman, "Arguments to Close Debate on Budget Address," 1957, p. 10.

²³ E.C. Manning, Alberta, Treasury Department, *Budget Speeches*, March 5, 1954, p. 28 and Question and Answer Session, Semi-Annual Constituency Presidents' Conference, April 5-6, 1954, pp. 5-6, PAA, 79.228/74.

²⁴ Floyd Gilliland to Solon Low, July 17, 1955, GAI, MG95/174.

thought that the payment of money direct to the individual instead of through the municipalities by way of grants would create a more lasting impression in the minds of voters come election time. "I have an idea where you pay something to the people direct," said Gilliland, "they'll then begin to realize just what the Government is doing for them."²⁵

The Oil and Gas Royalties Dividend Act was passed at the 1957 sessions of the legislature. This act created the Citizens Dividend Fund into which would be paid one-third of the aggregate oil and gas royalties for that calendar year. The proceeds of the fund would then be divided by the estimated number of eligible citizens and paid out accordingly. A person was eligible to receive the dividend if he or she was twenty-one years of age and a resident of Alberta for at least ten years.²⁶ The 1957 dividend was calculated at \$22.00 per eligible citizen and the province was optimistic that this figure would increase annually.²⁷

Through the New Deal and the Oil and Gas Royalties Dividend the Social Credit government believed it could guide Albertans back to the values that it believed were essential to the maintenance of the Christian democratic way of life, however, both undertakings were unmitigated failures. Despite the province's optimism, response to the New Deal was extremely poor. The booklet, "How Shall We Tax

²⁵Ibid. Manning, however, was skeptical of the political value of direct payments to individuals because he felt the Jubilee bonus paid out in 1955 had done nothing to increase Social Credit's support. "Women's Auxiliaries," *The Busy Bee*, December 1956, p. 19. *CAA*, 82.153/25.

²⁶"An Act to Enable Citizens of Alberta to Participate Directly in the Benefits Accruing from the Development of the Oil and Gas Resources of the Province," Chapter 64, *Statutes of Alberta*, 1957.

²⁷Colborne, "Provincial Affairs Broadcast," pp. 6-7.

Ourselves?" generated only several letters of reply, and of the 800 questionnaires distributed, only 24 were returned.²⁸ The Provincial-Municipal Finance Committee barely got off the ground because the committee could not even agree upon the principles and assumptions that should guide any restructuring of the municipal finance program.²⁹ It appeared that the municipalities did not want the responsibility of broader taxation powers nor did the public want to pay directly for their services. What they *did* want was the province to assume increasing responsibility for the provision and payment of public services. By 1958, the prospect of a New Deal was dead and the provincial government announced that the old municipal assistance program would remain intact.³⁰

The Oil and Gas Royalties Dividend was a fiasco right from the start. As soon as the province announced the dividend it was attacked by both the opposition and the newspapers as "sucker bait," an immoral election gimmick using public money to garner political support for Social Credit and proved the fallacy of province's claims that it could not continue to meet municipal demands for increased grants. The money would be better spent, the opposition argued, on building public roads, highways, bridges and other facilities.³¹ Then

²⁸These letters are in E.W. Hinman's "New Deal file," PAA, 71.441/48(f); the questionnaire results are in PAA, 86.105, Box 7; for various articles on the questionnaire and its results see *The Alberta Municipal Counsellor*, July 1956, p. 2; September 1956, p. 2; October 1956, p. 1; and November 1956, p. 2.

²⁹"First Interim Report Upon Some Principles Considered by The Provincial-Municipal Finance Committee," c. 1956, PAA, 74.66/417. In fact, I could only find records of one other such meeting being held by the Committee, "Provincial-Municipal Finance," June 20, 1956, PAA, 71.441/48(k).

³⁰Alberta, Treasury Department, *Budget Speeches*, 1958, p. 4.

³¹*Calgary Herald*, March 7, 1957; the entire debate over the dividend is covered in great detail in both the *Calgary Herald* and the *Edmonton Journal*, March, 1957.

the dividend came under attack for its administrative inefficiency. It appeared that there were many greedy individuals in Alberta not content to claim just one dividend but who went after several. Although the province tightened its claimant procedures in 1959, in only two short years 532 people had been convicted of claiming over 2 dividends, 122 of claiming over 10, and 6 of claiming more than 50.³² As if this wasn't enough, the federal government then got involved by announcing it would tax the dividend as income and the province became embroiled in a lengthy appeal that was not resolved until late 1959.³³ To top it all off, the Alberta Social Credit League commissioned a public opinion poll in 1958 which showed that 70 percent of Albertans surveyed felt that the dividend money would be better spent on public services.³⁴ By August of 1958 the provincial government had decided to suspend the dividend and legislation to this effect was passed in 1959.³⁵

Although the New Deal and the Oil and Gas Royalties Dividend had been abandoned it did not mean that the Social Credit government had also abandoned its commitment to preserving a Christian, democratic way of life in Alberta. Rather, by 1958

³²"An Act to amend The Oil and Gas Royalties Dividend Act," Chapter 57, *Statutes of Alberta*, 1958; "Applications for Second Citizens' Oil Dividend," *The Busy Bee*, June-July 1958, p. 10, PAA, 82.153/25; "Share the Wealth," *Maclean's*, May 23, 1959; also see coverage in the *Calgary Herald* and the *Edmonton Journal* 1958 and 1959.

³³*Calgary Herald*, July 24, 1959, pp. 1, 3; July 30, 1959, p. 1; October 17, 1959, p. 1; October 19, 1959, p. 21; October 27, 1959, p. 1; December 1, 1959, p. 28; December 3, 1959, p. 2.

³⁴A copy of the poll questions is contained in PAA, 69.289/1997 but not the results; the *Calgary Herald* reported the results, August 18, 1958, pp. 1, 2.

³⁵"Address Delivered by Premier Ernest C. Manning on Thursday, August 14, 1958, Over All Radio and Television Stations in Alberta," p. 5, PAA, 74.66/915; "An Act to amend The Oil and Gas Royalties Dividend Act," Chapter 60, *Statutes of Alberta*, 1959.

Socreders believed "that Social Credit principles and policies are now more necessary than ever before."³⁶ However, a provincial election was fast approaching. Three years had already passed since the last election and Premier Manning felt he could not postpone another election for much longer because "with few exceptions, governments that try to hang on beyond the normal span of four years, have been defeated."³⁷ Here was the dilemma facing Social Crediters. They were committed to their principles but if they maintained the unpopular New Deal and dividend for the sake of principle, they could in all likelihood lose the next election. If they lost the election, then all hope of preserving a Christian democratic way of life would truly be lost. In a sense, their choice was preordained. Social Credit's lofty aspirations dictated that the New Deal and the dividend would be scrapped in deference to the winning of the election which was essential to the attainment of their ultimate goal.

Social Credit faced a unique set of circumstances preceding the 1959 election. The landslide of Diefenbaker's Conservatives and the virtual slaughter of Social Credit in the most recent federal election had discouraged even the staunchest of Alberta Socreders.³⁸ What was worse, they were still suffering from the fall-out of the scandal-

³⁶"Notes on the Noon Luncheon," Alberta Social Credit League, Constituency Executives' Conference, April 25, 1958, p.1, GAI, M1769/259; this was also indicated by the 1957 annual convention theme "There is still no other answer," Alberta Social Credit League, Report of the 23rd Annual Convention, 1957, title page, PAA, 82.153/4.

³⁷"Notes on the Noon Luncheon," Alberta Social Credit League, Constituency Executives' Conference, April 25, 1958, p. 3, GAI, M1769/259.

³⁸Alberta Social Credit League, Board of Directors Meetings, November 29, 1955; August 30, 1955, PAA, 69.289/1843; "Notes on the Noon Luncheon", Alberta Social Credit League, Constituency Executives' Conference, April 25, 1958, p. 1, GAI, M1769/259.

tainted provincial election of 1955 which had spattered Social Credit's reputation for squeaky clean government.³⁹ No longer able to hark back to the past and their provision of good and honest government for an election platform, Socreders realized that "to keep our government in office will take time and money."⁴⁰ Consequently, they decided on "the forward look" for the upcoming election -- to "show what will be done in the future" -- and Premier Manning and "The Party of Tomorrow" announced "A GIGANTIC FIVE-YEAR ANTI-RECESSION DEVELOPMENT PROGRAM THAT WILL BE THE BOLDEST, MOST AGGRESSIVE AND FAR-REACHING PROGRAM OF ITS KIND EVER ATTEMPTED BY ANY PROVINCIAL GOVERNMENT IN CANADA."⁴¹

The Five-Year Program, as it came to be called by the public, the politicians and the media, was a veritable cornucopia of government funded goodies, guaranteed to please everyone. Under this program, Manning axed the dividend and the New Deal⁴² and proposed to draw \$100-200 million out of provincial reserves over the next five years to finance improvements and new projects in every major department of the provincial government. Highlights

³⁹For details of the 1955 election and its consequences see Hesketh, "The Company A, Company B Charges: The Manning Government. The Treasury Branches and Highway Contracts."

⁴⁰Alberta Social Credit League, Spring Constituency Executives' Conference, April 25, 1958, p. 3, PAA, 82.153/6.

⁴¹Alberta Social Credit League, Semi-Annual Constituency Executives' Conference, November 24, 1958, p. 1, PAA, 82.153/6; "Address Delivered by Premier Ernest C. Manning on Thursday, August 14, 1958, over all radio and television stations in Alberta."

⁴²Alf Hooke would later claim that the Five-Year Program was a fulfillment of the New Deal. However, this was nonsense as the Five-Year Program involved no restructuring of the tax system. "Five Year 'New Deal' for Alberta," *The Alberta Municipal Counsellor*, September, 1958, p. 1.

included a University scholarship fund, a technical and apprenticeship training centre at Edmonton, abolition of the gas tax for farm trucks, guaranteed farm home improvement loans through the Treasury Branches, a new hospital program including nursing home care and the provision of outpatient services, the establishment of a separate Department of Labour under its own minister, a junior forest ranger organization, special youth projects, programs recognizing women's interests, leadership training in cultural and recreational fields, a permanent advisory board in the field of provincial-municipal relations and an extensive highway and bridge program. Also, in each of the five years, the program was to feature at least one or more special projects totalling \$50 million. Fifty old-age homes were slated for 1959, \$10 million for local community improvements for 1960, a provincial hospital, diagnostic and treatment centre patterned after the Mayo Clinic for 1961, an institution for emotionally disturbed children and a school for the physically-handicapped children for 1962, and finally, 1963 was to see the construction of a provincial archives and museum.⁴³

The Five-Year Program was couched in terms of an anti-recession development program to counter unemployment which had reached its highest level in Canada since before the war. But even as Manning was making these claims, the provincial Department of Industries and Labour was contradicting them by pointing out that "employmentwise, Alberta has been a favored Province" and praising

⁴³"Address Delivered by Premier Ernest C. Manning on Thursday, August 14, 1958, over all radio and television stations in Alberta;" this address was also reprinted in *The Busy Bee*, August-September 1958, pp. 2-6, PAA, 82.153/25.

Alberta's record-breaking totals for 1958 in both construction and manufacturing production.⁴⁴ The provincial Liberals and Conservatives viewed the Five-Year Program as "an all-out bid by the Social Credit movement to maintain its 23-year stranglehold on [the] Alberta political scene."⁴⁵ Manning, of course, denied the program was motivated by any partisan political interests, but the timing of the program and the something-for-everyone approach spoke for themselves.⁴⁶ The Five-Year Program was enormously popular with the public, as it should have been since it was based on a public opinion poll, and in the 1959 provincial election Social Credit decimated the opposition by taking 61 of the 65 seats.⁴⁷ Only after the election would one Social Credit League executive finally admit, "The Five Year Programme has given us, more than any other single factor, the impetus for this new advance."⁴⁸

The 1959 election sweep was an important watershed for Alberta Social Credit. With their victory, Socreders believed that they had been vindicated of the corruption charges plaguing them

⁴⁴"The Unemployment Problem," *The Alberta Municipal Counsellor*, February, 1959, p. 3.

⁴⁵*Edmonton Journal*, August 14, 1958, p. 2.

⁴⁶Not only was the Five-Year Program announced in anticipation of a provincial election being called, it was announced on the eve of the provincial Progressive Conservative leadership convention in an effort to direct public attention away from the convention. See *Calgary Herald*, August 19, 1958, p. 4; *Edmonton Journal*, August 14, 1958, pp. 1-2; and August 15, 1958, pp. 1-2.

⁴⁷For reports of public popularity see *Calgary Herald*, August 15, 1958, pp. 1-2; and *Edmonton Journal*, editorial, August 15, 1958, p. 4; for a copy of the poll see PAA, 69.289/1997; for criticism and results of the poll see *Calgary Herald*, August 16, 1958, p. 1; August 18, 1958, pp. 1, 2; and August 19, 1958, p. 4; for election results see Wark, *A Report on Alberta Elections 1905-1982*, pp. 83-86.

⁴⁸E.V. Hattersley, "The Forward Look," *The Busy Bee*, December 1959, p. 4, PAA, 82.153/25; the League's Semi-Annual Constituency Executives' Conference, November 24, 1958 practically admitted the Five-Year Program was for election purposes, p. 1, PAA, 82.153/6.

since 1955 and they interpreted their huge majority as "an overwhelming vote of confidence" and "public endorsement of our program and policies."⁴⁹ Social Crediters were now imbued "with an even greater responsibility than we have ever felt before," and at their 1959 Annual Convention they pledged "not to let down those who have expressed such confidence."⁵⁰ 1959 was seen as a new beginning for Social Credit and "EXCELSIOR" - always upward - was their new motto.⁵¹ Firmly re-established in the seat of power with the opposition effectively crushed, Social Credit could now cast aside political expediency and revive its crusade for the Social Credit way of life. As the President of the Social Credit League proudly proclaimed:

... doubts are gone. I have never been more convinced of the rightness of our cause, the truth of our principles, the need for action, and the power of men and women, both young and old, banded together in a common crusade casting expediency to one side and declaring allegiance to those principles which have been the basis of our movement from the beginning.⁵²

Giddy from their election victory, Social Crediters launched a crusade to make Alberta "a model of practical democracy working at

⁴⁹Ernest Manning, "Address of Hon. E.C. Manning at the Silver Jubilee Banquet of the Social Credit League," November 25, 1959, *The Busy Bee*, December 1959, p.2, PAA, 82.153/25; also see "Exuberant Supporters Celebrate Victory," *The Busy Bee*, June-July 1959, pp. 2-4, PAA, 82.153/26.

⁵⁰Manning, "Address of Hon. E.C. Manning at the Silver Jubilee Banquet of the Social Credit League."

⁵¹Manning said, "The election of a government is not the end but the beginning. The program you implement is the important thing...", *Ibid.*, p. 4; Excelsior was the theme of the Alberta Social Credit League's 1959 Annual Convention, Report of the Twenty-Fifth Annual Convention, title page, PAA, 82.153/4.

⁵²Orvis Kennedy, "The League Page - President's Message."

its very best."⁵³ If this crusade could be summarized in one word, that word would be decentralization. The first step in Social Credit's crusade involved the decentralization of the Alberta Social Credit League itself. Scholars have pointed out that the grass roots element of Social Credit deteriorated very early on and by the mid-1950s the Alberta Social Credit League had become an organization dominated by M.L.A.s, cabinet members, and a few League executives.⁵⁴ When the opposition parties scooped 24 seats in 1955 to confront the Social Credit government with its largest opposition ever, Social Credit constituency executives were quick to point to the League's rusty infrastructure as the main problem.⁵⁵ Rather than attempting to build up its general membership, the League tried to reinforce itself by bringing activists at the constituency level into the executive fold. However, this met with little success and the League began to rely increasingly upon propaganda and polling to keep in touch with the grass roots.⁵⁶ Public opinion polling was an effective instrument in determining what people wanted, but when the Five-Year Program poll was leaked to the provincial Conservatives in 1958 and Social Credit was held up to public scorn and ridicule as "suffering from

⁵³Ernest Manning, Banquet Address to the 29th Annual Convention of the Alberta Social Credit League, 1963, p. 5, PAA, 82.153/10; also see Ernest Manning, "Tele-Facts," May 11, 1963, p. 4, PAA, 86.125/412.

⁵⁴Finkel, *The Social Credit Phenomenon in Alberta*, Chapters 3 and 4; Hesketh, "The Company A, Company B Charges: The Manning Government, the Treasury Branches, and Highways Contracts," Chapter 3; also Alberta Social Credit League. Board of Directors' Meetings and Constituency Executives' Conferences will attest to the League's declining membership, see appropriate files in PAA, 69.289 and 82.153.

⁵⁵"Brief Summary Reports of Constituency Executives," Alberta Social Credit League, Constituency Executives' Semi-Annual Conference, 1955, PAA, 82.153/6.

⁵⁶Hesketh, "Company A, Company B Charges: ; The Manning Government, the Treasury Branches, and Highway Contracts," pp. 366-368.

mental impoverishment," this weapon, too, was eliminated from Social Credit's arsenal.⁵⁷

In 1960 when membership dropped to an all-time low, the League reverted back to Aberhart's strategy of cultivating study groups through a Concentrated Grass Roots Organization Program.⁵⁸ Undertaken until 1967, the Grass Roots Organization Program had two immediate objectives: to increase League membership and to increase League funding through the formation of poll groups. The program was meticulously organized, from color-coded constituency maps showing Social Credit's strengths and weaknesses in the individual polls, right down to the provision of numbered self-addressed envelopes to facilitate donors in making their monthly payments. Every Constituency Executive in the province was to divide his constituency into zones and appoint a Zone Director for each zone. The Zone Director, in turn, was to appoint a Key Man for each poll in his zone. The Key Man really was the key to the program; he was responsible for securing new memberships and renewing old ones. His objective was to form groups of not less than 10 persons each and secure a \$1.00 per person per month pledge from each group member. Once groups were organized, they were to meet on a regular basis where they would be "lectured" on Social

⁵⁷*Calgary Herald*, August 19, 1958, p. 4; also, see *Calgary Herald*, August 18, 1958, pp. 1-2. No poll subsequent to the 1958 poll exists in the League's files or in the Premier's Papers, although this does not necessarily mean that the League never commissioned another poll. It could mean that no records of subsequent polls were kept.

⁵⁸Alberta Social Credit League, Constituency Executives' Semi-Annual Conference, November 22, 1960; Orvis Kennedy noted that League membership was at its lowest ever, PAA, 82.153/6; at the Constituency Executives' Semi-annual Conference, November 20, 1961 it was decided that the League must revert back to the study groups of Aberhart's day, PAA, 82.153/6.

Credit philosophy, although these lectures were actually just tape recordings of Premier Manning accompanied by a 35 mm slide presentation.⁵⁹

The larger objective of the Grass Roots program was to decentralize the League and bestow some responsibility for League maintenance back onto individual Socreders. In cultivating well-informed people capable of providing leadership in their districts, the organizers of the Grass Roots drive claimed that:

... special emphasis has been placed on the rights of the individual and the necessity for activity in a responsible way. The abdication of personal responsibility to government has brought an ever-increasing trend to centralization of authority and we have been striving to encourage a movement to stop this trend and to try to restore a measure of individual incentive and initiative in the formulation and conduct of public affairs. The Grass Roots Organization is specifically dedicated to this end, and we would urgently ask every Social Creditor to become actively interested and engage in Grass Roots activities in his own Constituency.⁶⁰

At the same time that the Social Credit League was trying to decentralize and get back to the grass roots, the provincial government was attempting the same thing on a province-wide

⁵⁹"Concentrated Grass Roots Organization '62," PAA, 68.74/234; G.T. Peterson, "Grass Roots," *The Busy Bee*, January-February 1964, pp. 10-11, PAA, 82.153/26; also see Alberta Social Credit League, Constituency Executives' Semi-Annual Conference Reports, 1962-68 for discussion of the Grass Roots Organization Program, PAA, 82.153/6; and Ernest Manning, Tele-Facts Broadcast, May 4, 1963, PAA, 86.125/412.

⁶⁰Peterson, "Grass Roots;" Manning also gave a talk to the Constituency Executives stressing the need for decentralization in the League, "July 10th. [1962] Mr. Manning's talk," PAA, 82.153/6; and at the Alberta Social Credit League, 28th Annual Convention, 1962, p. 18, Manning said that Grass Roots Organization "is the most important matter that we have now on hand. We must establish a movement to get the trend back to the individual ..." PAA, 82.153/5.

basis. "We want to develop the concept that a democracy is not a number of groups of people wrangling with each other, each with its own particular interest taking priority over everything else, and everybody blaming the government for everything they don't like," explained Premier Manning. "We want to develop the concept that the best form of democracy is one in which the Government and people work hand in hand to achieve their mutually desired goals."⁶¹ The province proposed to bring government and people closer together through two programs: the development of regional cabinet meetings and the establishment of a system of government-public relations seminars. The purpose of regional cabinet meetings was to enable people and local organizations to get out and meet their members of government and express their viewpoints on various issues,⁶² while the seminars were intended to "explore weaknesses in the general public attitude towards democratically elected governments and what can and should be done to ensure a proper public attitude."⁶³ In a lighter vein, Alf Hooke established a 20 man troupe of civil servants called "The Westerners," which travelled to small towns throughout central and northern Alberta staging variety entertainment shows. Hooke himself was the star attraction; he told stories, sang, and played the fiddle, accordion, and mouth organ. The government troupe provided its services free of charge and all proceeds from the door were donated to charity.⁶⁴

⁶¹Manning, Banquet Address to the 29th Annual Convention of the Alberta Social Credit League.

⁶²Ibid., p. 6.

⁶³Ernest Manning, handwritten notes, PAA, 77.173/112(b).

⁶⁴PAA, 86.105, Boxes 3 and 7.

With the exception of The Westerners, none of Social Credit's decentralization initiatives met with much success.⁶⁵ The League's Grass Roots Organization program failed to build up either its general membership or its finances to any noteworthy degree, and was eventually abandoned in 1967 in favour of computerized, mass mailings.⁶⁶ Regional cabinet meetings were enthusiastically undertaken by cabinet ministers in 1962 when the program was first introduced, but this enthusiasm quickly waned, and no mention was made of them after 1963.⁶⁷ As for the government-public relations seminars, at least ten were planned, but only one was actually held in Edmonton in 1962. Although it was widely attended and highly praised by the public, politicians, and media alike, no future seminars were ever undertaken.⁶⁸ More and more throughout the 1960s, Social Credit's crusade was directed away from the provincial scene and toward the federal sphere. As Premier Manning saw it, by the early 1960s Canada had reached a fork in the road regarding social progress, and he believed that "as a nation we have to make a serious decision in the very near future as to the course we are going to follow in the question of the responsibility of the State to its individual citizens, and the place where the individual citizen is going

⁶⁵PAA, 86.105, Box 7 contains the booking records for The Westerners.

⁶⁶Alberta Social Credit League, Constituency Executives' Semi-Annual Conferences, November 19, 1962; November 18, 1963; November 22, 1965; November 23, 1965; November 21, 1966; November 20, 1967, PAA, 82.153/6.

⁶⁷The last reference I found to them was Manning's Banquet Address to the Alberta Social Credit League's 29th Annual Convention, 1963, p. 6, PAA, 82.153/10.

⁶⁸The agenda and transcripts of the seminar held at the Northern Alberta Jubilee Auditorium, October 16-17, 1962 are in PAA, 77.173/113. Manning planned to hold at least ten such seminars, handwritten notes, 1962, PAA, 77.173/112(b).

to assume responsibility for himself."⁶⁹ He argued that Alberta (and Social Credit) must assume a greater measure of leadership in national affairs.⁷⁰ By the mid-1960s, the Alberta government had become obsessed with the battle against the imposition of federal social insurance plans, the League with filling the perceived federal "political vacuum," and Manning with the call for political realignment of the federal parties.⁷¹

In Social Credit's crusade to preserve Christian democracy, municipal finance, the issue that had first brought the need for social reform to Social Credit's attention in the early 1950s, was forgotten and never adequately resolved. After the 1959 election, rather than embarking upon another New Deal which would have clearly defined the responsibilities of each level of government and attached appropriate revenue sources, the Manning administration silenced the municipalities by throwing millions of dollars at them for capital construction through the Five-Year Program. Over the five years of the Five-Year Program, total provincial grants to municipalities

⁶⁹Manning, Banquet Address to the 29th Annual Convention of the Alberta Social Credit League, p. 17; Ernest Manning, "The Fork in the Road," Address to the Toronto Canadian Club, December 2, 1963, PAA, 74.66/27.

⁷⁰Manning, Banquet Address to the 29th Annual Convention of the Alberta Social Credit League, p. 7.

⁷¹Finkel provides a good overview of the Manning administration's opposition to federal social insurance policies in *The Social Credit Phenomenon in Alberta*, Chapter 6. The most famous battle was against federal medicare in which Manning delivered a nationally televised impassioned plea in 1965 entitled "Let's Look Before We Leap" asking Canadians to reject medicare. This address generated substantial praise and criticism from Canadians in every province. PAA, 77.173/242-45 and 371(a). For the Social Credit League's efforts to fill the federal political vacuum with Social Credit see Alberta Social Credit League, Federal and Provincial Constituency Executive's Semi-Annual Conferences, 1962-68, PAA, 82.153/6. Manning's call for political realignment can be seen in speeches he made as early as 1959 but it culminated in the publication of his book, *Political Realignment: A Challenge to Thoughtful Canadians* (Toronto: McClelland and Stewart Limited, 1967).

nearly doubled from \$25,288,552.88 in 1957 to \$46,879,772.28 in 1962. On a per capita basis, grants rose from \$22.23 in 1957 to \$35.15 in 1962.⁷² The political benefits of the Five-Year Program set a precedent that the Social Credit government was to uphold in the future. When the Five-Year Program expired in 1962, it was followed by the Four-Year Program in 1963, and the Four-Year Program was followed by "A New Program for a New Generation of Albertans" in 1966.⁷³ By 1966, provincial grants per capita to the municipalities had reached \$47.98 -- a far cry from the \$3.59 that the municipalities were receiving when they had started their lobby in 1950; it was a rate well-above that of any other Canadian province and indeed, a rate of growth that was nearly ten times higher than the rate of inflation.⁷⁴

An interesting aspect of municipal finance during the Manning administration is that the urban-rural funding discrepancy discussed in Chapter 2 persisted throughout, and seems to support Alvin Finkel's contention that Social Credit held an anti-urban bias. In 1966, the cities, towns, and villages were still receiving a per capita grant figure well-below the provincial average and well-below that of the rural municipalities. In fact, in 1966 the urban municipalities'

⁷²See Appendix 1, Tables III and IV.

⁷³For details of the Four-Year Program see PAA, 77.173/379(a) and 112(b); "Alberta's Next Step Forward," *The Alberta Municipal Counsellor*, January 1963, pp. 1, 4-5; Ernest Manning, "Tele-Facts," May 11, 1963, PAA, 86.125/412; for the details of A New Program for a New Generation of Albertans see Ernest Manning, "Tele-Facts," October 26, 1965, PAA, 79.228/27; "Premier Outlines Program," *The Alberta Municipal Counsellor*, December 1965, pp. 1, 6-7; and "Highlights of the New Program for Alberta," *The Busy Bee*, January-February 1966, pp. 3-7, PAA, 82.153/26.

⁷⁴See Appendix 1, Table III, Appendix 2, and Appendix 4. Between 1950 and 1966, municipal grants in absolute dollars rose 1336% and in constant dollars 954%.

per capita grant figure had barely passed the 1951 figure for counties and municipal districts.⁷⁵ As well, the urban municipalities were carrying a substantially higher per capita debt load than the rural municipalities.⁷⁶ In 1967, the cities of Alberta banded together to produce a report on municipal finance entitled *Urban Crisis*, in which they demanded more provincial assistance but to which they received no response.⁷⁷ Ultimately, this anti-urban bias may have contributed to Social Credit's downfall in 1971. It has been well-documented that the Progressive Conservatives who eventually eclipsed Social Credit, first rose to prominence in 1967 in the urban constituencies.⁷⁸ Although the Tories may have capitalized on urban discontent to gain power, once they were in power they did little to quell it. The history of municipal finance under the Conservatives has been little more than an interminable series of studies and disregarded recommendations, beginning with the Task Force on Provincial-Municipal Fiscal Arrangements in 1972 and ending with the current Municipal Statutes Review Committee.⁷⁹

⁷⁵See Appendix 1, Table IV.

⁷⁶See Appendix 1, Table VII.

⁷⁷Inter-city Committee, *Urban Crisis: Alberta Municipal Finance Study*, January 1968.

⁷⁸Flanagan, "Stability and Change in Alberta Provincial Elections," p. 7; Wark, *A Report on Alberta Elections 1905-1982*.

⁷⁹Alberta, Task Force on Provincial-Municipal Fiscal Arrangements, *Final Report*, December 15, 1972; Alberta, Department of Municipal Affairs, *A Study of the Recommendations of the Task Force on Provincial-Municipal Financing for the purpose of the Provincial Municipal Finance Council*, 1974; Alberta, Provincial Municipal Finance Council, *Report of the Provincial-Municipal Finance Council on the Responsibilities and Financing of Local Government in Alberta*, April, 1979; Alberta, Department of Municipal Affairs, Minister's Advisory Committee on Municipal Finance, *Report*, 1982; Alberta, Municipal Statutes Review Committee, *Second Draft, The Discussion Papers*, November 1988.

CHAPTER 5

CONCLUSIONS

By examining Social Credit's social philosophy in greater depth this thesis makes several contributions to the historiography of Social Credit in Alberta. First, this thesis suggests that it is inadequate for scholars to evaluate the Manning administration's commitment to Social Credit solely in terms of its monetary reform efforts. By the time that Manning assumed the leadership in 1943, Social Credit ideology had evolved beyond a set of monetary reform theories into a philosophy of life and government that recognized the sanctity of the individual and defined Social Credit's ultimate goal as the preservation of individual freedom in a Christian, democratic society. If the Manning administration is examined in light of this broad social objective, a degree of commitment to Social Credit is evident. This thesis has demonstrated that Social Credit's social doctrine was actively, although not exclusively, employed by the Manning government in the field of municipal finance up to 1958. Government members interpreted municipal demands for more funding as a manifestation of the breakdown of individualism, and through the proposed New Deal and the Citizens' Participation Dividend they attempted to reestablish a sense of individuality. But these two initiatives were extremely unpopular with the public and by 1958, with a provincial election imminent, the Social Credit government relinquished them in favour of the Five-Year Program

which was clearly an exercise in political expediency that demonstrated the Social Credit government was not above compromising its principles in order to maintain power. However, compromise did not mean abandonment. There is evidence to suggest that after 1958, although Social Credit stopped applying its social doctrine to municipal finance policy, it did attempt to apply this doctrine in other fields. This thesis has been limited to demonstrating ideological bias and consistency in the Manning government's municipal finance policy during the 1950s and, as such, has only scratched the surface of these other fields, but it does provide a useful framework from which future policy studies of the Manning administration may be undertaken.

Second, this thesis suggests that the transition in Social Credit leadership from Aberhart to Manning was marked predominantly by continuity rather than change, as Bob Hesketh has claimed. This thesis indicates that the social doctrine espoused and applied by the Manning government dates back to the latter years of the Aberhart administration. It was Aberhart in his Post-War Reconstruction Broadcasts who first articulated Social Credit's social philosophy, and Manning and the Post-War Reconstruction Committee echoed Aberhart's views. While Aberhart's political orientation may have been decidedly left-wing in the 1930s, as David Elliott and Alvin Finkel have claimed, it is clear that Aberhart had moved to the right in the twilight of his life. It was Aberhart who identified socialism as the enemy of Social Credit and so it was Aberhart who established the conservative path that Social Credit would follow after his death.

Third, this thesis suggests that the root of Social Credit's conservatism more likely lies in religious individualism, rather than in capitalist individualism as Alvin Finkel has alleged. The belief that salvation was man's ultimate destiny and that individual freedom was essential to the achievement of salvation was the foundation upon which Social Credit's social philosophy was built. The social corollary to religious individualism was democracy because, according to Social Crediters, it was the only system that could provide a maximum of freedom for the individual and, therefore, was *the Christian* form of social organization. In a properly functioning democracy individual citizens collectively were the supreme authority; the people decided the results they wanted and the state and all of its institutions existed for the sole purpose of enabling them to obtain those results. Social Crediters opposed all other forms of social organization on the grounds that they were unChristian.

The influence of religious individualism on Social Credit ideology deserves further scholarly attention. If the commitment to the preservation of individual freedom could dictate Social Credit's precepts on social organization, then perhaps it is the key to Social Credit's ideas on economic organization as well. It was in the early 1940s that Social Credit leaders first articulated their commitment to individual freedom, and it was only shortly thereafter that they began to embrace free enterprise. In the 1944 provincial election, Social Credit and business united to stave off the specter of socialism embodied in the C.C.F. and thereafter the Social Credit government became an avowedly free enterprise government. According to Ted