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Minutes of proceedings and
evidence...

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SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 1

TUESDAY, JULY 16, 1940

WITNESS:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940

MEMBERS OF THE COMMITTEE

MR. W. H. MOORE, *Chairman*

and

MESSIEURS

Black (*Cumberland*),
Blackmore,
Bercovitch,
Blair,
Casselman (*Edmonton East*)
Claxton,
Cleaver,
Coldwell,
Donnelly,
Dubuc,
Eudes,
Factor,
Fontaine,
Fournier (*Hull*),
Fraser (*Northumberland*),
Fraser (*Peterborough West*),
Graham,
Gray,
Hanson (*York-Sunbury*),
Harris (*Danforth*),
Hazen,
Hill,
Jackman,
Jaques,
Jean,

Johnston (*London*),
Kinley,
Lacroix (*Beauce*),
Laflamme,
Lapointe (*Lotbinière*),
Macdonald (*Halifax*),
Macdonald (*Brantford City*),
Macmillan,
McGeer,
McNevin,
Marier,
Martin,
Maybank,
Mayhew,
Perley,
Picard,
Raymond,
Ross (*Calgary East*),
Ross (*St. Paul's*),
Slaght,
Thorson,
Tucker,
Ward,
Woodsworth.

R. ARSENAULT,

Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, June 7, 1940.

Resolved,—That the following Members do compose the Standing Committee on Banking and Commerce:—Messrs. Black (*Cumberland*), Blackmore, Bercovitch, Blair, Casselman (*Edmonton East*), Claxton, Cleaver, Coldwell, Donnelly, Dubuc, Eudes, Factor, Fontaine, Fournier (*Hull*), Fraser (*Northumberland*), Fraser (*Peterborough West*), Graham, Gray, Hanson (*York-Sunbury*), Harris (*Danforth*), Hazen, Hill, Jackman, Jean, Johnston (*London*), Kinley, Lacroix (*Beauce*), Laflamme, Lapointe (*Lotbinière*), Macdonald (*Halifax*), Macdonald (*Brantford City*), Macmillan, McGeer, McIlraith, McNevin, Marier, Martin, Maybank, Mayhew, Moore, Perley, Picard, Quelch, Raymond, Ross (*St. Paul's*), Slaght, Thorson, Tucker, Ward, Woodsworth.—50.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered,—That the Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, June 14, 1940.

Ordered,—That the name of Mr. Jaques be substituted for that of Mr. Quelch on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, July 8, 1940.

Ordered,—That the subject-matter of Bill No. 26, An Act to incorporate The Alberta Provincial Bank, be referred to the said Committee for consideration and report.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, July 12, 1940.

Ordered,—That the said Committee be empowered to print from day to day, five hundred copies in English and two hundred copies in French, of its Minutes of Proceedings and Evidence in relation to the subject-matter of Bill No. 26, An Act to incorporate The Alberta Provincial Bank, and that Standing Order 64 be suspended in relation thereto;

Ordered,—That the said Committee be given leave to sit while the House is sitting;

Ordered,—That the quorum of the said Committee be reduced from fifteen to ten members, and that Standing Order 63 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MONDAY, July 15, 1940.

Ordered,—That the name of Mr. Ross (*Calgary East*), be substituted for that of Mr. McIlraith on the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORT TO THE HOUSE

FRIDAY, July 12, 1940.

The Standing Committee on Banking and Commerce begs leave to present the following as its

SECOND REPORT:

Your Committee recommends:—

1. That it be empowered to print, from day to day, 500 copies in English and 200 copies in French, of its minutes of proceedings and evidence in relation to the subject-matter of Bill No. 26, An Act to incorporate The Alberta Provincial Bank, and that Standing Order 64 be suspended in relation thereto;
2. That it be given leave to sit while the House is sitting;
3. That the quorum of the Committee be reduced from fifteen to ten members, and that Standing Order 63 be suspended in relation thereto.

All of which is respectfully submitted.

W. H. MOORE,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, July 16, 1940.

The Standing Committee on Banking and Commerce met at 10.30 a.m., the Chairman, Mr. Moore presiding.

Members present: Messrs. Blackmore, Blair, Casselman (*Edmonton East*), Claxton, Cleaver, Donnelly, Eudes, Factor, Fontaine, Fraser (*Peterborough West*), Graham, Hanson (*York-Sunbury*), Hazen, Hill, Jackman, Jaques, Kinley, Laflamme, Macdonald (*Halifax*), Macdonald (*Brantford City*), McNevin, Mayhew, Ross (*Calgary East*), Thorson, Ward.

At 11 o'clock the Committee adjourned its consideration of other business, and proceeded with the following reference, viz:—

“That the subject-matter of Bill No. 26, An Act to incorporate The Alberta Provincial Bank, be referred to the said Committee for consideration and report.”

In attendance: Hon. J. L. Ilsley, Minister of Finance, Hon. Solon E. Low, Provincial Treasurer of Alberta and Duncan K. MacTavish, K.C., Counsel for the Province of Alberta.

This being the first occasion for the Hon. Mr. Ilsley to attend the Committee as Minister of Finance, Mr. Kinley, on behalf of the other members of the Committee, extended greetings to the new Minister.

On motion of Mr. Blackmore, the Committee decided to hear a statement by Mr. MacTavish, Counsel for the Province of Alberta.

A point having been raised as to the competence of Parliament to pass a bill excepting several sections of a general Act, instructions were given to obtain, for the next sitting, the opinion of the law officers of the Department of Justice.

The Hon. Solon Low, Provincial Treasurer for Alberta, was called and examined.

At 1 o'clock the Committee adjourned until to-morrow, Wednesday, July 17, at 4 o'clock, p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

July 16, 1940.

The Standing Committee on Banking and Commerce met at 11 a.m. The Chairman, Mr. W. H. Moore, presided.

Appearances:

D. K. MacTavish, K.C., appeared as sponsor of the bill.

Hon. Mr. Solon Low, Provincial Treasurer, province of Alberta.

The CHAIRMAN: Gentlemen, I think we should proceed with the Bank of Alberta Bill. This bill is an act to incorporate the Alberta provincial bank. Mr. Blackmore, would you say a word?

Mr. BLACKMORE: Mr. Chairman, the province of Alberta has undertaken to find a way, if possible, in which they can improve the economic conditions in the province. They have now reached the point at which they believe that the granting of a bank charter to the people of Alberta would be of assistance to them. They are now asking the Dominion government to grant them a charter so that they may establish a privately-owned provincial bank. The bill which is the result of the request has now reached the point at which this committee is called upon to consider it.

The CHAIRMAN: I understand that Mr. MacTavish is representing the incorporators.

Mr. BLACKMORE: Yes.

The CHAIRMAN: Will you move that Mr. MacTavish be heard?

Mr. BLACKMORE: If that be necessary.

The CHAIRMAN: It is necessary.

Mr. BLACKMORE: Then I so move. Mr. Low is here also for the provincial government.

The CHAIRMAN: Do you desire that Mr. MacTavish be heard first?

Mr. BLACKMORE: Yes.

Mr. KINLEY: Mr. Chairman, this is the first occasion that the new Minister of Finance, Hon. Mr. Ilesley, has graced the committee with his presence. I should like to move a motion extending greetings to the new minister and our appreciation of the fact that he has been transferred to the important Department of Finance.

The CHAIRMAN: Carried unanimously.

Hon. Mr. ILSLEY: Thank you, Mr. Chairman and gentlemen.

The CHAIRMAN: Mr. Blackmore, do you desire Mr. MacTavish or Mr. Low be heard first?

Mr. BLACKMORE: Mr. MacTavish is representing the province of Alberta in this proceeding and Mr. Low, the provincial treasurer of Alberta, is here to present Alberta's case along with Mr. MacTavish.

Mr. WARD: Before Mr. MacTavish speaks I should like to ask Mr. Finlayson if it is within the purview of the Parliament of Canada to pass this bill with the deletion of all these clauses that we see here.

The CHAIRMAN: Mr. Finlayson is, of course, representing the Department of Insurance. He is hardly an authority on banking.

Mr. FINLAYSON: I am not qualified to speak with regard to banking.

The CHAIRMAN: All right, Mr. MacTavish.

Mr. MACTAVISH: Mr. Chairman and gentlemen, the purpose of this act is to incorporate a bank to carry on, generally speaking, the same classes of business as are now carried on by the chartered banks. The Bank Act provides for the incorporation of chartered banks and provides as a schedule to the act a draft bill. For reasons which will appear obvious shortly it was necessary to deviate greatly from the actual wording of the draft bill and that has been done by way of exception of certain sections, and the excepting section of the bill that is before you gentlemen is Section 7.

One of the members of the committee has raised the point, which perhaps I may deal with right at the outset, as to the competence of parliament to pass a bill excepting certain sections of the act. I think the legal officers will agree that the draft bill is merely there as a guide; there is nothing in the statute which says that every chartered bank must keep within the exact wording of the four corners of the model bill provided. So that I think in answer to the question raised, it is within the competence of parliament to pass an act excepting certain sections of the Bank Act. As a matter of fact, the exceptions which are stated not to apply to this bank, in practically all instances, deal with matters which mechanically cannot arise in a publicly-owned bank; that is to say, matters of the rights of shareholders at meetings and quorums and that sort of thing, because in this case there is in effect one nominal shareholder.

The CHAIRMAN: Mr. MacTavish, would you give me a moment. Bearing in mind Mr. Ward's suggestion, does it appeal to the committee that we should ask the law officers to attend the next meeting of the committee and give us a report on jurisdiction. Would that meet with your view, Mr. Ward?

Mr. WARD: Yes.

The CHAIRMAN: Carried.

Mr. MACTAVISH: That being the case, Mr. Chairman, I think probably it would be most useful from the point of view of the committee, dealing with the matter with as much expedition as possible, if I went through the act section by section and make, if I may, comments as I go along. Before doing that, however, I should say that I am instructed by the province of Alberta to state that they are quite prepared to have the bill which is now before you amended by the addition of two sections which I shall read when I come to the proper portion of the act.

The explanation for these amendments is that this bill has, as you know, been discussed rather widely but in an informal and shall we say unofficial way. The representatives of the province of Alberta who are down here and who have had the benefit of discussing the bill with several members of parliament have, with a view to meeting the comments and suggestions made by different members, added these two sections to which I shall refer shortly.

Hon. Mr. HANSON: Before Mr. MacTavish goes into the details of this bill may I make the suggestion and ask him a question?

The CHAIRMAN: Certainly.

Hon. Mr. HANSON: If you will recall, the principle of this bill was not discussed in the House of Commons. The amendment of the then Minister of Finance was to the effect that the bill shall not now be read a second time but shall be referred to this committee, and that carried in the House of Commons. The point which I desire to make is this: should this committee now at the very outset of this discussion confine itself to the principle of

the bill; and the question which I desire to ask Mr. MacTavish is this: Is this not a bill in its present form an attempt to set up a department of the government of Alberta rather than to establish what we know as a bank?

Mr. MACTAVISH: Mr. Chairman and Mr. Hanson, that question is one which raises matters of policy upon which I am probably not qualified to speak. I think I can quite properly say this, that in my view for what it is worth and in the light of my instructions, I am satisfied that the bill is nothing more than what it appears to be, namely a bill to incorporate a bank to carry on the classes of business generally speaking that are now carried on by the chartered banks and that would be carried on by any ordinary chartered bank which came to parliament. Now, you ask if a chartered bank—

The CHAIRMAN: Mr. MacTavish, may I again interrupt? Possibly, Mr. Hanson, we should ask Mr. Low to answer your question. It seems to be a vital question and we should consider it at the outset. Mr. Low, would that be your desire?

Hon. Mr. Low: All right.

Mr. GRAHAM: Before Mr. Low replies—

The CHAIRMAN: Mr. Low is hardly making a reply; he is going to answer Mr. Hanson's question.

Mr. GRAHAM: I think it would help Mr. Low and Mr. Hanson if Mr. MacTavish read the two proposed amendments so that we would follow Mr. Low.

Mr. MACTAVISH: Perhaps I may read them now. For convenience, gentlemen, I felt they should be inserted after section 9 of the bill; although they are not of a nature that required them to fall in any particular part of the bill. They read as follows. I call the first one for convenience 9a to indicate a new section. 1. "If any part of the paid up capital is lost the provincial treasurer shall out of the general revenue fund of the province of Alberta forthwith pay to the bank an amount equivalent to the loss: provided that all net profits shall be applied to make good such loss." Subsection 2: "Any such loss of capital and the payment if any made in respect thereof shall be mentioned in the next return made by the bank to the Minister of Finance." Subsection 3: "In addition to the liability imposed by section 125 of the Bank Act in the event of the property and assets of the bank being insufficient to pay its debts and liabilities the province of Alberta shall be liable for the deficiency."

Mr. THORSON: How would you enforce these obligations?

Mr. MACTAVISH: They would be enforced, Mr. Thorson, in my view in exactly the same way that the almost similar sections of the Bank Act are enforced; that is to say the actual sanction behind it would be the withdrawal of the right to do business.

Mr. THORSON: Suppose you have the province defaulting on that obligation as it has defaulted on others, what sanction would there be to compel the province to make good the capital losses to the bank?

Mr. MACTAVISH: I think, sir, the analogy would be exactly that situation which would arise in the event of a chartered bank when the final liability fund for payment of liability is exhausted, then there would be a loss. Here you have the backing of the assets of the province; whereas under the Bank Act you have now a dwindling double liability; it has more or less disappeared. The same sanction would apply generally, and as far as the recoupment is concerned you replace what I referred to as dwindling double liability of the chartered bank with the assets of the—

Mr. CLEAVER: You believe you have authority to permit the liquidator to wind up the bank and sue the province and recover against the province?

Mr. MAC TAVISH: They were not provided with that, Mr. Cleaver, because I think the winding-up provisions of the Bank Act generally would apply and that receiver or liquidator, whatever he may be, would have all powers under the Bank Act.

Mr. CLEAVER: I take it you do not think the powers of the section are wide enough to make the province liable?

Mr. MAC TAVISH: I think there can be no question about the liability of the province.

Mr. CLEAVER: In your opinion does the section as drafted clothe the liquidator with authority to obtain a judgment against the province? Could that judgment be obtained without the consent of the province to be sued?

Mr. MAC TAVISH: Yes; because that raises the next section which we added and which I shall now read. It covers that point exactly and it reads as follows:—

9. (b) The bank shall be liable to be sued in the same manner and to the same extent as any bank which is subject to the provisions of the Bank Act being Chapter 124 of the Statutes of Canada, 1934.

Mr. CLEAVER: That is not the province. My question is as to whether the liquidator may sue the province of Alberta and obtain judgment against the province of Alberta.

Mr. MAC TAVISH: In the event of the paid-up capital being lost?

Mr. CLEAVER: Yes.

Mr. MAC TAVISH: Well, my answer to that—

Mr. CLEAVER: There is no use in suing a defaulting bank; you must be able to sue someone who has financial responsibility.

Mr. MAC TAVISH: Well I think my answer to that is the answer I gave a moment ago, that the liquidator in my view would be able to pursue the assets in the same way that he—

Mr. CLEAVER: Pursue the assets, but can he pursue the province of Alberta?

Mr. MAC TAVISH: I cannot see why you could not.

Mr. CLEAVER: I very much doubt it.

The CHAIRMAN: Mr. Low will make his statement now. Mr. Hanson, would you care to restate your question to Mr. Low?

Hon. Mr. HANSON: I do not know that I can do it. My view is that before we get into a discussion of the sections of the bill and the modus operandi that Mr. MacTavish is seeking to indicate, we should discuss the principle of the bill such as this and the need and necessity for it, and that we should endeavour to differentiate if we can to the satisfaction of this committee, that this will be a real bank and not just a department of the government of Alberta. My view is this: an attempt is being made under the guise of banking to set up a department of the government of Alberta which will have note-issuing power. That seems to me the ultimate objective of this bill. Now, I should like to hear the principle discussed and the necessity for this bill and then I respectfully invite the Minister of Finance sometime during the discussion, after we have heard the proposal, to state the attitude of the department because we all recognize that the ministry has responsibility in connection with a matter of this kind.

Now, I hope I have stated my request succinctly and clearly.

The CHAIRMAN: Mr. Low.

The WITNESS: Mr. Chairman and gentlemen of the committee, in answer to Mr. Hanson's question I should like to state most emphatically that it is not an attempt to set up another department of the government of the province

[Hon. Solon E. Low.]

of Alberta. Our intention through the application of this bill is to set up a provincial bank, a public institution, which will operate in exactly the same way as a private institution. We feel that this institution will fill a definite and specific need in the province of Alberta and it is to fill that need that we have applied to the Parliament of Canada to put through a bank bill.

Mr. CASSELMAN: What need?

The WITNESS: That covers, Mr. Chairman, very much ground; but we are of the opinion and we think our opinions are sound in this respect, that there should be an institution in the province of Alberta sponsored by the people of the province in a co-operative way which will endeavour to increase the industrial possibilities of the province, which will make it possible to stabilize prices of certain commodities whose main market is in the province of Alberta, and which will eventually prove to the whole of the Dominion of Canada, if not to the world, that the control of credits should be vested in the government of the country and not in private institutions.

By Mr. Thorson:

Q. In what way will this bank operate in a different manner from that in which chartered banks operate?—A. In no way at all except so far as the mechanics would have to be changed to meet the situation where you have no directors other than those that are named in the bill; that is there will be no shareholders except the people of the province of Alberta and their shares are all vested in the provincial treasurer.

Q. Will it require the same security as the chartered bank requires?—A. Exactly.

Q. Will it have the same regard for possibilities of losses?—A. Yes, sir, exactly.

Q. How will it accomplish the purpose you have in mind?—A. Well, in the first place this bank certainly would operate on a more extended policy of credit issue. That is, if a man or an institution or a community or a corporation cannot put up adequate security they should be entitled to their credit, and there will be no such thing as premature withdrawals of credit to render men and corporations helpless as we see to-day all around us.

By Mr. Cleaver:

Q. Do you suggest credit-worthy people and credit-worthy corporations cannot obtain bank loans?—A. I not only suggest it but I am saying yes very definitely. That is known quite generally throughout the province, in every province in the Dominion of Canada.

Mr. GRAHAM: Some years ago I listened—

By Mr. Cleaver:

Q. Before we leave that question I should like Mr. Low to elaborate on the answer he has made. It is a rather broad statement.—A. I realize it is a broad statement; but I have known in my capacity as provincial treasurer, especially since the treasury branches were set up in the province of Alberta, of numerous cases of individuals with splendid security—

Q. What do you mean by that?—A. Men with unencumbered assets, farm assets and so on.

Q. You refer to real estate?—A. I am speaking of real estate.

Q. I am speaking of industrial plants. You, of course, know that if you incorporate the bank that under the Bank Act that bank cannot loan on the security of real estate?—A. Quite true. I have known of cases where these men have come to me and asked me if it would be possible for the treasury branch to advance them money because the bank with whom they had been doing business had withdrawn their credit in spite of the fact that they had their property otherwise absolutely unencumbered.

Q. Can we have the case?—A. Yes, I can give you cases of that. One farmer particularly within a few miles of Edmonton had been carrying on a small dairy business in the province. He had been milking a number of purebred cows on his farm. He came to me and gave me adequate evidence to prove his statement. He was worth some \$12,000 to \$15,000. He had a small loan at the bank. The bank foreclosed by asking him to pay, withdrew the credit. He had to sell his cows to pay that loan. He came to us because he felt we filled his need. He gave me adequate evidence at least, Mr. Chairman,—

Q. His assets were unencumbered?—A. Absolutely.

By Mr. Kinley:

Q. Would not his credit be encumbered by other obligations?—A. Not at all.

Q. He had no mortgage on the property at all?—A. No.

Q. Is not the Farmers' Creditors Arrangement Act in force in your province?

Mr. THORSON: It would not apply to that.

By Mr. Cleaver:

Q. Do you know the amount of the loan he had from the bank?—A. No, I do not know.

Q. Of course, that would have a bearing.—A. Yes, perhaps it would, but I have—

Q. It would have a bearing on the whole situation.

Mr. GRAHAM: Mr. Chairman, I should like to get back to the statement I was about to make a few moments ago.

By Mr. Graham:

Q. Some years ago a member of the provincial legislature, Mr. Ansley, addressed the Rotary Club in my own home town and made it quite clear to us that if the Social Credit party of the province of Alberta had control of the chartered banks which then existed they could create credit merely by the process of book entry. Now, that is a very debatable point; I think you will agree with that, but I should like to know if that belief is adhered to by the government of the province of Alberta and if this bank would be used with that belief in mind.—A. Mr. Chairman, the government of the province of Alberta have no more control over what the ordinary members say than the government of Canada would have over what the M.P.'s would say in meetings. However, I can assure you, Mr. Chairman, and members of the committee, that the bank of Alberta, if it is incorporated, will carry on its business on the same principles exactly as the ordinary chartered banks do at the present time.

By Mr. Thorson:

Q. I thought there was a contention in Alberta that the ordinary bank carries on its practice in an iniquitous manner.—We must, of course, Mr. Chairman, weed out the iniquities, and that is our proposal.

The CHAIRMAN: Do you doubt that or believe in that?

The WITNESS: Weed them out.

By Mr. Graham:

Q. I take it, Mr. Low, that the opinions expressed by Mr. Ansley are not the opinions of the Social Credit government?—A. Mr. Chairman, I protest that the question has nothing to do with the bill that is before the committee.

[Hon. Solon E. Low.]

Q. It has a most important bearing, Mr. Chairman, because it would be the vital point in my decision as to whether to support this bill or not.—
A. I can say this without hesitation, Mr. Chairman, that the Bank of Alberta would be necessarily circumscribed by certain regulations under the Bank Act, and we intend to carry on the business of the bank entirely within the regulations by which the incorporation of this bank would be circumscribed.

Q. Do you believe you can devise credit by book entries?—A. Yes, I do, Mr. Chairman, and so do you. I am quite sure that the hon. member is aware that the banks do extend credit on the basis of their deposits and capital structure and we intend to do exactly the same thing.

By Mr. Cleaver:

Q. Mr. Low, I take it you intend to make much more generous loans to individuals than the banks are now making—that is credit to individuals whom you consider to be credit-worthy?—A. In the initial stages, Mr. Chairman, it is not our intention to extend loans to individuals at all, but when we do get to that point we will have to carry on in just as business like a way as any good organization.

Q. I understood you to say quite distinctly a moment ago when you were stating the objects and the need for your bank that the need was that the present banking institutions were not extending credit where it was required by credit-worthy individuals?—A. True.

Q. I take it from that statement you intend to extend greater credits than the existing banks are now extending?—A. Not necessarily, but more honourable ones. Would you mind if I qualified your statement?

Q. Yes.—A. In time.

Q. I also understood you to say that you are not going to withdraw these credits abruptly after loans were granted—they would not be abruptly recalled?—A. Unless there is a mighty good reason for so doing.

Q. If having made generous loans you undertake, or your policy will be not to require payment of them, if your depositors want their money which they have deposited in the bank, how do you propose to obtain it for them?—A. We propose to keep adequate reserves to meet the demands for repayment by increasing the capital structure.

Hon. Mr. HANSON: Mr. Chairman, Mr. Low has in part answered one point, one question I raised concerning the necessity for the bank. He says in effect, if I understand him correctly, that one of the reasons why this bank is required is because the present chartered banks do not extend sufficient credit to the people of Alberta; is that not a correct statement of your position, Mr. Low?—A. Partly, yes, Mr. Hanson.

Hon. Mr. HANSON: I think we should keep that point in mind if we are to make any real progress.

The WITNESS: Yes. There is another point which I should like to make quite clear just in that connection. There are a good many small industries in the province of Alberta that have been struggling for years to become established, and those small industries have not been given the assistance which they could be given. As a matter of fact, Mr. Chairman, the practice has developed into such as this: a small industry will apply to a bank for advances of credits for operating capital and the bank will say: Now, if you can get the provincial government to guarantee your loan under one of their Acts such as the Co-operative Associations' Guarantee Act or something of the kind then we will give you the loan. In nine cases out of ten the bank will send those people down to us to see if it is possible to get our backing, and if they get our backing, then they will grant them the advances. Now, I just ask you in all fairness, Mr. Chairman and gentlemen, who should get

the cream of the business, the institution that stands to lose in case anything happens to the small industry or the institution—the private institution that is advancing the money on the guarantee of the province? Now, I stress the point that it is mainly to fit that need at the present time that we are asking for this bank; because we are endeavouring to increase the industries in the province of Alberta and to put them on their feet. We need industry. We can support industry, and we have shown through the operation of our treasury branch system that industries can be sustained and the people will support them if they are there and we can manufacture the goods and put them on the market. There is one other point I should mention here and stress. There are associations in the province of Alberta that are endeavouring to stabilize the supply of first-class beef and mutton on the markets, and their endeavour has met with some success, but only after they have obtained provincial guarantee of loans at the bank. Now, if the province of Alberta has to guarantee the loans to enable those feeder associations to stabilize the supply, then why in the name of common sense should we take all of the responsibility as a provincial government and let the private institution take the cream of the business? We are out there to get the cream of that business for the people of the province where it belongs.

By Mr. Cleaver:

Q. You think you should make the loans and get the interest? A. Yes—the same liability is there.

Q. A moment ago in reply to a question of mine you indicated that as your borrowings increased—as your loans to private borrowings increased—that you would place your bank in a position to carry those loans by increasing your capitalization?—A. Yes.

Q. If you are going to do that, and if that is the object you seek to obtain, why not make your loans direct to those industries which you wish to help and make them from the government?—A. Up to the present time?

Q. Yes.—A. We have no authority to do so.

By Mr. Thorson:

Q. Have you not by your answer indicated that your main purpose is to establish the government as a lending institution?—A. No, Mr. Chairman, not to establish the government at all, but to establish the bank.

By Mr. Cleaver:

Q. My point is this: our present incorporated banks would not get very far financing the commercial loans in this country, if they were doing so solely on their capital assets?—A. That is right.

Q. They are permitted to carry on these financial operations because there are people in the country who— —A. —make deposits.

Q. Yes, make deposits.—A. That is right.

Q. And the essence of the deposit itself is that it is a call loan to the bank?—A. That is right.

Q. If you intend to finance your banking operation by increasing your capital and not from depositors' money, I do not see the point of incorporating your bank.—A. I think the hon. gentleman misunderstood the answer. Naturally, it is our intention to increase the capital as it is required, more in the nature of reserve than for the purpose of financing. We intend to make this a bank of deposit and issue. I might point out that our present treasury branches are receiving deposits, and these deposits have climbed to quite a large sum of money, showing that there are a great many people in the province of Alberta who have confidence in the system. These deposits, undoubtedly, could be made deposits by the bank—

[Hon. Solon E. Low.]

Q. So on second thought you—A. No, on first thought.

Q.—you really do agree—all right, on first thought—you agree that this bank if it is incorporated will do a large measure of its financing on deposits?—A. Oh, in fact a major portion of it.

Q. To come back to the question I asked: if the depositors should lose confidence in the bank and should demand their money, what then do you propose to do? You say you will not call in the commercial loans you made; you will not embarrass them.—A. No, I think you are taking the extreme view. We must in cases of emergency draw in the commercial loans. Surely we would have to.

Q. I would have thought so.—A. Surely.

By Hon. Mr. Hanson:

Q. Mr. Low, I shall be unable to stay here long, but if I am permitted I should like to ask another question. Behind your statement to the effect that customers of the bank are being denied credit on the strength of their own security and on the strength of their own paper and are being directed by the chartered banks to go to the government for a guarantee, behind that is there not forced on one's mind the reason, namely, that because of certain types of legislation which have been passed by the provincial legislature the banks cannot secure their depositors' money in making the so-called free loans without the guarantee; is that not the reason why the banks have asked for a provincial guarantee; or am I wrong?—A. Well, I think, Mr. Chairman, that you are wrong, definitely.

Q. There is no legislation that stands in the way of free loans?—A. The banks of the province of Alberta have been able to secure their loans adequately in the past, and they are still able to do so, and they are still able to make collections on those securities.

Q. Oh, yes, but you are evading my question; you are not meeting it. Is there not on the statute books of Alberta certain types of legislation which would prevent the banks getting back their depositors' money if as and when it is required to meet the demands on them? That is the point?—A. Up to July 1, 1936, their loans are subject to certain—at least, they come under the purview of the adjustment board and definite settlements are made there—not forced settlements, settlements such as are made by the Farmers' Creditors Arrangement Act, and the banks have seemed quite satisfied with them in the past. I shall not touch anything beyond July 1, 1936—prior to that date.

By Mr. Casselman:

Q. There is nothing to prevent you at your next session of your legislature extending that time from the 1st of July, 1936, to the 1st of July, 1940, just as you have done in the past?—A. Yes, Mr. Chairman, there is; that is fair dealing. We have tried out there to be fair in our dealing, and we kept the 1st July, 1936, as the dead line because that was the end, or the beginning at least of the end, of the depression, and all loans up to that time which had been made during the depression certainly were subject to some modification, and they all recognized that.

Q. In further answer to Mr. Hanson's question, as far as loans preceding July, 1936, are concerned, the banks have not fully the rights to get back the loans they made; that is the law to-day?—A. No, that is not right, Mr. Casselman. If they can show to the satisfaction of the Debt Adjustment Board that they are entitled to get full settlement they get it. If they cannot do that—and remember that the Debt Adjustment Board is a commission independent of the government that carries on its own policy—

By Mr. Cleaver:

Q. You can see that the banks are in the business of making money?—
A. Yes.

Q. Now, what interest rate do they charge on their commercial loans in Alberta?—A. I think from 6 to 7 per cent.

Q. Right. And the maximum interest that the banks could earn on securities that they would buy would be 3 per cent?—A. Well, that would depend upon what securities they could buy.

Q. You as provincial treasurer do not need to do any guessing, I am asking you what, in your opinion—what interest return could a bank obtain on the securities they would buy?—A. Well, I think from 3 to 4 or 4½ per cent.

Q. All right. So a bank would earn at least double the rate of interest on private loans that they would earn on securities?—A. That is right.

Q. Is it not perfectly obvious to anyone that the reason for foregoing that profit and keeping their deposits invested in securities largely rather than these valuable commercial loans is because they cannot obtain commercial loans that are safe?—A. No, that does not follow, Mr. Chairman.

Q. I would think it would.—A. Not at all. There are certain ways in which a bank can manœuvre by withdrawing and expanding credits alternatively to make money.

By Mr. Graham:

Q. Public confidence is an essential issue?—A. Yes.

Q. In view of your statement that the government has for one year or two years, I think, been accepting deposits from the people of Alberta—is that true?—A. Yes.

Q. Through the clearing house set-up?—A. Through the Treasury Department.

Q. Would you kindly tell the committee, because that is a test of the confidence the people of Alberta would have in a government-owned institution—in the face of the deposits it is an expression of the confidence of the people whether they would care to entrust them to that particular institution—will you tell us how long that credit house system has been in operation?—A. We started in September, 1938.

Q. How many branches have you?—A. We have built up until to-day we have thirty.

Q. What would be the total amount of deposits in those banks by people, not by the government?—A. A total of \$1,456,894 of the depositors' money.

Q. That is not a very rosy picture, is it?—A. When you consider—

By Mr. Thorson:

Q. That is the state credit house?—A. The treasury branches.

Q. When you speak of the treasury branches that is the same thing as you call credit houses?—A. No, Mr. Chairman, it is not, these are treasury branches, branches of the provincial treasury. They are operating as banks of deposit; but when you start to consider, Mr. Chairman, that until the spring of 1939—that is, by the spring of 1939—we only had six branches in operation, the others were put in operation during the year 1939, one or two at a time, until March 31, 1940, when we had all of the thirty established—when you consider too that in that period we had the two general elections, and when you consider that immediately following the elections of March the deposits in the rural centres increased 58 per cent in one month, I think, Mr. Chairman, that indicates pretty well the confidence—

[Hon. Solon E. Low.]

By Mr. Graham:

Q. Could you tell us how much of the money of the people of Alberta, other than the government, is deposited in the chartered banks of the province?

—A. No, I could not.

Q. Could you secure that information?

The CHAIRMAN: We can try.

The WITNESS: Mr. Chairman, I would like to ask the hon. member just one question: can he show any similar institution that within a year and a half from the beginning, from the time its Act was passed and put into effect, that has shown a like increase in business.

Q. I only know this, that the Social Credit government who sponsored this particular bill, secured a vote in the first election of over 50 per cent of the people of Alberta—in the first election, that is right?—A. Yes.

Q. It is rather astounding to me that with the policy of the Social Credit government and its declarations that even in a short time you have mentioned only a million dollars or a little more than that—A. It is a million and a half approximately.

Q. A million and a half has been deposited in the credit houses set up by the government. Is it not a reasonable assumption that frankly, despite the support that your government got in the province of Alberta by the people, that the depositors have not the confidence in that credit house system that they should have?—A. No, Mr. Chairman, it does not follow at all. The hon. member is not keeping in mind that they have had to expand themselves within a period of a year and a half in operation, and we have had to go carefully, and we have not been making loans, we have not had any benefits to offer the people except the bonus on Alberta made goods; and when you consider all these things it seems a remarkable demonstration of confidence.

By Mr. Macdonald (Brantford City):

Q. Do I understand from the provincial treasurer that there are two so-called organizations or branches, one called the treasury branches and the other is called the credit houses?—A. No, Mr. Chairman, there is no such thing in the province of Alberta as a credit house.

Q. Is there just the treasury branch?—A. Yes.

Q. In connection with the treasury branch you take in deposits I understood?—A. Yes.

Q. From anybody who wants to deposit money there?—A. That is right.

Q. Was there not some organization whereby you could buy goods through the government?—A. Not through the government, through the Marketing Board. The Treasury Branches Act empowers the Treasury branch set-up to purchase goods for resale through the marketing board.

Q. Has that branch anything to do with the treasury branches?—A. The Marketing Board?

Q. Yes.—A. The Marketing Board is a commission under the Department of Trade and Industry.

Q. Do you use the money that is deposited in the Treasury branches in connection with the Marketing Board purchases?—A. Yes, the Marketing Board acts as the agent of the provincial treasurer and purchases goods with the moneys deposited in the Treasury branches, purchases goods for resale.

Q. When were the Treasury branches established?—A. In 1938, in September.

Q. And was the Marketing Board established at the same time?—A. It had been set up for some months previously.

Q. And in the earnings, have you a statement of the assets and liabilities of that branch?—A. Oh, unfortunately, I have not that with me, but we have. I was called back from my holiday and had to come directly to Ottawa without going to Edmonton. I could get them for you.

Q. Could you tell us if it has been operated profitably—each of them?—A. Not yet.

Q. Neither one of them has?—A. Not yet.

Q. I am talking about the present; the future is uncertain.—A. Surely. Up to the present time they have not—that is, our revenue from the treasury branches set up has not been equal to the expenditures.

Q. Will you refer to Mr. Hanson's question. I understand that in 1936 there was a Debt Adjustment Act?—A. That is right.

Q. And did that affect the banks?—A. It affected all creditors.

Q. All creditors?—A. Yes.

Q. But with regard to liabilities incurred by anyone since 1936, that Act does not affect them?—A. No, that is right.

Q. Is there any legal difficulty in the way of passing a new Act effective from the date hereof—any legal difficulty?—A. No legal difficulty, of course, but from the viewpoint of fairness and sense it would be foolish.

Q. That is your opinion to-day?—A. Yes.

Q. But it may not be your opinion a year from now. Is there any legal difficulty in the way, because we all change our minds—but I take it there is no legal difficulty in the way of passing a new Act or a similar Act from the date hereof or some future date?—A. May I ask a question in answer to that? Is there any legal difficulty in the way of parliament passing an act completely nullifying and substituting something in the place of any other act on the statute books of Canada?

Q. Of course, it is not my purpose to attempt to answer questions. As far as information is concerned, I think the Dominion of Canada has very wide powers; but whether they can pass an act as extensive as you suggest, which would interfere with the rights of the provinces, which rights are distinctly given to them by the British North America Act, is something I doubt. I doubt very much whether the dominion can pass such a wide-sweeping act. However, I do not think that has much to do with the issue before us. I just want to make clear, so that the committee will understand, whether or not in your opinion there is any legal difficulty in the way of your government passing a similar act to the present Debt Adjustment Act, to take effect from the date hereof. Is there any legal difficulty in the way of that?—A. I do not see any legal difficulty at all. But do I take it that the hon. member is not in favour of some powers given to provincial legislatures to settle or assist in settling debts?

Q. It is not a question of whether I am in favour of it. It is a question as to whether the provinces have that power or not. I do not think there is any suggestion before this committee, Mr. Chairman, that we should give additional powers to the provinces or assume additional powers within the dominion.—A. Is the hon. member in favour of the provincial powers?

Mr. CLEAVER: I think he infers that you may change your mind.

By Mr. Macdonald (Brantford City):

Q. I want to make it perfectly clear that I am not suggesting that the powers of the provinces be decreased. I am not even discussing the point. I never suggested it, am not even discussing it, and am not suggesting it now. What I want to do is to make clear before the committee whether there is any legal obstacle in the way of your passing an act similar to the one you have already passed.—A. No, I think not, as far as I know.

Q. All right, thank you.

[Hon. Solon E. Low.]

By Mr. Casselman:

Q. Mr. Chairman, following up Mr. Graham's line of inquiry, I think Mr. Low should make clear to this committee the inducements that are given to depositors in the credit houses or in the treasury branches; that is, what rates of interest they pay to depositors, and the bigger inducement of the bonus that they get on Alberta-made goods. I think that ought to be made clear to the committee as an indication of why those deposits are as much as they are.—A. Well, Mr. Chairman, we do offer the same rates of interest as do the banks on demand savings deposits, $1\frac{1}{2}$ per cent. We offer 2 per cent on six months' savings and $2\frac{1}{2}$ per cent on twelve months' savings. We offer a bonus of 3 per cent on the purchase of Alberta-made goods with treasury vouchers that are used in the place of legal tender or currency. Does that answer the question?

Q. Yes. And that 3 per cent is put up by the taxpayers of Alberta?—

A. That is right; at the present time.

By Mr. Graham:

Q. If this bank were created, would the treasury branches continue or would the system be dropped?—A. That would be a matter of policy depending on conditions at the time. I think for the time being that this bank would operate independently of the treasury branches set-up.

By Mr. Ross (Calgary East):

Q. Mr. Low, will this bank serve any purposes that are not already served by the existing banks, other than the extending of credit particularly to the decrepit industries that you have referred to?—A. I did not refer to decrepit industries, Mr. Chairman. The hon. member is assuming something.

Q. I will use the term "struggling industries," then. I did not intend to make any assumption.

The CHAIRMAN: Credit-short industries.

The WITNESS: Well, most industries to-day are credit short, if the banks cut them off, and that is what they are afraid of. But this will fill definitely a need which is not now filled by the existing banks except, as I made clear, when and if they can get a guarantee by the provincial government.

Q. What need would they fill? That is what I want to get at.—A. I am pointing out that it will fill the need of these struggling industries to get on their feet.

Q. You have explained about that. Is there any further need?—A. Yes, the need of feeder associations in the province.

Q. The need of what?—A. Feeder associations.

Q. Feeder associations?—A. Yes. We could have in the province of Alberta to-day 12 or 13 feeder associations using \$100,000 to \$200,000 apiece for feeder operations, which will necessarily stabilize the quality of beef and, therefore, stabilize the market.

Q. That is, you would lend money to these people to whom the banks will not lend now?—A. That the banks will not lend to unless we guarantee it. Why should we stand back and make the guarantees and take all of the responsibility and the liability for the loan and allow the banks to take the cream?

Q. Would it serve any other purpose?—You are still dealing with the extending of credit where the existing banks will not extend credit?—A. Yes.

Q. Let us forget that for the present. Is there any other purpose that this bank would serve?—A. Yes. It will deal with discounts, trade discounts, the same as the ordinary banks are dealing with them to-day. It will deal with remittances the same as the ordinary banks deal with them to-day. They

will operate as paying agents for elevator companies, for cheese factories and for creameries all over the province of Alberta, the same as the banks are doing to-day.

Q. The chartered banks are doing all that now. Is there anything your bank would do which the chartered banks are not doing?—A. Well, what I have pointed out.

Q. Is there any service it would render that the chartered banks are not rendering?—A. I have pointed out several, Mr. Chairman. Others may arise as time goes on. There is one other that occurs to me at the moment and it is this: A large number of our municipalities and our school districts to-day have to finance through the banks and they finance on provincial treasury guarantee. As long as the provincial treasury has to make the guarantee and take all the liabilities, why should we not get some of the cream of the interest as well?

Q. Those are the services that this bank would render?—A. Yes.

Q. That the existing banks are not rendering?—A. That is right.

Q. Your bank would receive deposits and pay interest, I suppose, the same as the existing banks?—A. Yes.

Q. They would issue notes?—A. They want to.

Q. Would you require stamps to be put on those notes the same as you did on the other money that you issued some time ago?—A. No. It would be done in exactly the same way as the other banks.

Q. The same way as the other banks?—A. Yes.

Q. You would not be required to buy stamps and put the stamps on the money?—A. I do not know what the gentleman is referring to.

Mr. CASSELMAN: Scrip.

The WITNESS: That has no relationship whatever to this bank.

By Mr. Ross (Calgary East):

Q. You would not use scrip in that way?—A. That has no relationship whatever to this bank charter.

Q. I beg your pardon?—A. It has no relation whatever, in my estimation, to the application for a bank charter.

Q. Not at all?—A. No.

Q. I am speaking of this particular bank of yours.—A. That is what I am talking about.

Q. You would loan money, would you?—A. Yes. We would make advances—loans.

Q. Would you collect interest on those loans?—A. Yes.

Q. You believe in interest, I take it?—A. I believe in a carrying charge—at least, in interest sufficient to cover the cost.

Q. You are different from your associates in this house, I am afraid, in that case.—A. No, I am not.

Q. However, I will not argue that.—A. I do not think I am a bit different from my colleagues in the house. They believe in carrying the cost and that is what we believe in, sir.

Q. Do you think the ordinary banks are making much more than the cost of carrying on?—A. They must do. I see a lot of fat directors around the country.

Mr. JACQUES: Not in Alberta.

The WITNESS: Not in Alberta. Maybe in the east. We have not any directors in Alberta.

[Hon. Solon E. Low.]

By Mr. Ross (Calgary East):

Q. Are you aware of the fact that the banks of Canada are making less than one-half of one per cent on their total assets?—A. I was not aware of that, no.

Q. According to the Canada Year Book—

Mr. JACQUES: What do they make on their paid-up capital?

Mr. ROSS (*Calgary East*): I am speaking of their total assets. They make less than one-half of one per cent on their total assets.

The WITNESS: I am not aware of that.

By Mr. Ross (Calgary East):

Q. You are not aware of that?—A. No.

By the Chairman:

Q. Pardon me, for one moment. Did I understand you to say, Mr. Low, that there were no directors from western Canada on the chartered banks?—A. I am speaking of the private banks.

Q. Yes; that is the chartered banks.—A. I think we have some, but I have never run across them.

Q. There are quite a few.

Mr. FACTOR: But not fat ones.

The WITNESS: No, not fat ones.

The CHAIRMAN: I know one who weighs over two hundred pounds.

By Mr. Ross (Calgary East):

Q. Would this bank of yours do the banking for the province?—A. That would also be a matter to be decided by the management of the bank.

Mr. GRAHAM: What was that question again, please.

By Mr. Ross (Calgary East):

Q. Would this bank do the banking for the province?—A. That, as I say, would be a matter for the management to decide; but the treasury branches to-day are not the bankers for the province.

Q. That is a very important matter, Mr. Low, and I think we should discuss that now when you are applying for your charter, as to whether or not you would carry the province's account. It would be a very big matter, would it not?—A. Yes, it would.

Q. And you have not considered that at all?—A. That, as I say, has been considered; but it has been decided to leave that to the management of the bank.

By Mr. Hanson:

Q. It is still open to you to do it?—A. It is still open to us to do it if we can negotiate it with the management.

By Mr. Ross (Calgary East):

Q. You will do the banking, I take it, for the municipalities?—A. I beg your pardon?

Q. You want among your customers the different municipalities?—A. Yes. We would like to have their accounts.

Q. Yes; and you would do banking for private individuals?—A. Yes.

Q. The same as the ordinary banks do?—A. Yes.

Q. Speaking of these treasury houses, will these treasury houses be continued?—A. That again is a matter to be dealt with when the time comes. We are not just sure whether the need will continue. But as long as there is a need for trying to induce the people to support Alberta industries, then we are going to continue the treasury branch system. It has proved very worthwhile in that respect.

Q. But you have not decided whether or not the banks will take over those treasury houses?—A. Mr. Chairman, we cannot make plans with too long range. The plans that we might make to-day in that respect may be out of date to-morrow. There we have to meet the needs of the province when they arise and at the moment.

Q. This is a very important matter. You have thirty of these houses throughout the province. Are you going to duplicate them?—A. Why should that be such an important matter in connection with this bill, Mr. Chairman, if the treasury branch system can give back to the people of the province of Alberta benefits far beyond the cost of their operation?

By Mr. Casselman:

Q. Benefits to a certain section at the expense of another section.—A. The benefits, Mr. Chairman, are there for any person who wishes to get them.

By Mr. Ross (Calgary East):

Q. Those treasury houses are all located within the province, are they?—A. Yes.

Q. Will the bankers of this bank all be located within the province or do you expect to do an inter-provincial business?—A. That again is a matter which will have to be decided at the time when the question of expansion comes up before the management.

Q. Do your treasury houses lend money?—A. No.

Mr. HANSON: They take money.

The WITNESS: They do not loan money. They do buy goods for resale through the marketing board.

By Mr. Ross (Calgary East):

Q. Will you explain one of the transactions? Will you give the particulars of that?—A. Yes. Here, for instance, is the Magrath Woollen Mill, an industry that was struggling to get on its feet, and an industry, by the way, which has been able to assist the Dominion of Canada in the providing of blankets for the army. That woollen mill came to us and asked—I think it was in the spring of 1939—if we would assist them by a loan. We could not assist them by a loan, but we could buy their wool for them, and we did buy their wool for the whole season. We put that into bond and we let it out to them as they needed it at the price which we bought it at. For instance, we bought wool at between 10 and 11 cents, and before the year was out the price of wool had gone out to where they had to pay 20 or 21 cents. That is the method by which we have assisted the industry to stay on its feet, and they have supplied something like, I think, 130,000 blankets to the army.

Q. You bought that with the money of the depositors, deposited in your treasury houses?—A. Yes.

Q. Had a loss been sustained, who would bear the loss?—A. We were adequately secured in that we took security on the accounts of the woollen mill from the Dominion of Canada, and for that reason our purchases were pretty adequately secured. There was no chance of loss.

[Hon. Solon E. Low.]

By Mr. Graham:

Q. Are there any other cases like that?—A. Yes. There is a shoe manufacturer, a company in the city of Edmonton—the Capital Shoe Company, as a matter of fact. This shoe company was struggling along trying to get in a position where they could buy their raw materials of leather in quantity. They could have supplied the department of relief, for example, with all the shoes that they required at a price comparable with the price that they could get elsewhere, and give a better product, handmade. In that case it was through the marketing board, and we simply stepped in and through the marketing board purchased their leather in large quantities, thus effecting savings and making it possible for them to compete with the biggest manufacturers elsewhere. And, naturally, we took our security on the invoices to the Department of Public Welfare and Relief. That industry is going to-day.

By Mr. Ross (Calgary East):

Q. Let us take some common case that comes up every day. A farmer comes in and sells a load of wheat. He deposits \$100 in your credit house, we will say, for this wheat, or in this treasury house.—A. Yes?

Q. Then he checks against that. He deposits \$100 and he can check on that account up to \$103 because it is an Alberta product. Is that the case?—A. No, that is not the case.

Q. How does that work out?—A. Do you want me to explain the bonus, or the working of the bonus?

Q. Yes.—A. Here is how it happens. If a farmer takes the proceeds of a load of wheat—say \$100—to the treasury house, he can deposit that in any one of three ways. He can deposit it in the ordinary cash account; and if he does so he checks on it in the same manner as he does in an ordinary bank, by cheque, with the usual stamp excise placed under the Excise Regulations of Canada. He does not get any bonus on that at all. He pays approximately the same service charge as the banks impose upon accounts, so much per item—five cents or some such figure, I think, up to so many, and so many free. You are aware of those. He can deposit in a voucher account; and when he puts his \$100 of legal tender in the voucher account, then he uses vouchers on which no stamp is required because they are not cheques in the ordinary sense at all; and if he checks out, or pays out to somebody else's account by means of the treasury voucher, the amount of the \$100, and he purchases Alberta-made goods to the extent of \$33 $\frac{1}{3}$, then it is possible for him to get the bonus of \$3 on that \$100; but he must buy at least \$33 $\frac{1}{3}$ worth of Alberta-made goods to be able to get the bonus on the whole \$100.

By Mr. Factor:

Q. Where do you get the \$3 that you pay?—A. The \$3 is at present a book account; but what we have been doing thus far up to the present time is supplying dollar for dollar of bonus to keep the reserve of legal tender up to the actual amount of the vouchers.

By Mr. Graham:

Q. The government has been doing that?—A. The government has been doing that, yes.

By Mr. Factor:

Q. The taxpayers?—A. The taxpayers, yes, up to the present time; that is, less the earnings of the treasury houses.

By Mr. Ross (Calgary East):

Q. That is one of the services you want this bank to carry on? You want them to take over that service?—A. No, I am not saying that.

Q. Would the bank take over this service?—A. I doubt that the bank would have the power to do that.

Q. You think the bank would not take over that service?—A. I doubt that it would have the power.

Mr. THORSON: It would not have the power.

The WITNESS: I doubt that it would have the power.

By Mr. Factor:

Q. You could put a clause in this bill and get that power.—A. Well, for the time being we did not.

Q. You eliminate a number of sections from the Bank Act. You could provide an additional section in the act.—A. Well, we have felt that does not arise. I think I can leave that to our legal adviser, Mr. MacTavish.

By Mr. Ross (Calgary East):

Q. You have already said that these treasury houses do not lend money and get interest in order to make money to carry on. How do these treasury houses make any profits?—A. Through a charge, a commission, for the service of purchasing, holding and storing until the goods are resold.

Q. How much commission does that amount to?—A. Well, that depends. It varies with the time and it varies with the various stages that are involved in doing the business. Sometimes there are quite a number of steps. I could illustrate perhaps by using the woollen mill in Magrath, Alberta. In the first place, we had to go out on the market and buy the wool.

Q. You had to do what?—A. We had to go out and buy the wool from the sheep men. We had to go into eastern Canada and purchase shoddy, because the dominion regulations asked that a certain percentage of shoddy be mixed with the wool to make these blankets for the army. We came and bought that. Then we had to transport that into Alberta to the warehouse. We had to store it in the warehouse. We had to have a man check that stuff out to the mill as was required and so on, and all of these things require a charge to cover the cost.

Q. Is that charge enough to pay the cost of these men chasing around?—A. Yes.

Q. Of all these operations?—A. Yes.

Q. It is enough to pay for those operations?—A. Yes.

Q. But there is nothing to make any money for the carrying on of the bank?—A. Yes.

Q. There is still some surplus for that?—A. Yes.

Q. Have you any other— —A. I might say, Mr. Chairman, in addition, that not only have we been able to cover all those costs in all of those operations, but we have been able to give such assistance to the industry that they can carry on much better than they could otherwise.

By Mr. Factor:

Q. Suppose a loss is sustained? I mean, you can conceive of a transaction where a loss is sustained?—A. Yes.

Q. How do you recoup that loss—A. Then the government would be liable to put up the amount of the loss.

Q. In other words, the principle that you adopt is that you use depositors' money to go into commercial ventures, and if a loss is sustained then you take it from the taxpayer. Is that right?—A. That would have to be. It would have to be that way, yes.

[Hon. Solon E. Low.]

By Mr. Ross (Calgary East):

Q. Your head office of the bank would be where?—A. In Edmonton.

Q. And you would have branches throughout the province?—A. That again would be a matter to be decided at the time that the management takes over and begins to work.

Q. Where will the money come from to finance this bank?—A. You mean in the capital?

Q. Yes, the capital.—A. The capital was voted in the bill that went through the house at the last session.

Q. You take it out of the treasury of the province?—A. That has been voted by the legislature.

Q. Would the money be financed in any way by Sousa? Would he be having any money in this?—A. I hope that the gentleman is not being facetious.

The CHAIRMAN: What is the question?

By Mr. Ross (Calgary East):

Q. You know who Sousa is, do you not?—A. I do. But I hope that the hon. member is not trying to be facetious.

The CHAIRMAN: I hope not.

Mr. ROSS (*Calgary East*): No; I am not trying to be facetious.

The CHAIRMAN: I do not know who Sousa is.

The WITNESS: I am sure that not very many people do.

Mr. FACTOR: Tell us who he is.

Mr. JAKES: Sousa's bank.

The CHAIRMAN: Mr. Ross, will you please explain your question?

By Mr. Ross (Calgary East):

Q. Well, Mr. Sousa is a man who has been negotiating with the province of Alberta or the province of Alberta has been negotiating with him whereby—
—A. Pardon me, Mr. Chairman. I think the first statement was correct, that he had been negotiating with the province, not we negotiating with him.

Mr. MACDONALD (Brantford City): We would like to know who this man is.

The CHAIRMAN: It takes two to make negotiations. Let Mr. Ross explain the statement.

Mr. FACTOR: Mr. Low knows who Mr. Sousa is. Perhaps he had better tell us.

The CHAIRMAN: Order. Let Mr. Ross make his statement.

Mr. ROSS (*Calgary East*): Mr. Aberhart, Premier of the province, had been negotiating with Mr. Sousa whereby Mr. Sousa—

The CHAIRMAN: How do you spell it?

Mr. ROSS: I have a letter here from Mr. Aberhart. Perhaps I had better read that. It would explain the whole situation.

The WITNESS: No, it does not explain it, Mr. Chairman.

The CHAIRMAN: Let us have the letter, Mr. Low, first.

The WITNESS: That is quite all right.

Mr. ROSS: It reads as follows:

Dear SIR,—I am writing you this letter—

The CHAIRMAN: Is this addressed to you?

Mr. ROSS: No, to Mr. Sousa.

Mr. MACDONALD (Brantford City): Who is Mr. Sousa?

Mr. ROSS (*Calgary East*): Well, you will know more about it if you wait until I read it.

The CHAIRMAN: Let us have it.

Mr. ROSS (Calgary East): It is dated Edmonton, May 31, 1938, and reads as follows:—

Dear Sir:— I am writing you this letter pursuant to our several conversations relative to establishing in the Province of Alberta an independent bank chartered under the Dominion of Canada Bank Act.

When you have deposited the sum of \$500,000 in a chartered bank in the City of Edmonton to be used for the purpose of applying for and obtaining a charter under the Dominion Bank Act, my government will apply for said charter, and upon obtaining the same, will complete the necessary steps to obtain license. Alberta bonds in the sum of \$500,000 bearing interest at 2 per cent per annum will be issued to you in return for the said deposit of \$500,000.00.

Forthwith after the said charter and license has been issued, you will deposit in the chartered bank aforesaid a further sum of \$500,000 to be used as working capital for the said proposed bank, Alberta bonds bearing interest at 2 per cent per annum to be issued to you in return therefor.

My government will then operate the bank, or if it does not wish to do this, it will be prepared to take steps to place you or your nominees in a position to take over and operate the bank.

Your truly,

WILLIAM ABERHART,

Premier.

The CHAIRMAN: What date is that letter?

Mr. ROSS (Calgary East): May 31, 1938.

Mr. GRAHAM: Who is Sousa?

The CHAIRMAN: Would you like a statement from Mr. Low? You are asking Mr. Low for comment on that letter?

Mr. ROSS (Calgary East): Yes.

The CHAIRMAN: All right, Mr. Low.

The WITNESS: Yes. I think Mr. Ross is fully aware, Mr. Chairman, that this letter was the outcome of the negotiations by a syndicate—

Mr. CLEAVER: Who is Sousa?

The WITNESS: I will tell you if you will just give me a chance. Mr. Sousa, representing a syndicate in the United States, came to the government of the province of Alberta, early in the spring of 1938, bearing recommendation from a number of high officials of the government in the United States, and including Mayor Andrew Davidson of Calgary who vouched personally for this man and his character. He came to us bearing certain documents from this syndicate in the United States and asking that negotiations open immediately for the purpose of building a road through the province of Alberta which would eventually lead to Alaska. We knew that this road had been mooted for some time and we were interested in the route and we are still interested in the route, the same as British Columbia is interested. This same gentleman had worked for quite a long time with the syndicate in the United States, including a congressman from Washington who has been active in that work, to get a road through British Columbia. But it did not move fast enough, and for that reason the syndicate sent him into Alberta. Now then, when Mr. Sousa came, we satisfied ourselves that his credentials were genuine and that he really represented the syndicate, that he was the rustler man for them; he put us in touch with these men and we started negotiations. Immediately they asked us, through Mr.

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Sousa, if we would be prepared to ask the Dominion Government for a charter for a bank, through which bank the funds would be handled for the building of the road by the syndicate; and that was the answer which the Premier gave.

By Mr. Thorson:

Q. You say this man Sousa was the rustler for the syndicate?

Mr. CLEAVER: Yes, the cattle thief for them.

By Mr. Ross (Calgary East):

Q. Mr. Sousa is still resident in Alberta. Do you know him personally?—

A. Well, I just know him as the man who came to us from the syndicate; and, by the way, Mr. Ross, through Mr. Sousa I was able to get in touch with the members or some of the members of his syndicate, and I know them personally much better than I do Mr. Sousa.

By Mr. Factor:

Q. Why should they require Sousa to finance that bank?—A. We did not require that.

Q. Why entertain this proposition of his furnishing capital for the bank?—

A. Not for the bank that we are asking for now, as I tried to explain. That was the bank which they required to be set up.

Q. That was a separate bank for the construction of a road?—A. Yes; that is right.

Q. A bank to construct a road?—A. Yes, that is right.

By Mr. Graham:

Q. I am a little concerned about the suggestion in Mr. Aberhart's letter that his government would permit Mr. Sousa to nominate people to take over the bank.—A. No. I am sure if you would refer that letter to any legal adviser, he would tell you that since Mr. Sousa was there in the capacity of representative of the syndicate, that "you" meant the syndicate.

Q. No. Please understand my point, Mr. Low. It would be a very dangerous thing indeed if we considered the government of the province of Saskatchewan were acting for a group.—A. Yes, I understand, naturally. But that proposal has not materialized, and this is an altogether different application for a charter—a different purpose.

Q. Is there anybody by the name of Mr. Sousa or any other group behind this?—A. No, definitely not.

Q. They are not behind this?—A. No.

By Mr. Ross (Calgary East):

Q. You have given a very glowing account of Mr. Sousa.—A. No, I have not.

Q. You know, as a matter of fact—A. Just a moment; Mr. Chairman, I must protest against the unfair insinuation. I have not given a glowing account.

The CHAIRMAN: Mr. Ross, I must rule that Mr. Low did not glow.

By Mr. Ross (Calgary East):

Q. He told us considerable about the man. But as a matter of fact you know Mr. Sousa is a peddler of goods?—A. I did not know that.

Mr. FACTOR: This big financial man? —

Mr. ROSS (Calgary East): Yes.

By Mr. Ross (Calgary East):

Q. That was his business?—A. I did not know that.

The CHAIRMAN: A very honest occupation.

By Mr. Ross (Calgary East):

Q. At any rate, you are not financing through him at the present time; that is not the present plan?—A. Nothing whatever to do with it, sir.

Q. Who have you in mind for the first manager of this bank?—A. We have not any particular person but we are sure that we can get adequate help, trained help, as we have been able to get for our treasury branches. Every branch is under the management of a trained official.

By the Chairman:

Q. You pay your managers of the treasury branches?—A. Yes.

Q. On a commission basis or a salary basis?—A. No, salary.

Q. About what salary?—A. Depending on their experience, \$1,500, \$1,600, \$1,800, at the present time, chiefly because they have not the responsibility of making loans.

By Mr. Ross (Calgary East):

Q. Then, you were entering into other negotiations with Mr. Sousa whereby Mr. Sousa, Dr. Galbraith and Dr. Wright were going to refund the whole debt of the province?—A. No; that is wrong.

Q. Were you not familiar with that?—A. Yes, very.

Q. You tell us what these men were going to do.—A. These men were not going to refund the debt of the province; these men were acting for the same syndicate exactly as represented by Mr. Sousa, and they were given an option which they did not take up and therefore it was null and void.

By Mr. Factor:

Q. An option on what?—A. An option to refund the debt of the province.

By Mr. Ross (Calgary East):

Q. Which they did not take up?—A. That is right; and the syndicate did not take it up because of various reasons which we know—

Q. What commission were they to receive for refunding the debt of the province?—A. Commission, as a matter of fact, was never mentioned until I finally got in touch with the underwriters in the city of New York, and I am not at liberty at the present time to divulge the details of the arrangement.

Q. Now, coming to the directors, the directors are to be those persons who for the time being are the members of the executive council of the province of Alberta. Are any of the directors bankers?—A. I cannot say that any one of them is a banker.

Q. What experience have any of the members of the executive had that would fit them as managers of the bank or as directors of the bank?—A. Well, now, if you are asking this question, Mr. Ross, in an effort to show that public men are not as able to direct the policy of an institution of that kind as private men, I just refer you to the debates that took place in this particular house in 1934 and 1935 when the Bank of Canada Bill was before the House and in that debate I think several very competent men pointed out that public men are in the main just as able to carry out the duties of directors and so on as private individuals.

Q. Then you think the directors of the bank do not need to have any qualifications as bankers, or to know anything about banking?—A. Pardon me; I did not get the question.

Q. Do you think that the directors of a bank do not need to know anything about banking?—A. I am not admitting that for one moment but it might be that some of the executive council do know something about banking.

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By Mr. Casselman:

Q. Who, for example?

By Mr. Ross (Calgary East):

Q. Have you had any experience in banking?—A. Not as a banker, no, sir.

By the Chairman:

Q. As a borrower?—A. Yes, sir, I have had plenty of experience.

Mr. JAKUES: What about the directors of the Bank of Canada; are they all bankers; are there any bankers among them?

The CHAIRMAN: I do not know.

Mr. ROSS (Calgary East): I would say there are.

Mr. JAKUES: I think there is one.

The WITNESS: Not very many. I know that certainly, Mr. Chairman, it would be possible for us to obtain quite adequate trained help to do the work, just as we are doing it at the present time.

Mr. HLYNKA: You can buy brains cheaply.

The WITNESS: Yes.

By Mr. Ross (Calgary East):

Q. With a change of government two or three times in a year we would have a new board of directors two or three times a year under this act; that is correct?—A. If such an extreme should come, yes.

Q. It has come before now in Canada.—A. Not in Alberta.

Q. In more than one province.—A. Not in Alberta, we have not.

Q. In British Columbia, for example, our neighbouring province. Then, these men will take over the bank and manage it.—A. No.

Q. What are the functions of the directors?—A. The directors formulate policies; they do not manage.

Q. They formulate policies of this bank, and do these duties which pertain to directors without having any previous experience, and you think that is a proper set-up for a bank?—A. Well, it has been done before, Mr. Chairman, by a good many institutions and I suppose it will be done again.

Mr. JAKUES: That is the set-up of the Bank of Canada?

The WITNESS: Exactly.

By Mr. Graham:

Q. Mr. Low, there is one question I should like to ask. From your financial experience you will agree with me, will you not, that it would be a dangerous principle to establish, if your Alberta bank decided to do banking for the province, accept government money and loan government money?—A. Mr. Chairman—

Q. It would be possible?—A. Since 1936 the government of the province of Alberta have operated on a self-contained basis; that is, we have not borrowed from the bank and we do not intend to forsake that policy.

Q. This charter gives you the power, of course. It does not limit—
—A. Yes.

Q. It would be a very unprecedented situation, where the borrower would be the lender; don't you agree?—A. Yes, very definitely.

Q. Would you suggest that some safeguard should be put into the bill to prevent the bank lending money to its government?—A. Well, now, that is something I have not given any thought to; but I certainly would definitely say that it is not the intention of the government to obtain loans from the bank, very definitely.

Q. The power is there.

By Mr. Thorson:

Q. The power is there.—A. Yes, I suppose the power is there.

Mr. GRAHAM: Yes, I believe it is.

By Mr. Macdonald (Brantford City):

Q. There are several questions I should like to ask for information purposes. I think the committee should know clearly how the present Treasury Board and the marketing board function. Do I understand, Mr. Low, that the Treasury branch loans money to the Marketing Board?—A. They act as our agents. It is not a question of loaning. They act as our agents for purchasing. We actually do the purchasing through the marketing board.

Q. Then, there is no charge to the marketing board?—A. No.

Q. And then the marketing board will loan the money to a business firm?—A. No, not loan.

Q. They will make purchases?—A. That is right.

Q. They will make purchases for a business firm?—A. Yes.

Q. I suppose you inquire into the firm; the marketing board satisfies itself as to the soundness of the firm?—A. That is correct, and after they have examined into all phases of the proposition they make a thorough report to me as the provincial treasurer and to Mr. Manning, the Minister of Trade and Industry, and we together form a committee of the cabinet to give assent or not.

Q. You and Mr. Manning pass on all purchases to be made by the marketing board?—A. Yes, after thorough investigation and report by competent men in the marketing board.

Q. Then do I take it you do not charge interest?—A. No, we do not charge interest.

Q. To the firm?—A. No.

Q. Do you actually make these purchases for the firm?—A. No; we make the purchase ourselves.

Q. You turn the goods over to them?—A. And take security.

Q. On the goods?—A. That is correct, and on the sale. In other words the title to the goods is vested in us until such time as the proceeds have come in from their sale and have satisfied the amount of the purchases.

Q. And then the marketing board is actually in the business; they sell the goods or do the firm?—A. Yes, the marketing board does the actual business.

Q. Suppose a firm which has goods belonging to you, or in which you have at any rate a charge, receives an offer for the sale of these goods, the sale is a credit transaction, and I take it, it might be a substantial amount, do you pass on the credit of the purchaser or is that left with the company?—A. As a matter of fact, the business that we have done thus far has been restricted to cash sales.

Q. All cash?—A. All cash.

Q. Any goods purchased by the board must be sold for cash?—A. For cash. We have not the right under our treasury branch bill or act to sell for credit; it must be for cash.

Q. Then any losses which could be incurred could only occur by virtue of having to hold the goods or by virtue of having to sell them at a lower price than you purchased them?—A. Yes; but thus far we have been able to assure ourselves a market for the goods before we have gone into the business.

Q. I understood you to say that it had not been profitable to date. I understood you to say that transactions of the marketing board to date had not been profitable.—A. No.

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The CHAIRMAN: The treasury board.

WITNESS: The treasury branches as a whole have not been profitable, but the transactions—

By Mr. Kinley:

Q. Why?—A. Simply because we have not yet been able to create sufficient surpluses, deposits, to go into the various transactions on a large enough scale to make a profit.

Q. What were your losses?—A. Just excuse me for one moment. You must understand that in our efforts to secure this business we have had to build up morale, and we are trying to create the reserves at any rate to take care of any normal withdrawals, from day to day, and reserves for security, and over and above that the amount of money which we would have to go into these transactions is the amount we have taken. And thus far in our growing state we have not been able to settle definitely on any point. As soon as these levels are stabilized more or less then we will be able to tell exactly what we would need from day to day to meet demands or withdrawals and so on; and it would be possible for us to enter into these transactions much more freely. But to date the transactions carried on by the marketing board themselves have been profitable.

By Mr. Macdonald (Brantford City):

Q. Have you any other funds in the province for purchasing goods of the marketing board?—A. No.

Q. The only funds which come to you from the treasury branches?—A. That is correct.

Q. Is there any provision in the act whereby you can use other provincial funds?—A. No.

Q. You cannot borrow money. Can the treasury branches borrow money?—A. No.

Q. From any sources?—A. No.

Q. They are dependent entirely on their deposits?—A. That is correct.

Q. I take it there were two methods for anyone to deposit money. He could have the usual drawing account?—A. Yes.

Q. For which you make a nominal charge?—A. Yes.

Q. Similar to chartered banks?—A. That is correct.

Q. Then you have what is called "vouchers"?—A. Yes, that is correct.

Q. I take it from the voucher system that a person can purchase goods through the treasury branch and receive a bonus.—A. Well, they do not purchase the goods through the treasury branch. They purchase them exactly as they would with a cheque or with legal tender cash.

Q. I see. Did I understand you to say that the goods must be made in Alberta?—A. If they are to obtain the bonus, they must buy some Alberta-made goods, but they are allowed a bonus on three times the amount of purchases of Alberta-made goods. For instance, if they buy \$30 worth of Alberta-made goods and \$60 worth of other goods with vouchers—all with vouchers, mind—then they are entitled to a bonus of 3 per cent on \$90. That is, in any one month.

By Mr. Factor:

Q. The other goods have to be purchased with vouchers, too?—A. They have to be purchased with vouchers.

By Mr. Macdonald (Brantford City):

Q. But the other goods can be goods which are manufactured outside of Alberta?—A. Yes, outside of Alberta.

Q. In other words, you discriminate against the other provinces?—
A. Hardly, Mr. Chairman. We hardly discriminate.

Q. You do not think you do that?—A. Not in any sense of the word.

Q. You do give a premium, then, in connection with goods manufactured in the province?—A. Yes.

Q. On goods purchased?—A. Yes.

Q. Which have been manufactured in the province?—A. Yes.

Q. Does the Alberta government believe that is a proper thing for each province to do—to just do business or bonus industry within their own province?—A. No. I think, Mr. Chairman, that is not the case at all. But when our survey was taken in 1938 and we found that the people of Alberta were consuming only about 20 per cent of Alberta-made goods, then we decided that that was not a high enough percentage. It has never entered our minds at any stage of the game to try to get 100 per cent consumption of Alberta-made goods. We do think, however, that the people of Alberta should be loyal enough to their own industries and the establishment of these industries in the province to use a fair percentage of Alberta-made goods; and that is what we are trying to induce.

Q. Do you not think it is a dangerous policy and would lead to grave disturbance if each province advocated the purchase only of goods made within that province or the purchase of a great preponderance of goods made only within that province?—A. I quite agree with the hon. gentleman, that it might be dangerous. It would be definitely dangerous if any province or all the provinces went out with the one idea of trying to get their people to use only the goods made in that province. But surely the hon. gentleman would not admit for one moment that it is not right for the Dominion of Canada to get the people of Canada to use Canadian-made goods; and surely he will admit, Mr. Chairman, that every province in the dominion is attempting to get its people to use as much of its own goods as possible.

Q. My fear is that this is the start of something which might bring about a condition whereby each province advocated that its people should buy goods made only within their own province. I am just fearful that what you have started might spread and we will find one province opposing every other province in the dominion.

Mr. MACDONALD (Halifax): I do not think that this is relevant to the discussion of this particular bill.

Hon. Mr. ILSLEY: The only relevancy that I can see is this, that presumably if this bank is incorporated it will adopt and further—perhaps I should say “further”—the Alberta policy of giving a bonus to consumers using Alberta goods. The question that arises in my mind is whether the dominion government, as a matter of policy, should lend itself to the incorporation by special act of a financial institution which will contribute to the lessening—I was going to say “destruction,” but that is too strong a word—of interprovincial trade in Canada.

Mr. THORSON: There is another point which arises out of what Mr. Macdonald has said. I understood that one of the purposes of the proposed bank was to lend money to struggling industries. I understand that these struggling industries have received assistance from the treasury branches through the process which Mr. Low has described, namely, that the government will buy goods for them in quantity with the depositors' money. Is it intended that the bank, if it is incorporated, shall perform that function of lending money direct to these industries which are now being assisted in this other way?

The WITNESS: Mr. Chairman, it is quite conceivable that the management of the bank—if an institution of that kind can present satisfactory statements and satisfactory security, it is quite conceivable that it will be able to get loans. But there is one thing I would like to correct. I am afraid the hon. minister

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did misunderstand me when I was dealing with that phase of the treasury branch set-up which he says he fears might be taken over by the bank if it is granted a charter, namely, the bonuses. It is not the intention of the government to transfer that procedure to the bank at all. As a matter of fact, if that is continued, it will be continued under the treasury branch set-up, because we would have no power whatever, under this bill, to do that. Is that not your interpretation, Mr. MacTavish? We would have no power to do that sort of thing—the bonus—under the terms of this bill?

Mr. MacTAVISH: No, we would not.

The WITNESS: No.

Hon. Mr. ILSLEY: My only thought was this. I did not anticipate that the Alberta provincial government would take over and adopt the practice of bonusing; but the Alberta provincial bank will be owned by a government which at the present time has as its policy the bonusing of consumers or purchasers with Alberta goods. I would gather that if this bank were incorporated, it would not be incorporated primarily for the purpose of making a profit for the government of Alberta.

The WITNESS: That is right.

Hon. Mr. ILSLEY: It would be for the purpose of furthering the policies of the government of Alberta, or the government for the time being of the province of Alberta. One of those policies at present is to bonus provincial domestic trade at the expense of interprovincial trade. That may be a perfectly proper function for the government of a province to discharge. There is a certain amount of it done here and there, although we regard it, generally speaking, as deplorable, I think. Perhaps I need not say that. I think it is very dangerous. I think it is akin to putting a duty on goods coming into a province or placing a tax upon goods that are produced in other provinces.

Mr. KINLEY: It is contrary to the British North America Act.

Hon. Mr. ILSLEY: I just wanted to finish that. I think the committee would have to reckon with this possibility. If this bank is incorporated not for the purpose of making a profit in the usual way, wherever they can make a profit regardless of interprovincial difficulties, but for the purpose of furthering a provincial government policy, one of which at the present time is the furthering of domestic provincial trade rather than interprovincial trade, the committee would have to consider whether we, who are not representing only the people of the province of Alberta but the people of Canada as a whole, should incorporate an institution for that purpose.

The WITNESS: May I ask a question here just before the hon. member does? I think that you have a misapprehension there. The prime purpose of this institution will not be to further the policies of the government. It is to fill the need that extends into all of the branches of the whole of the economy of the province of Alberta. Surely the hon. minister would not say that if any section of the country is trying to build up a balance in its economy so that it can have as high a standard of living as possible for its people, it would be a dangerous policy. I am sure that the hon. minister knows that any country that can build up to a point where there is a fair balance between industrial activity and agricultural activity, that that country has the best standard of living. Surely it cannot be construed by any stretch of the imagination that, because we are endeavouring to do that for our people in the province of Alberta, we are discriminating against anybody else, any more than the Dominion of Canada would be discriminating against the people of Belgium or any other country in its attempt to build up the balance between industry and agriculture.

Mr. CLEAVER: Mr. Chairman, I just have a question or two.

The CHAIRMAN: All right.

By Mr. Cleaver:

Q. Mr. Low, it is quite obvious that the province of Alberta, through these treasury branches and through the marketing board, has been carrying on quite extensively a banking business in the past. That is, you have been receiving depositors' money and you have been financing industry. I wonder if it would not clarify the present application if you would indicate clearly to this committee what additional objects you seek to attain by this present bill?—A. Yes, Mr. Chairman. We would like the right to make loans, which we have not under our present act and which we could not give ourselves through the legislature; and we want the right to issue notes and expand credit on the basis of our deposits.

Q. Just following that along further, would you please indicate the manner in which you believe you could expand credits because of your note issue?—A. Well, in the same manner, Mr. Chairman, as the banks presently do.

Q. Would you explain what, in your opinion, happens?—A. Yes. The banks ordinarily obtain from the Bank of Canada certain instruments that are known as Bank of Canada bills; and they deposit those as a reserve against the issue of credit. At the same time they use the deposits of their depositors as a basis for the expansion of credits to those who want loans.

Q. Do you hold the belief that immediately upon the receipt of Dominion of Canada notes your bank could expand credits tenfold?—A. Well, no, I would not say that.

Q. Just tell me what your belief is, and then we will not be at cross-purposes?—A. My belief is that in time, as the deposits come in, we can use those deposits as a basis for the expansion of credits; and in time, perhaps after we have established a safe reserve for meeting the withdrawals from day to day, meeting the demands for legal tender and so on, we will be able to use the surplus for the expansion of our credit system from ten to maybe twelve times, depending upon conditions.

Q. Do you hold the belief that any bank to-day can loan or extend credit in excess of their capital plus their deposits?—A. Well, they are certainly doing it.

Q. You hold that belief?—A. Yes.

Q. Then I understand that what you hope to gain by securing the incorporation of this Alberta bank would be a power that would permit the expansion of credit many-fold; that is, that you could loan many times the amount of your capitalization and your deposits.—A. Within limits that are safe.

Q. Yes, you hold that view?—A. Yes; not the deposits, of course.

Q. Can you find any evidence to confirm that belief from any bank statement? Can you find anything in a bank statement where a bank loans more than its authorized capital plus its deposits?—A. No, I would not say deposits plus its cash reserves.

Mr. JAKUES: Every loan creates a deposit.

The WITNESS: Yes. When a loan is given that creates a deposit.

By Mr. Cleaver:

Q. You hold that belief?—A. Yes. I not only hold that belief but I am satisfied it is true.

Q. If you make a loan of \$1,000 to me and I accept that loan and walk out of your bank with the money and deposit that money in the Royal Bank, does that create a deposit for the bank of Alberta?—A. Yes; because within twenty-four hours it has been proved that it is right back in the bank from which it emanated.

Q. Would you mind indicating the proof to me right now of how that happens?—A. That is a very difficult task, Mr. Chairman, to ask of a person.

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Mr. BLACKMORE: It seems to me it has nothing to do with the bill. We are asked for an outline of the technique of banking.

Mr. CLEAVER: No, Mr. Blackmore. What I am seeking is a frank avowal of what you hope to obtain by this bill; and I can frankly say now, Mr. Chairman, that there are many people in Canada who hold the view that banks, through their cheque-book money, expand credits many-fold, and that the banks have a privilege that is very valuable to them and which no one else has. I do not know any better way of either proving or disproving that theory than by granting a charter, under proper safeguards, and I am in favour of the granting of a charter for an Alberta bank. But I think that that bank should comply with all the requirements of the Bank Act and should be subject to all the same types of taxation as our chartered banks are subject to.

The WITNESS: That is right.

Mr. CLEAVER: I do not know any better way of proving or disproving this. You men have a right to your opinion; you are honest in holding it. I do not know any better way of exploding the theory, if it is not correct, than by giving you a chance to prove it, under proper safeguard.

The WITNESS: And would you add: Prove it, if it is correct?

Mr. CLEAVER: I think the Minister of Finance, Mr. Dunning, indicated that at any time an individual from Alberta came and applied for incorporation, and was willing to take incorporation similar to what the other banks take, he would be welcome to that charter.

The WITNESS: That is right.

Mr. KINLEY: Mr. Chairman, Mr. Hanson at the outset said that the primary matter to be discussed was the principle of this bill. The principle of this bill is whether the government of Alberta, a provincial government in the confederation of Canada, should set up a bank and create directors who are now the executive council of that province. I think we will agree that this bill or that this matter is of federal concern to the whole of Canada, and the question is not so much how it will help Alberta as to how it will present itself and how it will appeal to the people of Canada generally. We must realize that the government of Alberta have powers in their own right, and I can see at once a conflict of authority as between the provincial and federal governments. The federal government controls banking and finance of this kind, and I think everybody will agree that for the purpose of stability and harmony in a country and to make the same thing prevail all over the country, that is where it should be.

Mr. JACQUES: Where?

Mr. KINLEY: Under the control of the federal parliament.

Mr. JACQUES: It is not.

Mr. KINLEY: Well, I think banking is under the control of the federal authority of this country under the British North America Act.

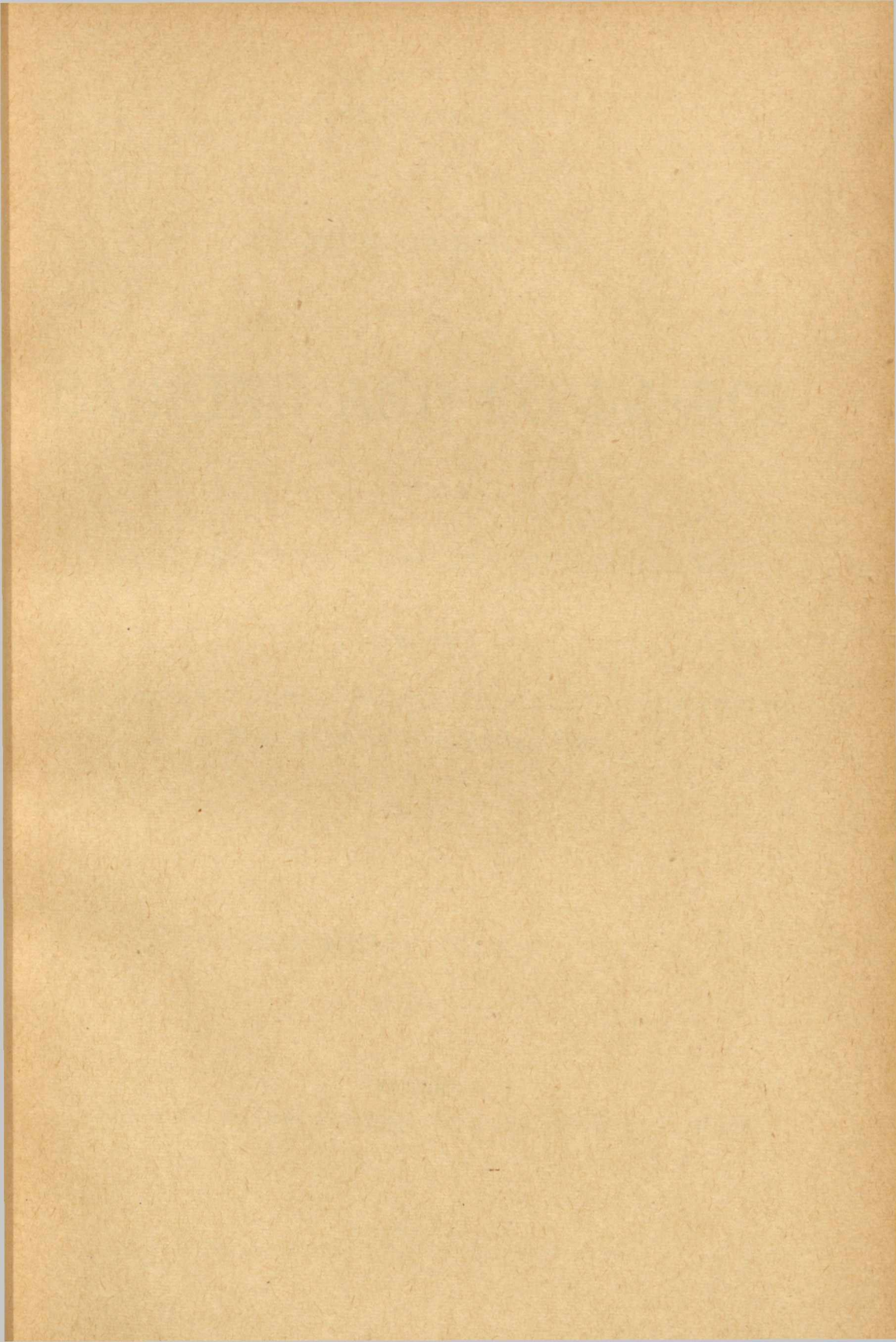
The WITNESS: Mr. Chairman, could I just interject a word?

The CHAIRMAN: Just pardon me a moment. It is just one o'clock now and we are entering on a rather new phase of discussion.

Mr. KINLEY: I want to speak to the principle of the bill, which is the setting up of a bank by a provincial government.

The CHAIRMAN: We will give you the floor, Mr. Kinley, at the adjournment. The minister will not be able to be present to-morrow morning, and I would suggest that we adjourn until four o'clock to-morrow afternoon.

The committee adjourned at 1 o'clock p.m., to meet again on Wednesday, July 17th, at four p.m.



SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 2

WEDNESDAY, JULY 17, 1940

WITNESS:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta.

MINUTES OF PROCEEDINGS

WEDNESDAY, July 17, 1940.

The Standing Committee on Banking and Commerce met at 4 o'clock p.m., the Chairman, Mr. Moore, presiding.

Members present: Messrs. Blackmore, Bercovitch, Casselman (*Edmonton East*), Cleaver, Donnelly, Factor, Jackman, Jaques, Kinley, Lapointe (*Lotbinière*), Macdonald (*Halifax*), Macmillan, McGeer, McNevin, Marier, Moore, Picard, Raymond, Slaght, Thorson, Ward, Ross (*Calgary East*).

In attendance: Hon. Solon E. Low, Provincial Treasurer, Province of Alberta, Mr. F. P. Varcoe, Counsel, Department of Justice, and Mr. D. K. MacTavish, K.C., Counsel for the Government of Alberta.

By unanimous consent the following corrections were ordered with respect to the printed evidence of July 16, viz:—

1. On page 1, line 17, sixth line of Mr. Blackmore's statement, for the word "privately-owned" substitute the word "publicly-owned".
2. For the two last lines at the bottom of page 3, substitute the following:—
Mr. Cleaver: Do you believe the proposed amendment will permit a liquidator winding up the bank to sue the province and to recover judgment against the province?
3. On page 5, line 30, for the word "cannot" substitute the word "can".
4. On page 19, line 23, for the word "bank" substitute the word "band".
5. On page 20, in Mr. Aberhart's letter, second line of the third paragraph, for the figure \$500,000 substitute the figure \$4,500,000.

With the unanimous consent of the Committee, Mr. Low made a statement.

Mr. MacTavish suggested a number of amendments to Bill 26, and referred to the various sections of the Bank Act which, under section 7 of the Bill, would not apply to the Bank to be incorporated under the said Bill.

Mr. Low was further examined, and was requested to produce a copy of Order in Council No. 73436 to appear in the minutes of evidence.

At 6 o'clock the Committee adjourned until Thursday, July 18, at 11 o'clock with the understanding that the first hour of the Committee's proceedings would be devoted to the consideration of other business referred to the Committee.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

July 17, 1940.

The Standing Committee on Banking and Commerce met at 4 p.m., the chairman, Mr. W. H. Moore, presided.

Appearances:

Hon. Solon Low, Provincial Treasurer, Province of Alberta.

D. K. MacTavish, K.C., appeared as Counsel for the government of Alberta.

The CHAIRMAN: Order, gentlemen. Mr. Blackmore, you have a statement to make, have you not?

Mr. BLACKMORE: Mr. Chairman, in the minutes of evidence of yesterday's meeting there appears a typographical error or a mistake in words in my main remarks on page 1, line 6. There I am credited with saying, "a privately-owned provincial bank." That would be an anomaly. What I said was, "a publicly-owned provincial bank." I wish to have that correction made.

Mr. Ross (*Calgary East*): Mr. Chairman, before we proceed I should like to say that yesterday I gave you a copy of a letter written by Mr. Aberhart to Mr. Sousa. I have the original letter before me now and I find that there was an error in the copy. The copy of the letter appears on page 20 of yesterday's printed proceedings, and the third paragraph of the letter reads:—

Forthwith after the said charter and licence has been issued, you will deposit in the chartered bank aforesaid a further sum of \$500,000...

It should read \$4,500,000. I would like to have that correction made. Then, I might point out while I am dealing with this that the letter is written on paper bearing the crest of the prime minister; printed on the top is "Office of the Premier of Alberta," and then it is directed to Mr. J. J. Sousa, Macdonald Hotel, Edmonton, Alberta.

Then there is another matter I wish to refer to—

The CHAIRMAN: Is it a correction?

Mr. ROSS: It is a correction, yes. Then there is another matter I wish to refer to. Yesterday in his evidence in answer to a question asked by Mr. Cleaver the witness stated this on page 20, "Mr. Sousa, representing a syndicate in the United States, came to the government of the province of Alberta, early in the spring of 1938, bearing recommendation from a number of high officials of the government in the United States, and including Mayor Andrew Davisson of Calgary. . . ." This is the part I wish to direct attention to— ". . . and including Mayor Andrew Davisson of Calgary who vouched personally for this man and his character." I have just received a letter from Mayor Davisson which I would like to read to the committee if I may. It was sent by air mail, and it reads as follows:—

MAYOR'S OFFICE, CITY HALL,
Calgary, Alberta.

July 16th, 1940.

Mr. GEO. H. ROSS, K.C., M.P.,
Ottawa, Ontario.

Dear Mr. Ross,—I note by a press dispatch to-day that Hon. Solon E. Low, Alberta Provincial Treasurer, informed (or at least implied to)

the members of the Banking and Commerce Committee of the House of Commons that I recommended Mr. J. J. Sousa, of Calgary, to the Aberhart government as a man fully qualified to operate a bank.

I wish to brand this statement as an absolute untruth. I never gave Mr. Sousa a recommendation addressed to either Hon. Mr. Low or any other member of the Alberta cabinet, certifying that he (Sousa) was capable of either financing or operating a bank.

Incidentally, as a member of the Alberta Legislature, I sincerely trust the government of Canada will not grant this charter. In expressing this hope, I know I am voicing the sentiments of a majority of the people of this province.

Already hundreds of thousands of dollars of our taxpayers' money have been wasted by our Social Credit government in operating so-called "Treasury branches." The benefits which are alleged to have accrued from the conduct of these pseudo banks certainly are not visible to the naked eye and actually only exist in the vivid imaginations of their Social Credit proponents.

In my humble opinion, if this bank charter is granted, it will merely mean another avenue for our Social Credit government to utilize in experimenting with some of its hair-brained theories, thereby wasting thousands more of our taxpayers' money. Moreover, at the same time, it will enable that government to find employment for a horde of hungry job-seekers who do not know any more about running a bank than do either Hon. Mr. Low or any other member of the Aberhart cabinet.

If you desire, you are at liberty to direct this letter to the attention of your committee.

With kind personal regards, I remain,

Yours very truly,

ANDREW DAVISSON.

The WITNESS (Mr. Low): Mr. Chairman and gentlemen, in answer to the objections that have been raised by Mr. Ross, I shall just direct his attention to the exact words as found on page 20. If Mr. Davisson is under any misapprehension it is certainly not from the text of the evidence that was given here yesterday, as I made no hint whatever in what I said that Mr. Sousa was recommended as a fit person to run a bank. I specifically said that he came bearing certain documents from a syndicate and that he came bearing recommendations from a number of high officials in the United States and from Mayor Davisson who vouched personally for this man and his character. I did not say he would run a bank or had anything to do with a bank. I have a copy of the letter on file in my office in the city of Edmonton which I can easily obtain if necessary for this committee, showing the recommendation that was sent. It was not addressed to me, it was addressed "to whom it may concern" which was even more general. That is the situation, and I feel, Mr. Chairman, that the letter which Mr. Davisson has sent down has no place on the records of the proceedings of this committee whatever, because it is irrelevant and it is not even an objection to the real statement that was made or even insinuated in this committee. I therefore would suggest, Mr. Chairman, that the letter be struck off the record, and I would like a ruling on the inclusion of that document in the proceedings of this committee.

The CHAIRMAN: What is the pleasure of the committee?

Mr. CLEAVER: Before any such ruling is given I should like to have an opportunity to be heard.

The CHAIRMAN: I am asking if it is the pleasure of the committee; the chairman would not rule, of course.

[Hon. Solon E. Low.]

Mr. McGEER: I think the letter referred to should be put before the committee before the matter is dealt with. You have a letter from Mr. Davisson?

The WITNESS: Yes, I have.

The CHAIRMAN: In the meantime shall we allow the letter as read by Mr. Ross to stand in the record?

Mr. McGEER: I do not see how you can strike that letter off the records.

Mr. CLEAVER: While we are dealing with corrections, I made an interjection on page 3 of the report of the committee's proceedings at the last meeting. Two of us were talking at once and the reporter did not get my question accurately. The question appears at the foot of page 3, and it should read:—

Do you believe the proposed amendment will permit a liquidator winding up the bank to sue the province and to recover judgment against the province?

The WITNESS: Mr. Chairman and gentlemen of the committee, there is just one correction which I think I should ask be made in the evidence on page 5. In answer to a question which was asked by Mr. Thorson:—

Q. How will it accomplish the purpose you have in mind?

My answer reads:—

A. Well, in the first place this bank certainly would operate on a more extended policy of credit issue. That is, if a man or an institution or a community or a corporation cannot put up adequate security they should be entitled to their credit. . . .

The word "cannot" should be "can", because we have no credit until we have some security upon which it can be based. That is quite obvious from the context of the reply. There are a few other minor errors, but I think they are really not so important to the issue that is before us, and I shall let them go.

In continuing, Mr. Chairman, I should like to make a preliminary statement and then be ready for any further questioning. From the conversations which I held with a number of members of this committee and others who were here yesterday I took note that some of the points which we considered here were not fully dealt with and fully understood. The intelligence of the committee, Mr. Chairman, certainly was most evident, and that being the case I have wondered if there are not two or three possible reasons why those various issues were not understood. In the first place, I wondered if we did not go too fast. I noticed yesterday, for example, that when a question was asked, before I had a chance to give the answer there were two or three other questions asked at times, and it is quite impossible for a person to answer clearly two or three questions before the committee at one time.

The CHAIRMAN: You have the chairman's sympathy.

The WITNESS: Thank you, Mr. Chairman. It seems to me too, Mr. Chairman, that we have plenty of time. That being the case why should we not go very, very carefully into each of the issues. You know this is a most important thing to the people of one of the great provinces of the Dominion of Canada, and we are serious and we are earnest and we are sincere in our endeavour to obtain a charter for this bank. Now, if these misunderstandings were because of the speed at which we were proceeding, well, perhaps, we could correct that to-day. I think, too, that the misunderstandings might, perhaps, be due to a little commotion that kept up near the back of the committee room. There seemed to be considerable noise, and there were some who insisted on talking aloud. Maybe that was the reason.

Mr. BERCOVITCH: You know that money talks.

The WITNESS: Maybe. I am sure the members of the committee would not like to have that cause any misapprehension or misunderstanding, and I

crave your indulgence during the remainder of the hearing. Now, if, on the other hand, it was because of jumping from one subject to another rapidly without exhausting the information on the one subject, maybe we can correct that too. I have in mind trying, if we possibly can, to stay with an issue until we have exhausted that issue; because I am quite prepared to stay here and answer questions just as long as it is possible for information to come to my mind of an authentic nature. I do not want to be anything but ready to give as full information as I possibly can. If you will try to confine your questions to the issue that is presently before the committee, Mr. Chairman, it would certainly assist me in exhausting the information I have. I am here, Mr. Chairman, to make as abundantly clear as possible the pertinent facts.

I believe most sincerely and most firmly that the issuance of currency and credit in terms of public need should be a function of the government and not of privately owned institutions, because it has such a tremendous bearing upon the economy of the people and upon their welfare and well being. It is for the purpose of demonstrating to the world that this very important function can be exercised by the governments of the people that we are asking you to grant us this charter.

We are only asking, Mr. Chairman, for what has been granted to a great many private groups. Why, then, should the government of one of the important provinces of the Dominion of Canada be denied the thing which so many privately owned institutions have been granted?

Just at this time, in order to remove some objections which were voiced to me privately in connection with the proposed directorate under the bill, we would not object, if the committee feels that it is wise—and surely you have upon your shoulders to-day in the consideration of this application for a charter a very, very important responsibility which acts both ways—to changing the bill, making it possible for the Lieutenant Governor in Council to appoint the directors of the bank, other than the members of the executive council for the time being. If you as a committee consider that that is the better part of wisdom, then we would certainly have no objection to having that change made.

There is one other point that was mentioned to me in private conversation which I think I should clarify. It was expressed to me that some of the members of the committee feared that we were going to use our bank in the province of Alberta to extend credits too freely to school districts, to municipal districts, to corporations, and so on. Now, while we as individuals may not know a great deal about the details of the intricate system of banking, it is our determination to get the very best obtainable assistance for the management of the bank and for the personnel under that management in order that we shall be able to carry on the business of banking as it should be carried on. We are determined to hold those men whom we obtain for those positions responsible for the safe conduct of the business. And you, as members of the parliament of Canada, know right well that our charter, if granted, will come up for renewal in a very short time, comparatively speaking; and, if at that time, we have not conducted this banking business in a way that is wise and in the best interests of the people in one of the great parts of this Dominion of Canada, then it is your privilege to revoke that licence and not to extend the charter. It seems to me, Mr. Chairman, that that is quite a safeguard; and we are prepared to demonstrate in the time that we would have before the charter comes up for renewal, if that charter is granted, that we can carry on the business of banking in a wise and important way.

With this preliminary statement, Mr. Chairman, I should like to ask our legal adviser, Mr. MacTavish, to make one other short statement, because, what we are trying to do now is to anticipate some of the problems which you face as a committee, in order that we shall not have to deal at too great length

[Hon. Solon E. Low.]

with them. As long as we can see eye to eye, why should we discuss them at length? So, if you would not mind, I should like Mr. MacTavish to say just a word.

The CHAIRMAN: Is it the pleasure of the committee that we should hear Mr. MacTavish?

SOME HON. MEMBERS: Yes.

Mr. MACTAVISH: Mr. Chairman and gentlemen, yesterday I had hoped to have an opportunity, as I thought it might be useful, to go through the Act section by section and make comments on it. That perhaps was not the wish of the committee, so I restricted myself then to a reference to the two amendments which we had suggested quite voluntarily should be added. They were 9A and 9B. I had hoped at the same time to discuss section 7, which I should like to do now very briefly, because it contains a list of the sections of the Bank Act which will not be applicable to the bill that is before you.

The reason that that is particularly important is that since the printing of the bill which is in the hands of the members of the committee at the moment there have been changes in section 7 as we proposed to have it appear in the final draft; that is to say, there are some sections which, take for example, sections 15 and 16 which are stated in section 7 to be not applicable now, we desire shall be applicable.

Those sections have an important bearing, and by way of anticipating possible objections I should perhaps draw them to your attention right now.

Section 16, particularly, is the section of the Bank Act which provides for a certificate of the treasury board. My instructions from my clients, when we were discussing this earlier, were that they were quite satisfied that section 16 should apply; in other words, the bank will have to obtain the treasury board's certificate, in exactly the same way as a chartered bank would obtain the certificate.

Mr. KINLEY: Also section 15?

Mr. MACTAVISH: Section 15?

Mr. KINLEY: And section 14.

Mr. MACTAVISH: Section 15 shall not apply, Mr. Kinley. Perhaps it would simplify it if I were to read it so that you gentlemen may check it with section 7 which is before you.

Mr. KINLEY: Supposing you start with section 14.

Mr. MACTAVISH: Yes. We propose in the new section 7, Mr. Kinley, to provide that section 14 (2) shall not apply. In other words, section 14 (1) shall apply, and I shall read it, if I may.

Section 14 (1) reads:—

The bank shall not issue notes or commence the business of banking until it has obtained from the treasury board a certificate permitting it so to do.

Mr. KINLEY: That is section 14?

Mr. MACTAVISH: Yes, that is section 14 (1).

Mr. KINLEY: Are you cutting that out?

Mr. MACTAVISH: No; we are cutting out section 14 (2), because section 14 (2) is obviously, I think, irrelevant in the circumstances.

Mr. KINLEY: What does that say?

Mr. MACTAVISH: Section 14 (2) reads:—

No application for such certificate shall be made until directors have been elected by the subscribers to the stock in the manner herein-before required.

Well, the directors are not elected, as you appreciate, in this bank, because they are not subscribers in the ordinary sense. So, in effect, the principle of section 14 (1) shall apply; in other words, the bank cannot carry on its banking business until it obtains a certificate in exactly the same way as the chartered bank obtains its certificate.

The same applies to sections 15 and 16.

Mr. KINLEY: That is the limitation?

Mr. MAC TAVISH: Section 15 provides for statements and limitations.

Mr. KINLEY: You have to start within a year?

Mr. MAC TAVISH: Yes; that is right. If I may be permitted, I think it would shorten matters if I were to read section 7 as we propose to have it so that you can readily see by following section 7 as it now is before you the changes.

Section 7, as we propose it, shall read as follows:—

The following sections of the Bank Act shall not apply to the bank: sections 12, 13, 14 (2), 18, 20, 21, 22, 23, 24, 25, 26, 30, 31, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 52, 54, 130 and 135.

I have a memorandum which gives very shortly the gist of each one of these sections and I shall be very glad to read it if the committee would like that information now. Possibly that might be a waste of time and perhaps you would rather proceed along other lines.

Mr. BERCOVITCH: I think if you would give us a brief statement of just what you intend, it would serve the purpose.

Mr. MAC TAVISH: Generally speaking, Mr. Bercovitch, the statement as to the excepted sections stands as it is in the explanatory note; that is to say, most of those sections deal with matters of the mechanics having regard to shareholders' meetings, shareholders' rights and that sort of thing. As there are no shareholders in that sense in this bank those sections become immediately irrelevant.

Mr. SLAGHT: Would it disturb you to indicate on what general ground this proposed bank which will compete with our chartered banks, of course, and their business, and affect the revenues of those banks—on what general ground is it sought that immunity from the Bank Act in all these respects should be granted to such an institution?

Mr. MAC TAVISH: The only reason, Mr. Slaght, in my view, is one of convenience in this respect; that it seems useless to have applicable to this bank sections of the Bank Act dealing with shareholders' meetings and that sort of thing which are obviously in this set-up quite irrelevant. That is the only reason. I would say that in a word those sections of the Bank Act are irrelevant to a bank of this type of structure.

Mr. SLAGHT: Is that the only type of section that all these numbers cover, that is, purely technical sections which would be stupid to have applied to a bank controlled by the province?

Mr. MAC TAVISH: Yes, sir. I think I can say without any doubt that that is exactly the situation.

Mr. BERCOVITCH: I do not think you can mean that Mr. MacTavish; you referred me to the explanatory note.

Mr. MAC TAVISH: Yes.

Mr. BERCOVITCH: I read among other things that the section of the Bank Act with which we are dealing—and from which you wish to be exempted—refers to the regulations and management of the bank. It would be of great importance I should think that the management of the bank should have some control, at least the control of the Bank Act.

[Hon. Solon E. Low.]

Mr. MAC TAVISH: Yes; "management" is perhaps not the happiest word that might have been used in that explanatory note, sir, because actually there is not anything in the Bank Act in the general statute dealing with details of management.

Mr. FACTOR: Perhaps you would get ahead better, Mr. Chairman, if you allowed Mr. MacTavish to go on with the matter section by section.

Mr. MAC TAVISH: Yes. Section 12, which is the first excepted section deals with the opening of stock books for the receipt of subscriptions by prospective shareholders.

Mr. FACTOR: That, clearly, would not apply to your bank.

Mr. MAC TAVISH: No. Section 13 provides for the first meeting of subscribers, and it is automatically out.

Section 14 is the one with which I have just dealt, and, as you know, provides for the certificate of the treasury board. That portion of it which in my conception is relevant is, of course, remaining applicable.

Section 18 deals with the authority of the shareholders to pass by-laws with respect to certain matters. That again is in my submission irrelevant.

Sections 20 to 26 inclusive represent the next few excepted sections.

Mr. CLEAVER: I wonder if you would not go quite so fast so that we can roughly check through these sections which you indicate are not relevant.

Mr. MAC TAVISH: Yes, sir.

Mr. MARIER: Will sections 15 and 16 be excepted?

Mr. MAC TAVISH: Not in the newly amended sections. We go from 14 to 18. Sections 15 and 16 will apply and section 17 will apply. Section 18, as I say, deals with the authority of the shareholders to pass by-laws.

Mr. SLAGHT: Do you skip 16?

Mr. MAC TAVISH: Yes, sir; because as I said in the newly amended section, 16 will apply to the bank and we are satisfied with it.

Mr. CLEAVER: Is it your intention not to have any by-laws regarding the internal management and operation of the bank? I am directing my question now to the proposed deletion of section 18.

Mr. MAC TAVISH: Section 18?

Mr. CLEAVER: Yes.

Mr. MAC TAVISH: Well, in so far as shareholders' by-laws are concerned I would say that is the situation, there being no shareholders in the ordinary sense of the word.

Mr. CLEAVER: No; but I take it section 18 is the broad section which permits the shareholders to pass by-laws or regulations as to the internal operation of the bank.

Mr. MAC TAVISH: Quite right.

Mr. CLEAVER: Now, would you not have to substitute some other clause in lieu of 18?

Mr. MAC TAVISH: I think that I can safely say in so far as the province is concerned there would be no objection to some regulatory—

Mr. CLEAVER: If you are to function as a bank I would think you would have to have general by-laws outlining the mode of procedure. Take, for instance, subsection 3, setting up a pension fund for employees. You will doubtless want to do that.

Mr. MAC TAVISH: I would think it is very likely that the bank will. On the other hand, the section generally provides for matters with respect to shareholders and subsection 3 that you are making reference to, Mr. Cleaver, you will note, provides that the authorization for the pension fund must come from the shareholders. Well, now, such a ruling with respect to this bank—

Mr. CLEAVER: That is why I am raising the point. I would suggest that you must have some other section in lieu of 18.

Mr. MAC TAVISH: Yes.

Mr. CLEAVER: And in view of your extraordinary set-up as to capital stock and directors—

Mr. MAC TAVISH: I think I would be perfectly prepared, subject to my instructions, to say that I would be very glad to meet the draftsmen of any of the departments and agree to some section to replace it.

Mr. BERCOVITCH: Subsection 4—if you are redrafting—ought to have your attention too.

Mr. SLAGHT: And clause G of subsection 1. Why should not that apply to the remuneration of the president, vice-president and other directors? That does not want to be wide open, does it?

Mr. MAC TAVISH: No; I would quite agree that is a matter that should be fixed.

Mr. SLAGHT: Why should this bank be exempt from that restriction?

Mr. MAC TAVISH: That restriction, as you will note, sir, is a restriction which comes from the shareholders of the bank. Here there are no shareholders in the ordinary sense. There is that mechanical difficulty that is in the way, and I am quite satisfied that as far as my clients are concerned we would be quite prepared to work out a section to replace 18 in order to provide that. Sections 20 to 26 are the next group of sections that deal with the qualifications of directors and their election by shareholders, except section 26, and that provides—well, particularly, with regard to subsection 2—the continuance in office of directors.

Now, with respect to these sections it seems to me they are irrelevant with the possible exception of 26 (2). And 26 (2) as you will note, gentlemen, by reference to the bill itself, is taken up in section 2 of the bill. That is to say the matter of election and continuance in office of directors is dealt with in section 2 of the bill before you.

Mr. FACTOR: What about the president? Do you intend to have a president of the bank?

Mr. MAC TAVISH: Section 3, subsection a, Mr. Factor, provides that the lieutenant-governor in council may appoint one of the directors as president and another vice-president of the board of directors of the bank.

Mr. FACTOR: If a vacancy occurs is the same procedure carried out? Does the lieutenant-governor in council fill the vacancy?

Mr. MAC TAVISH: Yes; I would think that would follow.

Mr. LAPOINTE: Are they receiving any remuneration? Do the president and vice-president receive any remuneration?

Mr. MAC TAVISH: There is no provision in the act at the moment; but if in accordance with Mr. Cleaver's suggestion we replace section 18 by some other relevant provision that would carry the remuneration in it.

Mr. CLEAVER: There is another point, Mr. MacTavish, which arises in connection with this section. In an ordinary bank with shareholders and directors the shareholders are entitled to annual reports as to the financial condition of the bank.

Mr. MAC TAVISH: Yes.

Mr. CLEAVER: And at their annual meetings they exercise a certain restraint or control over the directors. If things are not going well the shareholders will promptly take out the directors and appoint a new board.

Mr. MAC TAVISH: Yes.

[Hon. Solon E. Low.]

Mr. CLEAVER: Now, what sections are you suggesting, or what corresponding supervision and restraint are you suggesting should be set up as to this bank?

Mr. MAC TAVISH: Mr. Cleaver—

Mr. CLEAVER: To direct and control the directors in the exercise of the banking business.

Mr. MAC TAVISH: I think the answer to that question lies, Mr. Cleaver, in the returns that the bank will make to the Minister of Finance.

Mr. CLEAVER: You are expecting the party supporters who are keeping the cabinet in office and who go out of office if the cabinet falls, to exercise the same control and restraint that shareholders would exercise?

Mr. MAC TAVISH: Well, perhaps I would not go that far because I would admit, I think, that in no case of a government-owned undertaking is there the same intimate power in the hands of the taxpayers, shall we say, as there is in the shareholders.

Mr. CLEAVER: So where there is quite a community of interest between private members and the cabinet—

Mr. McGEER: There is the same relationship or interest in this bank with the government as exists between the government of Canada and the Bank of Canada.

Mr. MAC TAVISH: Yes.

Mr. McGEER: As exists between the government of New South Wales and the Bank of New South Wales.

Mr. MAC TAVISH: Exactly.

Mr. McGEER: There is nothing novel or unique about a national bank to-day. You cannot have the private rules and regulations or the special rules and regulations applying to a public bank that exists between shareholders and directors in a private bank because there is no such thing to which the regulations in the one case can be applied, and no need for it in the other. The men who are elected by the people are assumed to be men of integrity and honesty and intelligence, and the check on a public bank is the same as the check on parliament. If anything of the kind took place, of course, the electors have a right to deal with them. You cannot have this type of regulation applying to a public bank because you have not got shareholders in the sense that there are shareholders related to directors who are in the business for profit and who have put up their private capital.

Mr. CLEAVER: Mr. McGeer, you are not suggesting that the bank that this bill proposes to incorporate will carry on the same type of banking business as is carried on by a central bank?

Mr. SLAGHT: No; they loan money to Tom, Dick and Harry the same as any private bank, if I understand it.

Mr. MAC TAVISH: Right.

Mr. SLAGHT: This is a private bank run by the province.

Mr. CASSELMAN: A private bank run by a province.

The CHAIRMAN: Order, please.

Mr. MAC TAVISH: I think the difference is as Mr. McGeer put it, perhaps in different terms. But I think there is not the same intimacy, shall we say, between the taxpayers and the bank in this case as there is between the shareholders and the bank in a private bank. It is a matter of degree only as I see it, because in the final result the taxpayers can change the personnel of the bank in the same way as the shareholders of the bank can exercise their influence to remove the directors.

Mr. CLEAVER: The only provision of control which you have made—

The CHAIRMAN: Order, please, gentlemen.

Mr. CLEAVER: —is that—

The CHAIRMAN: May I say the reporter is having great difficulty, Mr. Cleaver, in taking down the report. Please let us have order.

Mr. CLEAVER: The only measure of control that I can think of, Mr. MacTavish, in the bill, is that you provide that annually the directors must make a financial report to the house.

Mr. MACTAVISH: No; I think, Mr. Cleaver, it goes further than that, because we must make our report to the federal Minister of Finance.

Mr. CLEAVER: No; I am not speaking of departmental control, I am speaking of shareholder control.

Mr. MACTAVISH: Well, shareholders in the sense that the taxpayers are shareholders; is that what you mean? Because there are no other shareholders in the ordinary sense.

Mr. CLEAVER: Yes.

Mr. MACTAVISH: Well, the shareholders—if you can call the taxpayers shareholders—in that way would have a check on it. The taxpayer gets his return of the expenditure of his money the ordinary way.

Mr. CLEAVER: Yes; and the only remedy then would be the fall of the government.

Mr. MACTAVISH: Yes, in the same way as the only remedy to the shareholders of an ordinary bank would be the fall of the board of directors.

Mr. BERCOVITCH: Perhaps it would be helpful—I know it would be to me, at least—if you could tell us whether the bank which exists in the province of Ontario, established by the government of the province of Ontario some years ago—differs from this.

Mr. SLAGHT: They cannot loan money to a commercial house in the ordinary way that you propose to do and in the ordinary way in which chartered banks do.

Mr. CLEAVER: They cannot issue currency.

Mr. MACTAVISH: There is no very close analogy there. They are really savings offices. I would describe them in that way.

Mr. CASSELMAN: What about the bank in Manitoba? Was it not run under the same kind of auspices?

Mr. THORSON: It was not run under the Bank Act. It was a provincial savings office.

The WITNESS: For bank deposits.

Mr. ROSS (*Calgary East*): Similar to the treasury houses of Alberta.

Mr. THORSON: It was not under the Bank Act at all.

The CHAIRMAN: Gentlemen, you are not being reported.

Mr. MACTAVISH: Then, gentlemen, if I may proceed to the next section, having dealt with that group of 20 to 26 inclusive, the first section is section 30, which deals with special meetings of shareholders and is inappropriate or irrelevant, as I have indicated. Section 31 deals with the right to vote and the method of taking the vote at shareholders' meetings, and comes under the same heading of irrelevancy. Section 33 is the next excepted section and deals with the allotment of the original unsubscribed capital.

Mr. SLAGHT: Just before you pass 20 to 26, I notice in clause 3 of 20 the majority of the directors shall be natural born or naturalized subjects of His Majesty and domiciled in Canada.

Mr. MACTAVISH: Yes, sir.

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Mr. SLAGHT: Why do you want to cut that out?

Mr. MAC TAVISH: I would say that there is particularly no direct reason except this, that it is covered in section 2 of the act which says the members of the executive council shall be the directors of the bank and they take an oath of office which is an oath of allegiance which, I think, all comes to the same thing in the end. I have just dealt with section 33, and the next is a group of sections going from 35 to 50. That is a group of sections headed in the Bank Act as "shares and calls," and it deals with just pretty much what it says—transfers, transmissions, shares and calls. The next excepted section is section 52.

Mr. CLEAVER: Before you leave the last group, Mr. MacTavish, I have a question to ask.

Mr. MAC TAVISH: Yes? That is the group of 35 to 50?

Mr. CLEAVER: Yes. What clause are you suggesting should be included in the proposed act to take the place of these sections 35 and 40 which provide that in the event the capital is lost it should be made good?

Mr. MAC TAVISH: The section that will carry that is section 9(a) which does not appear in the copy before the committee now because, as I indicated the other day, it was added after representatives of the province had had an opportunity of discussing the matter generally and perhaps unofficially with private members. If I may, I shall read that amended section. Purely for convenience I have called it 9(a). It will be inserted in the act at the proper place. That may be the place. It reads as follows:—

If any part of the paid-up capital is lost, the provincial treasurer shall, out of the general revenue fund of the province of Alberta, forthwith pay to the bank an amount equivalent to the loss, provided that all net profits shall be applied to make good such loss.

Mr. CLEAVER: What about a default clause in the event that that "shall pay" clause is not complied with?

Mr. MAC TAVISH: We discussed that yesterday, Mr. Cleaver.

Mr. CLEAVER: We did not get very far yesterday.

Mr. MAC TAVISH: I am of the same opinion as I was yesterday. I believe that, in effect, pledges the assets of the province to the bank, to replace, shall we say, what is now—as I called it yesterday—the dwindling double liability of the shareholder of the chartered bank.

Mr. CLEAVER: Have we in the dominion the power or the right to pledge the province of Alberta to pay some amount? Is not our only remedy to say that they shall pay, and to provide a penalty in the event of non-payment, namely, the cancellation of the right to do business or something of that sort?

Mr. MAC TAVISH: May I put it to you this way? I think I am safe and well within my instructions when I say that the representatives of the province of Alberta are prepared to back the bank in the way that they have indicated in this new section 9, which goes further even than section 125 of the Bank Act. If there are mechanical or constitutional difficulties in the way of that, in deference to the presence here of a law officer of the Crown—

Mr. CLEAVER: You would accept a clause drafted by the law officers of the Crown to accomplish the principle which you now outline?

Mr. MAC TAVISH: Yes. I would say this. If there are any defects in our drafting in order to carry out the idea that is undoubtedly in the minds of the representatives of the province, then we will be quite prepared to make the necessary changes.

Mr. SLAGHT: In that group which you propose to eliminate, 38 (2) requires that any loss of capital and calls, if any, made in respect thereto, shall be mentioned in the next return made by the bank to the minister.

Mr. MacTAVISH: Yes.

Mr. SLAGHT: That is to our federal minister, of course. Why do away with that obligation?

Mr. MacTAVISH: We have not. I was interrupted in reading the section. The next subsection reads as follows:

Any such loss of capital and the payment, if any, made in respect thereof, shall be mentioned in the next return made by the bank to the Minister of Finance.

Mr. SLAGHT: That was not in my draft.

Mr. MacTAVISH: No. This was added since that bill was printed.

Mr. SLAGHT: All right.

Mr. MacTAVISH: Then subsection three of this new section reads as follows:

In addition to the liability imposed by section 125 of the Bank Act in the event of the property and assets of the bank being insufficient to pay its debts and liabilities, the province of Alberta shall be liable for the deficiency.

It was that subsection I had in mind when I said, in answer to Mr. Cleaver's question, that we were endeavouring in accordance with the instructions we had from the representatives of Alberta to pledge the assets of the province. If there are any constitutional defects in that, my friend Mr. Varcoe will call them to my attention.

Mr. CLEAVER: It is the question of physical difficulties that is worrying me. How can we covenant on the part of the province of Alberta that Alberta will pay?

Mr. FACTOR: It is a condition in the act.

Mr. BERCOVITCH: I think that is a very serious objection. The province of Alberta, we must bear in mind, is not a party to this at all. The province of Alberta, to all intents and purposes as far as this act is concerned, is non est.

Mr. MacTAVISH: We are the promoters of the act.

Mr. BERCOVITCH: No.

Mr. MacTAVISH: To that extent.

Mr. BERCOVITCH: Not as I understand it.

The CHAIRMAN: A little louder, Mr. Bercovitch.

Mr. MacTAVISH: The preamble.

The CHAIRMAN: Let Mr. Bercovitch make his point.

Mr. ROSS (*Calgary East*): By accepting the charter they become parties to it.

Mr. MacTAVISH: I would refer you to the preamble, if I may.

Mr. BERCOVITCH: Never mind, Mr. Chairman. I will make my point a little later.

Mr. MacTAVISH: Was there anything else, gentlemen, under that group of sections 35 to 50?

Mr. FACTOR: What about authority to sue the province?

Mr. MacTAVISH: Well, the newly-added section 9 (b) which I discussed yesterday and which perhaps Mr. Cleaver feels is not adequate, reads as follows. In my view it is.

The bank shall be liable to suit in the same manner and to the same extent as any bank which is subject to the provisions of the Bank Act in chapter 24 . . .

etc. So that it puts us in exactly the same case as any chartered bank with respect to the right of suit.

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Mr. ROSS: You go further than that and say it cannot be sued without its own consent, because the province cannot be sued without its consent.

Mr. McGEER: A chartered bank can be sued, and that provision provides that this bank may be sued just as any chartered bank under the Bank Act may be sued. It is a corporation, the Bank of Alberta; and Alberta's power to deny the right to sue the government does not extend to this corporation.

Mr. CLEAVER: My point is that the time might arise when a liquidator might want to sue the province; he might want to sue the province, not the bank, under the guarantee, in which event there should be the right to sue the province without the consent of the province.

Mr. MACDONALD (*Halifax*): That would be ineffective. We could not pass that legislation here.

Mr. THORSON: I raised that question yesterday. You have, by your draft, imposed an obligation upon the province to make good any capital losses. While you have provided for the right to sue the bank, you have made no provision for the right to sue the province, to compel the province to fulfill the obligation which you have, by your draft, imposed upon them. This is what I think Mr. Cleaver is driving at. Ought there not to be a right to sue the province as a matter of right and not by way of petition of right, and without requiring the consent or authority of the attorney-general of the province or anyone in the province?

Mr. McGEER: The only way it could be done would be by an act of the provincial legislature of Alberta, and such an act would not give any guarantee at all; because the province of Alberta can pass an act in one legislature that can be rescinded by a succeeding legislature. If it were the desire of the province of Alberta, at the time of the liquidation of the bank, to resist suit authorized by an act of a previous legislature, that could be done simply by repealing that act. There is no way by which you can change the constitution of the dominion and establish a guarantee that will hold water.

Mr. THORSON: That is exactly it. That is not quite in line with what I had in mind, but it touches the same point. You impose by a dominion act, or by your proposed amendment 9(a) you impose, by dominion legislation, an obligation on the province. The question I asked yesterday was what sanctions there would be behind the enforcement of that obligation which is imposed by your amendment by the dominion on the province. There are great difficulties involved in that.

Mr. MACTAVISH: Yes. One sanction that I mentioned yesterday would be the supervision provided in the Bank Act through the federal government; that is to say, the sanction that lies in not continuing the charter when it is called in. That is one sanction. With respect to the other sanctions, I think that the answer might be pretty much the answer that I made to Mr. Cleaver, that if there are constitutional difficulties there, we will endeavour to work them out. In drafting those two amendments, I had the advantage of a discussion with Mr. Frawley, one of the law officers of the department of Alberta, and also with the Hon. Mr. Maynard who happened to be in Ottawa at the time. I can quite safely say that there was no doubt in the minds of those two gentlemen as to the objective to be attained, and the objective was to make a good pledge of the assets of the province in backing this bank.

Mr. THORSON: My point is this. If this parliament imposes a statutory obligation upon the province of Alberta—and we have a right to do that—then we ought also to make a statutory provision for the enforcement of that obligation or the performance of that obligation by suit against the province. That raises the whole question as to whether the dominion parliament can impose that obligation on the province and give a private person the right to sue the province in spite of its own wishes in the matter.

Mr. MACTAVISH: Yes.

Mr. THORSON: Because unless we give the right to sue the province as a matter of right, then the province could refuse to give permission to bring an action.

Mr. MACTAVISH: Yes.

Mr. THORSON: Against his Majesty the King in the right of the province.

Mr. McGEER: How could you do that?

Mr. THORSON: I do not know.

Mr. MACDONALD (*Halifax*): I do not think you can do that in the parliament of Canada. I do not think in this parliament we are given the power to give a private corporation the right to sue a province.

Mr. THORSON: I have my doubts on that. Then what is the value of the clause imposing the obligation on the province to make good the capital loss?

Mr. SLAGHT: It is of no value.

Mr. THORSON: That is the point I make.

Mr. McGEER: I would not go so far as to say it is of no value.

Mr. THORSON: No. It might be of some value. But if we impose an obligation we ought to have the right to set up the machinery to compel the enforcement of the obligation.

The WITNESS: Mr. Chairman, would it not be simply the imposition upon the province of a so-called double liability, or at least a liability similar to the double liability that you have in the ordinary chartered bank upon the shareholder?

Mr. THORSON: Quite so.

The WITNESS: All right. Then can you conceive of any situation in which a private individual may want to sue the government for capital losses?

Mr. THORSON: Yes, quite.

Mr. MACTAVISH: I wish the hon. member would give it here.

Mr. THORSON: Then why impose the obligation to make good the capital loss, unless you have somewhere the right to enforce that obligation.

The WITNESS: Simply for this reason, it gives the legislature of the province of Alberta, and we will say more particularly the provincial treasurer, a reason for putting before the legislature an appropriation under their Appropriation Act and at the time of bringing down their budget for sufficient money to pay up the capital loss; that is the big reason. The authority must be there somehow.

Mr. SLAGHT: On this point, Mr. Low, may I ask this; is it conceivable that this bank if we pass the Act may in the course of doing business become indebted by millions of dollars to other chartered banks in Canada; is that a possibility?

The WITNESS: Oh, yes.

By Mr. Slaght:

Q. Then, let us assume their obligations become very heavy, things are working badly just for the moment, and there is such a loss that the chartered banks of Canada cannot enforce from the assets of the Bank of Alberta their judgments that they might recover; let us take that picture. Now then, what power would there be to compel the province of Alberta to put funds into the treasury of the Bank of Alberta to pay these judgments? If Mr. McGeer correctly stated the law, and I believe he did, that the province might pass an Act and send it down here to us saying they were willing to waive the right of immunity to suit, and then when trouble arises repeal that and set up their provincial right of immunity from suit without fiat; and the chartered banks of Canada having millions of dollars of judgments could be laughed at and could not enforce

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them out of the assets of the province of Alberta; how would you meet that suggestion?—A. Well, that situation might quite conceivably arise even with a chartered bank to-day.

Q. I suggest to you— —A. You could only go to a certain point in enforcing the sanctions, is that not true?

Q. But there is quite a difference. The double liability of shareholders in chartered banks as they exist to-day can be enforced through the courts against the shareholder and he cannot set up any right such as a province has to refuse to give a fiat to be sued.—A. Yes.

Q. Therefore the barrier in the way of a creditor enforcing judgment against him under the double liability does not exist, but you would create a barrier here.—A. Not "would", sir.

Q. Pardon?—A. Not "would".

Q. I mean "could"; and it is a political bank after all run by the party in power; and if their business in good faith turned out badly and they said we don't care, we owe The Bank of Commerce \$8,000,000 or \$10,000,000, and The Royal Bank of Canada \$5,000,000 more, we are going to refuse to pay our debts; as that province has refused, as I understand, to pay some of their outstanding obligations now; then, what protection have the creditors of such a bank for enforcing their judgment?

By Mr. Thorson:

Q. In other words, what takes the place of the double liability?—A. Clause 9(a) with which Mr. MacTavish was dealing, and the first subsection says: "If any part of the paid up capital is lost—paid up capital."

Q. Yes.—A. The provincial treasurer shall out of the general revenue of the province of Alberta forthwith pay to the bank an amount equivalent to the loss provided that any profit shall be payable to make good such loss.

Q. That does not equal the double liability of the shareholders of an ordinary bank.—A. It may exceed the double liability of an ordinary bank.

By Mr. Slaght:

Q. It might be different though if he sets up immunity from the right to sue him.—A. I can assure you of this, it would certainly be poor policy for any corporation or any institution setting up a bank to anticipate, we will say, refusing to make good their capital losses, because we all know they would not remain very long in business and certainly the future of the business is their first interest.

Q. Would it be any worse to repudiate the capital obligations of chartered banks of the kind I indicated than to repudiate the obligations of your province on bonds sold? I do not see any distinction between the two, perhaps you could show me.—A. That would be quite true if we had repudiated, Mr. Chairman; but that is an unfair implication. The Province of Alberta has not repudiated anything.

Mr. THORSON: It has not paid.

The WITNESS: It has not paid, it is quite true.

By Mr. Slaght:

Q. And it has set up the barrier of immunity from suit in protection of its refusal to pay, if I understand correctly.—A. That is not right either, because we have granted a fiat to several suits; and plenty of indication of that is shown in the events of the past few months.

Q. Has anybody got his money through suit?—A. They have not gone that far yet.

By Mr. Cleaver:

Q. You are the treasurer of the province sir; perhaps you could just tell us briefly the standing of Alberta in regard to non-payment of bonds; and are there any reasons, good reasons, why you have not paid your obligations?—A. Yes, I can make that very clear, Mr. Chairman. We have defaulted, it is quite true, in the payment of principal on a number of maturities.

Q. Could you give us the approximate value of those securities?—A. I can give you the amounts exactly: a total of \$14,855,200, as at February 15, 1940; that is the date of the latest maturity.

Q. That is principal?—A. That is principal, of which \$1,457,100 is held by the provincial sinking funds leaving an amount of \$13,398,100 held by the public.

Q. What about the interest?—A. Just let me deal first with the principal. These amounts remain unpaid for the simple reason that the Bank of Canada completely refused the application of the Province of Alberta for assistance in meeting its maturities. They were importuned on several occasions at the time the first maturities had to go by default, for assistance to meet these and they flatly refused.

Q. What terms did the Bank of Canada impose as a condition precedent to granting assistance, and why were they turned down?—A. The Bank of Canada did not place any condition. They simply came into Alberta at our request and made their report on the financial condition of the province of Alberta and recommended that no help be given.

Q. I am only speaking from memory, but my recollection is that the province of Alberta declined to co-operate with the Dominion.—A. Well, that is different. Keep in mind that we are dealing with the Bank of Canada. We asked the Bank of Canada to assist us to meet these maturities, not the federal treasury, at the time, though the federal treasury was asked for assistance in the same manner. I am dealing now with the Bank of Canada.

Q. All right.—A. The Bank of Canada was set up with one of its primary purposes being to assist the Dominion of Canada in its financing, and the provinces of the Dominion of Canada in financing their obligations; and they failed miserably in meeting that purpose.

Q. You say, Mr. Low, the Bank of Canada declined to give you their assistance and gave no reason?—A. They did give reasons subsequently, as embodied in the report on the financial position of the province of Alberta in 1937.

Q. Roughly, what were the reasons?—A. I could sum up very quickly from the report itself at page 42: "We can only deal with the situation as it is, not as it might have been in other circumstances. We find that Alberta can maintain its governmental services on as favourable a basis as is maintained by Saskatchewan without receiving additional assistance, we therefore see no basis for recommending that temporary financial aid should be extended by the Dominion Government".

Q. Yes. Well then, in plain English that means, you could pay if you wanted to.—A. That was their opinion, but I must take objection to that. They did not report on our ability to pay our maturities, they were reporting on our ability to maintain our governmental services.

Q. Well, then, on your ability to pay—I am reading from appendix 4 of the Sirois report at page 55—comparing Alberta with Saskatchewan, Saskatchewan's gross national income in the half year, for the period covered by the report, was \$452,000,000 odd and that dropped to a low in 1933 of \$125,000,000. In other words there was a reduction in income of down to 27.7 per cent. Those were the figures for Saskatchewan. Now, I come to Alberta. Alberta income in 1928—

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The CHAIRMAN: Are you speaking of national income?

Mr. CLEAVER: National income. —was \$381,000,000, and that dropped in 1933, the same year as I gave for Saskatchewan, to \$158,000,000 odd; a reduction of only 41·7 per cent. Now, obviously in their national income, taking a par of 100 in 1928 when the Alberta income dropped from 100 down to 41·7, does that not bear out the finding of the Bank of Canada, that you could pay if you wanted to?

The WITNESS: No, it does not; because you also have to consider the amount that Saskatchewan received in assistance from the federal government.

By Mr. Cleaver:

Q. Yes, I understand Saskatchewan complied with the requests and the requirements of the treasury here, plus the Bank of Canada, and received assistance consequently.—A. Not complied, sir, because the suggestion of the loan council was not carried into effect, and it is very doubtful if it would have been even had Alberta acceded to the suggestions.

Q. What is your opinion as to why Saskatchewan is able to meet its maturities and you are not able to?—A. That is what I have been trying to find out now for three or four years.

By Mr. Thorson:

Q. The Bank of Canada found that there should be assistance in Saskatchewan?—A. Yes.

Q. And found that in the case of Alberta that Alberta should not require assistance.—A. That was interim assistance, that had nothing whatever to do with the maturities.

Q. No. Now, are you suggesting that the Bank of Canada would make a report regarding Alberta on a different basis from the report which they made with regard to Saskatchewan, with different motives in mind?—A. No, I think perhaps there are two things which must be kept separate. Each of the provinces, Saskatchewan, Manitoba and Alberta, did make requests of the Bank of Canada. In the first place they made requests for interim assistance until such time as the Sirois royal commission report was issued and implemented. That was to help them carry on their existing services. Secondly, they made application for assistance in meeting their maturities. The report that I mentioned had to do with the requests for interim assistance, but other requests were made by Alberta, Saskatchewan, Manitoba, and British Columbia, that I know of, for assistance in meeting maturities. Alberta did not get assistance and the other provinces did. That is what I am trying to find out. Why?

By Mr. Cleaver:

Q. Would you tell us why?—A. I have never been able to find out why.

Q. Then is it true that the treasury board here asked for certain requirements to be complied with by both of the provinces asking for assistance, and as to Saskatchewan the requirements were complied with and as to Alberta they were not complied with?—A. Well, they were different requests; different requests.

Q. Did Alberta co-operate?—A. Alberta refused to agree to the loan council idea, surely.

By Mr. Kinley:

Q. Mr. Low, did not your government aggravate the situation by making it almost impossible for private banks to do business in Alberta?—A. No.

Q. Did you not try to tax them out of existence?—A. No, sir.

Q. The Privy Council say so and the courts of Alberta say so.—A. I humbly beg to deny even what the Privy Council said, if that is their statement, because we did not anticipate taxing them out of existence.

Q. The following are extracts from the judgment of the Privy Council indicating their view as well as the view of the judges of the Supreme Court of Canada that the Alberta government has the clear intention of forcing the chartered banks out of the province of Alberta:—

It does not seem to be necessary to set out the undisputed tables of figures showing the particulars of this gigantic increase in the taxation of banks within the province. Their lordships do not disagree with the chief justice and Davis J. that the facts are sufficient "to show that such a rate of taxation must be prohibitive in fact and must be known to the Alberta legislature to be prohibitive".

Their lordships agree with the opinion expressed by Kerwin J. (concurring in by Crocket J.) that there is no escape from the conclusion that, instead of being in any true sense taxation in order to the raising of a revenue for provincial purposes, the bill No. 1 (an Act respecting the Taxation of Banks) is merely "part of a legislative plan to prevent the operation within the province of those banking institutions which have been called into existence and given the necessary powers to conduct their business by the only proper authority, the parliament of Canada."

This is a sufficient ground for holding that the bill is ultra vires.

Those are extracts from the judgment of the Privy Council which show that you did try to tax private banks out of existence in the province of Alberta.—A. Mr. Chairman, that is their opinion clearly in that judgment, but the preamble to the Act that was put through the legislature at the time of placing upon the banks that extra taxation shows that it was for the purpose of raising revenue. We needed that revenue badly and we were trying to get it.

By Mr. Thorson:

Q. The preamble was a pretence.—A. That, of course, Mr. Chairman, is his opinion.

Q. The Privy Council adjudicated that it was a pretence.

Mr. SLAGHT: A mere cloak of virtue, it said.

The WITNESS: All I can say, still, Mr. Chairman, is that it was no pretence; that we were serious and sincere in attempting to obtain revenue.

Mr. KINLEY: May I read this to the committee:—

The Credit of Alberta Regulation Act, 1937, was passed by the legislative assembly, but because it constituted a re-enactment in principle of the disallowed chapter 1 of 1937, second session, the Lieutenant Governor referred it for the signification of the pleasure of the Governor General. At the third session the Bank Taxation Act was passed by the legislative assembly and was likewise referred to the Lieutenant Governor.

The bill provided for additional taxation of the banks which would have required them to pay to the province of Alberta about \$2,000,000 in addition to approximately \$210,000 already payable under the Corporations Tax Act.

These two bills were referred by the Dominion government to the Supreme Court of Canada for its opinion upon their constitutional validity. The court decided that both bills were invalid. Subsequently it came to the judicial committee of the Privy Council, and the bill providing for the taxation of banks was held ultra vires.

Now, Mr. Chairman, it seems to me that there was a determined effort to
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destroy the banking system of Canada within Alberta, and that their powers of taxation were used, and that they did aggravate the situation by reason of this action.

Mr. BLACKMORE: Mr. Chairman, may I raise one question? I believe a moment ago we started to discuss the question of whether or not Alberta could pay. By what peculiar devious line of reasoning have we got on this particular subject?

Mr. KINLEY: My suggestion was—

Mr. BLACKMORE: Please allow me to finish.

Mr. KINLEY: Yes.

Mr. BLACKMORE: We are now talking about Alberta attempting to tax the banks out of existence. If I reason logically then Alberta's attempt to raise additional revenue from the banks was a definite attempt to raise extra money so that it could carry on, and was evidence that Alberta did not have sufficient funds with which to carry on as she was deriving them from existing sources of revenue.

Mr. CLEAVER: Yes, but did she impose equivalent taxation on other types of business in the province?

Mr. BLACKMORE: This is the point at which we need to be perfectly calm. These are interesting matters, and the Alberta representative is ready to go right to the mat and to the furthest possible ramifications of every little detail. These are vital matters, and we do not want to rush them at all. My reason for rising, Mr. Chairman, is that we are violating the unity and logicity of our procedure by switching from the question of Alberta's ability to pay to the question of whether or not Alberta was trying to tax the banks out of existence. It seems to me we should pursue our discussion of whether or not Alberta was able to pay, then at a later time, either in this session or at a succeeding one, prosecute our investigation into the latter question which is a very interesting question and which I think you will find Mr. Low perfectly capable of dealing with.

While I am on my feet, Mr. Chairman, may I offer one observation. All honourable members of this committee will realize the encyclopaedic knowledge and mastery of detail which a man like Mr. Low must possess to stand up here and answer every kind of question flashed from every possible angle. Everybody must realize that to expect him to answer every one of these questions down to the minutest detail is not being as fair as the committee ordinarily aims to be. Consequently, if we are going to discuss the matter which Mr. Kinley raised, it seems to me it would be only fair to give Mr. Low a day's notice so that he could be ready and the members of the committee could be ready; then we could discuss the matter without having general statements.

My suggestion is that we should go back to the question of Alberta's ability to pay.

Mr. KINLEY: If he wants time for Mr. Low to answer in regard to the undue taxation of banks we could consider it at another session.

Mr. THORSON: I should like to suggest that Mr. MacTavish be allowed to finish his presentation. We interrupted him in the course of his presentation, and it might be desirable to have the whole of his presentation on this day's record.

Mr. CASSELMAN: Mr. Chairman, before you finish with this question of Alberta's inability to pay, I think this is a matter that we may want to look into. I think Mr. Low should tell this committee the difference between the amount of revenue derived by the province of Alberta in the last complete year of the previous government as compared with the first complete year of this govern-

ment. He can probably give us those figures, but, if not, I should like to have them on the record. They are very pertinent to the question of Alberta's ability to pay.

The WITNESS: Very well, I can give you those right now. The revenue for the year ended March 31, 1936, the last complete year of the previous administration—

Mr. CASSELMAN: No.

The WITNESS: Yes.

By Mr. Casselman:

Q. You were elected in the fall of 1935.—A. The honourable gentleman knows full well that we could not hold a session and that the budget was passed and had to be carried out by this government.

The CHAIRMAN: What year do you want, Mr. Casselman?

Mr. CASSELMAN: The years ending March 31, 1935, March 31, 1936 and March 31, 1937.

The WITNESS: I can give that, Mr. Chairman, right off without having to look up any figures at all. In the year ended March 31, 1936, the total revenue of the province was around \$30,000,000. In the year ended March 31, 1937, the first full year of our administration, the first year over which we had any control over budgetary matters, it was approximately \$25,000,000.

Mr. SLAGHT: If Mr. Low is coming back, may I ask him to equip himself to furnish in addition to the principal of \$13,000,000 net defaulted to other creditors, the amount of interest defaulted.

The WITNESS: Yes.

Mr. SLAGHT: And to tell us some details of the law suits which are now under way by creditors to compel payment of the default and the plight of those law suits and the courts they were in.

Mr. DONNELLY: I should like to have your revenue for 1935 right down to 1939.

The WITNESS: Yes; I could give you that in just a few minutes.

Mr. DONNELLY: I would like to have those revenues. We want to see your ability to pay.

Mr. BLACKMORE: May I suggest at this time that we proceed now, as was suggested, with Mr. MacTavish's report, and that we bear in mind that probably the first thing to-morrow we will discuss the question of Alberta's ability to pay. We will stay right with that question until the committee is satisfied on the matter, until they see both Alberta's standpoint as well as the standpoint of the other people, or the Social Credit standpoint as well as the standpoint of the other people; then that we proceed to a discussion of whether or not Alberta tried to tax the banks out of existence, the Privy Council to be contrary notwithstanding.

The CHAIRMAN: Mr. MacTavish.

Mr. MACTAVISH: I shall be very short, gentlemen. I have just dealt with the group of sections from 35 to 50, under the heading "Shares and Calls," and if there is no other question I shall proceed. You will notice the next excepted section is section 52. Section 52 deals with the rights and liabilities of persons holding stock as executors, administrators, et cetera.

Mr. SLAGHT: Before you leave that group may I say 45 provides the way for a creditor to sell shares under execution.

Mr. MACTAVISH: Yes.

Mr. SLAGHT: Why are you taking that right away by repealing 45?

[Hon. Solon E. Low.]

Mr. MAC TAVISH: Because there are no shares in the ordinary sense, sir, in the hands of shareholders.

Mr. SLAGHT: But they are in the hands of the province of Alberta who control the bank. If you seize and sell them then you have got the bank if you buy them in.

Mr. MAC TAVISH: Except this, sir—I may be wrong. Is not this the situation? You have one shareholder, which is the province represented by the executive council.

Mr. SLAGHT: Sitting there holding all the shares of the bank.

Mr. MAC TAVISH: Yes.

Mr. SLAGHT: You are not going to permit the sheriff to seize them at the instance of a creditor. Why not?

Mr. MAC TAVISH: Well, I see no objection to it, Mr. Slaght. As I say, Mr. Crawley and the Hon. Mr. Maynard and myself in discussing it felt that we had provided the fullest rights to the creditors in these two amended sections. But as I say, it is perfectly clear to me that the intention was to provide every possible right to the creditor and I see no objection to that.

Mr. SLAGHT: As I listened to that, it did not at all purport to give the right that you are taking away when you take away 45. That is the right of seizure of shares by the sheriff at the instance of creditor execution.

Mr. MAC TAVISH: I quite agree with you, sir. It does not do it in that way. I submit though that the effect of the two new sections, 9a and 9b, is as follows: 9a provides for loss of paid up capital, and that must be repaid out of revenue of the province. 9b provides the right of suit against the bank. Capital of the bank must be repaid continually out of the funds of the province, and the bank can be sued. It would seem to me that unless the assets of the province of Alberta fail the bank can never be, as we say, judgment proof or execution proof.

Mr. THORSON: I come back to my point. You have not provided the creditor of the bank with any right of action against the one shareholder, the province.

Mr. MAC TAVISH: I agree, sir, to that. We have provided—

Mr. THORSON: Why should not you provide that right?

Mr. MAC TAVISH: I see no objection to it, quite frankly.

Mr. BERCOVITCH: If there is no provision in the act, would not the general law apply on the assets of the bank the same as on the assets of any other individual or corporation?

Mr. THORSON: No. The point is, the creditor can sue the bank and can seize the assets of the bank; but the section that Mr. Slaght refers to was the right to go further and sell the shares of the shareholder. Now the shareholder is the province; and you have imposed an obligation on the province to make good a certain capital loss. If the province does not do that it might conceivably bring about this situation. The creditor would have the right against the province of compelling it to perform its obligation, which you place upon it under this statute, and get a judgment and then seize the assets of the province, which in this case would be partly shares that the province owns in that bank.

Mr. MAC TAVISH: As I take it, section 45 implements the double liability.

Mr. CLEAVER: No; I think section 45 has to do with creditors, not shareholders, entirely apart from the bank. Now, there may be creditors right now who have an unsatisfied judgment against the province of Alberta.

Mr. MACDONALD (*Halifax*): If I may say one word, I would say this: we are talking about parliament here giving the creditor of the bank the right to

sue the province. We are wasting time, I suggest, in trying to provide for such an action in this bill. We may just as well realize at once that there would be no such right given to the creditor of a bank. We have to accept that.

Mr. THORSON: I quite appreciate that; but it seems to me that some such right should follow, with the imposition of the obligation. You put in the imposition of the obligation and the enforcement of the obligation and I am questioning their value in the bill and also the propriety of this dominion seeking to impose upon the province the obligation and the corollary remedy. Now, can the dominion do that? I think Mr. Macdonald has asked a pertinent question. Can the dominion impose that obligation upon the province?

Mr. BLACKMORE: I think that probably it would be a good thing for the committee to bear this in mind: that the success or failure of a provincial bank in Alberta is going to depend on whether or not the provincial bank can establish in the minds of Alberta confidence in the bank; and if it does not establish confidence in the bank it will fail.

It seems to me that this same desire on the part of the people managing the bank to establish such confidence and to maintain it will be the most powerful check against unwise management.

Mr. THORSON: Yes, but if the confidence does not follow and the bank fails. Assume that possibility—it is a possibility. And that is the purpose of the amendment suggested in 9(a).

Mr. SLAGHT: I may say that is what is troubling me also. Assuming it depends on what you say it does, and it is operated with the utmost good faith but a terrific failure results. We are concerned particularly with the right the creditors have. The bank has failed and there is an empty egg shell for them. Either that or they are dependent entirely upon the integrity of the province to come forward with the taxpayers money and fill the empty pail of the bank. And if it depends on the integrity of the province it seems to me quite pertinent to go to the bottom of a province which as Mr. Low puts it is not paying, and as I put it refusing to pay by fighting lawsuits in the courts which are taken to make them pay their bonded obligations. That is my trouble at the moment.

Mr. BLACKMORE: I would say, Mr. Chairman, before Mr. MacTavish goes on, that there is another whole aspect of the question which the committee will undoubtedly probe into by and by. That aspect is as to the integrity of the present administration in Alberta, as to whether or not they have been honourable with respect to the commitments which they themselves have made. It must be granted that all of these maturities upon which they are now in default are maturities which were committed for by previous administrations.

Mr. THORSON: But they are maturities of the province of Alberta.

Mr. BLACKMORE: That is true. But they are maturities which, if we find the right kind of information in our investigation in the next few days, will be shown to have been rendered impossible of honouring by a set of circumstances over which the present administration in Alberta had no kind of control, or at least no adequate control. If it can be shown that the province of Alberta or the administration at the present time has honoured all its commitments and has shown wisdom, judgment and restraint in all its financial dealings thus far, then it would go far to allay anxiety in our minds as to whether it would be safe to give it authority to make greater commitments.

The CHAIRMAN: Suppose we allow Mr. MacTavish to finish his statement.

Mr. MACTAVISH: Mr. Chairman and gentlemen, as the legal members of the committee will appreciate, we were quite conscious of the difficulties which Mr. Thorson has raised when I had this conference with Mr. Frawley of Alberta and Hon. Mr. Maynard. I am glad Mr. Slaght used the analogy of the empty pail, because it so happens that in our previous discussion in my office I was

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using the analogy of the empty basket. What we endeavoured to do in those amendments was to provide that there would always be, so to speak, a full basket. In other words, we would put it this way, that the provincial treasurer, when the basket becomes empty—that is, when the capital is lost—shall provide out of the revenues something to put in the basket; then the basket shall be given back to the creditors by section 9(b), because the bank can be sued in the same way as a chartered bank. I fully appreciate Mr. Thorson's point.

Mr. THORSON: How are you going to make the province keep the basket full?

Mr. MAC TAVISH: What Mr. Thorson has in mind is the sanctions on the provincial treasurer who is directed to fill the basket. There may be a constitutional difficulty, and the best that I can say at the moment is that I am fully prepared to endeavour to work that out in any wording that is appropriate, because there is no doubt in my mind that the spirit of my instructions was to remove any obstacle of that sort, so that those assets could be made available and would back the bank in every possible way. I think that is all I can usefully say on that point at this moment, because, frankly, I am unable to see at this moment just exactly how that can be worded to do what you want, Mr. Thorson, and what I believe the representatives of the province desire also.

Mr. MACDONALD (*Halifax*): Is the province borrowing money from the bank to-day?

The WITNESS: No, Mr. Chairman.

Mr. THORSON: There are just a few remaining sections, I believe.

Mr. MAC TAVISH: There are just four remaining sections that are excepted, and I can deal with them in a very few moments. The next one, as you will note, is section 52, and it deals with certain reports to be made by the directors to the shareholders. I beg your pardon. I have already dealt with section 52. That is as to the rights and liabilities of persons holding stock in the capacity of executor, etc., and I suggest that they are not relevant. Then section 54 deals with reports to be made by the directors to the shareholders, and it would appear that those are irrelevant as well, because the personality of the director is the same personality as the shareholder. The next excepted section is section 130, which deals with the liability of certain shareholders in case of suspension by the bank, and it is submitted and suggested that this section is also irrelevant.

Mr. THORSON: That is where they have transferred their stock.

Mr. MAC TAVISH: It arises out of cancellation of subscriptions; and as there are no subscriptions in the ordinary sense of the word, it seems irrelevant. Section 135 provides certain penalties, I think, or creates an offence with respect to sales and transfers; and that also, it has been suggested, gentlemen, is irrelevant. I have now covered all the exceptions.

Mr. BERCOVITCH: I do not know why 135 should be, really, Mr. MacTavish.

Mr. MAC TAVISH: I will read 135. It is as follows:—

135. Any person, whether principal, broker or agent, who wilfully sells or transfers or attempts to sell or transfer

(c) any share or shares, without the assent to such sale of the registered owner thereof

is guilty of an offence against this Act.

The bank shares, as you know, Mr. Bercovitch, are not negotiable in the ordinary way. They are what we call book shares and are not transferable; and this one share or whatever shares there will be, will be book shares. As they are in the custody of the one person, in the province, it has been assumed

that they would not be sold. But I think I can safely say that, if it is the will of the committee, we are prepared to have section 135 apply.

Mr. THORSON: You mean apply to the treasurer.

Mr. BERCOVITCH: It is a reasonable assumption.

Mr. MAC TAVISH: That is all I have to say, Mr. Chairman.

Mr. ROSS (*Calgary East*): I have a question or two before we adjourn, Mr. Chairman.

The CHAIRMAN: All right, Mr. Ross.

Mr. ROSS (*Calgary East*): I understand Mr. Low to say that the province has not repudiated any interest.

The WITNESS: No, Mr. Chairman. I said this, that the province has not repudiated anything.

Mr. THORSON: Has defaulted.

By Mr. Ross (Calgary East):

Q. Do you say it has not repudiated interest?—A. I still maintain, Mr. Chairman, that the province of Alberta has not repudiated anything.

Q. Then what has happened with regard to interest on bonds? If I cut coupons from bonds to the extent of \$100 and present them for cash, can I get \$100 cash for them?—A. No.

Q. No. What can I get?—A. Approximately 50 per cent.

Q. Yes, \$50. Then I have to surrender those coupons before I get that 50 per cent?—A. Yes.

Q. Yes; and there is no chance of ever collecting the balance, is there?—A. That is a question.

Q. That is a question of law?—A. That is a question.

Q. As far as your government is concerned, it refuses to pay the balance. Is that right?—A. We cannot pay the balance.

Q. Why not?—A. We have not the money.

Q. You have not got the money?—A. No.

Q. So that you do not call that repudiation?—A. No.

Q. No. You just call it default, I suppose?—A. Call it what you like; it certainly is not repudiation.

Q. Very well.—A. If a man pays all that he can pay, then that is certainly not repudiation.

Q. Is there any form of receipt given for those coupons so that a holder of coupons can come along in the future and collect the balance?—A. In a large number of cases the holders of the coupons, when they send them in to be cashed, also send along a statement in which they say this—the acceptance of payment—in no way will prevent them from obtaining any benefits that might be obtained by law or otherwise in the future.

Q. Does the province give any assurance such as that?—A. No, the province merely pays the amount stipulated under the terms of order-in-council 734/36.

Q. So that that is what you mean when you say that the province does not repudiate, it is just dealing with it in that way?—A. I am simply maintaining that the province is doing all that it can do.

Mr. BERCOVITCH: What is the gist of the order-in-council?

By Mr. Cleaver:

Q. I wonder if that order-in-council, No. 734/36 can be put on the minutes.—A. I am quite sure copies of it would be here in the department.

Q. You could place it before the committee, could you not?—A. I will see that a copy of it is obtained.

[Hon. Solon E. Low.]

By Mr. Ross:

Q. Before he left Mr. Slaght suggested that you bring certain figures before the committee at the next meeting; perhaps you could give figures showing the amount of interest that has been defaulted in this way?—A. Yes, I will give the exact amounts at the next meeting.

Q. Well then, the next question I want to ask you is this: Can you bring to that meeting also the number of fiats that have been applied for and the number that have been granted? You say that no fiats have been refused; I want the number of fiats that have been applied for and not granted, not refused, but merely not granted—just that you neglected to issue.—A. Fiats applied for—would you clarify that, Mr. Ross? In connection, you mean, with debt?

Q. In connection with debt, yes.—A. The number of fiats applied for and refused.

Q. No, no; you say none were refused, "not granted."—A. "Not granted"?

Q. Yes.—A. I believe, Mr. Chairman, that I am safe in saying that there has never been a request yet for a fiat in connection with the action of the government in cutting the interest rate or in not being able to pay all the principal sums, that has not been granted. I believe that I am quite safe in saying that there has never been an application yet, but I will make definitely sure on all applications for fiats and bring them here.

By Mr. Thorson:

Q. Are there any outstanding judgments that have not been paid?—A. Not against the province, I believe; there are some against the Lethbridge Northern Irrigation District.

Q. But those bonds were guaranteed by the province, were they not?—A. Yes, but the actions have been taken against the Lethbridge Northern Irrigation District and not against the province.

By Mr. Cleaver:

Q. Have there been no applications for fiats?—A. No application has been made asking for a fiat in that connection.

Mr. JAKUES: Mr. Chairman, might I make a correction on page 19? We were discussing "Mr. Sousa." Mr. Factor said, "tell us who he is?" I said, "Sousa's band." I note that the record says, "Sousa's bank."

Mr. THORSON: It was really Sousa's bank.

Mr. JAKUES: The record here is "Sousa's bank." That was too trivial to mention until Mr. Ross' statement that according to Mr. Davidson of Calgary Mr. Sousa had been introduced to the government as a banker. The only Sousa that I ever heard of is Sousa the bandmaster, and that is what made me say that.

The CHAIRMAN: Gentlemen, just a minute, please. It is suggested that in the first hour of the meeting tomorrow morning that we take up the Pool Insurance matter, and then from 12 o'clock to 1 o'clock we take up this matter. We are now unfortunately in the position of having two balls—

Mr. CLEAVER: —in the air.

The CHAIRMAN: —in the air at one time. I do not really know how to dispose of it. I would have thought it would have been better probably to dispose of the whole insurance matter tomorrow morning. At the same time we do not want to delay Mr. Low. I do not know just what can be done.

The WITNESS: I might say, Mr. Chairman, that the people from Saskatchewan who are promoting the Pool Insurance Bill came to me before this committee opened to-day and asked if they could have the first hour in order to facilitate their work, and I agreed, if it was all right with the committee.

The CHAIRMAN: We will give them the first hour anyway.

The committee adjourned at 5.55 o'clock p.m. to meet again Thursday, July 18, 1940, at 11 o'clock a.m.

SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 3

THURSDAY, JULY 18, 1940

WITNESS:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta.

MINUTES OF PROCEEDINGS

THURSDAY, July 18, 1940.

The Standing Committee on Banking and Commerce met at 11 o'clock a.m., the Chairman, Mr. Moore presiding.

Members present: Messrs. Blackmore, Bercovitch, Blair, Casselman (*Edmonton East*), Cleaver, Donnelly, Eudes, Fontaine, Fraser (*Northumberland*), Fraser (*Peterborough West*), Graham, Hill, Jackman, Jaques, Kinley, Laflamme, Lapointe (*Lotbinière*), Macdonald (*Halifax*), McNevin, Marier, Maybank, Mayhew, Moore, Perley, Slaght, Thorson, Tucker, Ross (*Calgary East*).

At 12.20 p.m., the Committee adjourned its consideration of other business and resumed discussion on the subject-matter of Bill No. 26, An Act to incorporate The Alberta Provincial Bank.

In attendance: Hon. Solon E. Low, Provincial Treasurer, Province of Alberta, Mr. D. K. MacTavish, Counsel for the Government of Alberta, and Mr. F. P. Varcoe, Counsel, Department of Justice.

Mr. Low made a general statement on Alberta's ability to pay its contractual obligations, and was examined thereon. He filed a copy of Order in Council No. 734, passed by the Government of Alberta, and dated May 30, 1936, which appears in the minutes of evidence of this day's proceedings.

At 1.05 p.m. the Committee adjourned until to-morrow, Friday, July 19, at 11 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 268,

July 18, 1940.

The Standing Committee on Banking and Commerce met at 12.20 a.m. The Chairman, Mr. W. H. Moore, presided.

Appearances:

D. K. MacTavish, K.C., appeared as counsel for the province of Alberta. Hon. Mr. Solon Low, Provincial Treasurer, province of Alberta, recalled.

The CHAIRMAN: Mr. Blackmore, you may continue.

Mr. BLACKMORE: Mr. Chairman—

Mr. THORSON: We are going to deal with Alberta's ability to pay. I would suggest, with all due deference to Mr. Blackmore, that we might rather hear the treasurer of the province on that subject.

The CHAIRMAN: I think we are to hear from Mr. Low.

Mr. BLACKMORE: Mr. Chairman, as sponsor of the bill surely I can be allowed thirty seconds to introduce the speaker.

The CHAIRMAN: We will give you a minute.

Mr. BLACKMORE: I do not need that. I would have been finished if the honourable member had not interrupted me. We have raised now about seven or eight problems, each of which must be dealt with; but this one, the ability of Alberta to pay, was decided upon as the one we would discuss to-day. Members who were not in the committee yesterday will therefore understand that Mr. Low is proceeding with the question of Alberta's ability to pay.

The WITNESS: Mr. Chairman and gentlemen, I am going to try to wind this up just as quickly as I can; but you will understand that it is impossible to have a thorough understanding of such a problem unless there is a definite and specific attempt to review the whole case from the time the province was formed. But I promise you that I will be very brief with that review and get right down to the actual time of the default, and so on, so that we can make the major part of our consideration here this morning the ability of Alberta to pay its contractual obligations.

As you are doubtless aware, Mr. Chairman, it is impossible for any group of men to judge the action of any other man or of any government without knowing the full circumstances. I am sure that you want to know, as a responsible committee, determined to discharge your responsibilities in the manner in which you have been asked to discharge them and in the manner in which you want to discharge them, the whole case; and I am going to attempt to set out for you the peculiar set of circumstances that existed when the Aberhart government was elected in 1935, and show you in the light of those circumstances why the actions were taken and what the effects of those actions have been.

There was, Mr. Chairman, a most unusual set of conditions obtaining in 1935 when the present Alberta government came into office. They were pressed into office by the people, and they were given a definite responsibility to assist in bettering the conditions of those people, and they went at their task in just as sincere and just as honest a manner as this committee goes at its task.

When we came into office in 1935 we found that the debts of the province had been increased to approximately \$150,000,000.

By Mr. Maybank:

Q. Is that the public debt?—A. That is the net funded and unfunded debt of the province.

Q. What about the public?—A. The net bonded and unbonded debt of the government of the province of Alberta was approximately \$150,000,000. The carrying charges—

The CHAIRMAN: What was your population then?

The WITNESS: We had about 778,000 people at that time. The carrying charges on this amount of debt was approximately 50 per cent of the total revenues of the province at that date.

Mr. BLAIR: How much?

The WITNESS: Approximately 50 per cent. As a matter of fact a little later on I shall present the order in council which was supplied to me through the kindness of Mr. Johnson of the Finance Department which sets out the actual figure at 47 per cent. The approximate amount in round figures required to finance the debt each year was \$8,000,000.

Back in the early days of Alberta, in the period of the first administration, from 1905 to 1922, a new policy, a new venture was instituted by the then government, which is commented upon by the Bank of Canada in their report of 1937 on the financial position of the province of Alberta. I just want to draw your attention to that because it had a tremendous bearing upon the action taken by the government of Alberta in 1936. I refer you to page 9 of the report of the Bank of Canada. I quote: "A particularly vulnerable feature of the Alberta debt should be mentioned. In 1917 Alberta initiated the policy of selling savings certificates which were payable on demand, originally sold to yield 5 per cent compound interest, and altered in 1921 to 5 per cent simple interest, and with administration costs of less than one-fifth of one per cent, they provided funds at a somewhat lower rate than was then available in the bond market, a comparison of rates which took no account of the fact that the certificates constituted demand liabilities. No reserve was set up to meet any sudden demand for redemption." And that was the vulnerable part. "As the sales were vigorously pushed, and the total outstanding grew to a total of \$4,500,000 in 1922, a sudden threat to the cash position and solvency of the province existed. A further weakness lay in the inadequate sinking fund provision of one-half of one per cent.

"In 1922" (that is at the end of the Liberal administration), "the total sinking fund did not even equal the accumulated bond discount account for the amortization of which no provision was being made." In subsequent years, Mr. Chairman, no provision was made for reserve to meet any sudden demand for withdrawal of these savings certificates and the amount sold grew until there were over \$12,000,000 outstanding.

By 1934 Alberta had gone off the money market of the world. In the spring of 1934 I understand some public works bonds were offered in the world market and because of certain conditions then obtaining, in part, perhaps, due to the pyramiding debt of the province, the money market did not easily and quickly pick these bonds up and they were withdrawn before the full issue was sold.

By the fall of 1934 information began to become general among the public that there were no reserves to meet any unusual demand upon the savings certificates deposits of the people, and as a result late in the fall of 1934 there developed a run on the treasury for the redemption of savings certificates. Something like \$2,000,000 of demands were paid by mid-summer of 1935.

[Hon. Solon E. Low.]

By Mr. Thorson:

Q. Was there any particular cause for the run? Was there any feeling of alarm?—A. Yes. The feeling of alarm, so far as I can ascertain, was from the fact that information began to become general among the public that there was no reserve to meet the demands for withdrawal, and that all of the savings certificate funds had been diverted to the uses of the government. That was the general cause.

Q. What was the date of the run?—A. The run began in the fall of 1934; and between that time and mid-summer of 1935 something like \$2,000,000 were redeemed. By that time the cash position of the province was completely null and void; I mean to say that there was no cash balance at the end of that time. All of their cash had been depleted, and there was an overdraft at the bank of something like \$5,700,000.

By Mr. Blair:

Q. That is in 1934?—A. That was by the summer of 1935; just prior to the election of August, 1935. So great was that run, and so disastrous was its effect upon the cash position of the province, that on July 28 the government of the day suspended the payment of savings certificates, which created a rather serious situation. At that time there was outstanding about \$10,000,000 of certificates.

By Mr. Tucker:

Q. What date did you give there? I did not just get it.—A. July 28, 1935.

Q. That would be in the time of the administration previous to yours?—A. Yes, the U.F.A. administration. At that time there were something just over \$10,000,000 of outstanding savings certificates. That was one of the great problems which the Aberhart government had to deal with immediately that it assumed office after the election of August, 1935. They took office and were sworn in on September 3, 1935. Exactly what the Bank of Canada report had said would happen, did happen. That is, the savings certificates, together with the fact that there was no adequate reserve set up, became the vulnerable feature in the finances of Alberta and depleted the cash and left the treasury absolutely empty.

When the Aberhart government came into power, then, the treasury was empty. We had certain payments to be made which we could not make without coming to the dominion government for assistance. As a matter of fact, there were certain salaries of civil servants due. There were nearly \$1,000,000 of salary payments due to the civil servants, and payments due for goods that had been committed for. We had to meet that by coming to the federal government for assistance that fall. In addition to the aggravated situation due to savings certificates, we had other things that aggravated our position at that time. The budget had been passed in the spring of 1935 by the previous administration, thus setting out a plan for the whole year, under which commitments had been made not just for the time up to August 22nd—when the election did take place—but for the whole season. Commitments had been made for which no provision had been made in the budget for payment.

By Mr. Blair:

Q. How much?—A. I will give you the actual figures from the public accounts of Alberta for the year ending March 31, 1936. They appear on page 20 of the public accounts of Alberta, a copy of which I have here and which any of you may examine.

When the Aberhart government came into office we found the following amounts had actually been borrowed by the previous administration, and they

added to the amount of the increase in the debt for that year. In June of 1935 the government of the day borrowed \$500,000 from the dominion government for unemployment relief purposes, for which no provision had been made in the budget—that is, provision for payment. They had provided to commit but had not provided to pay. Also on June 5, 1935, for agricultural relief, \$750,000 had been borrowed from the federal government. On July 2, 1935, for re-lending to the city of Calgary, which was then in difficulty, \$250,000. That takes us up to July 2nd of that year. This means that \$1,500,000 had already been borrowed and spent, in addition to the fact that the budget of the spring had arranged for further commitments of over seven millions over which we had no control. They were absolutely uncontrollable expenditures so far as we were concerned. I will enumerate them.

Immediately after this government came into power, you will remember, the premier and a number of his advisers—I was not then a member of the government—came down to Ottawa; and on September 26th, 1935, these are the amounts which they borrowed from Mr. Bennett's government. By the way, they asked Mr. Bennett for a lump sum of money which he said at the time he was not prepared to advance because of the imminence of a federal election. But he did say to the premier at the time, "If you will be content with this much, then after the election is over, if we are returned to office, come back and we will consider the remainder. Then you will get along all right." These sums were then taken back or arranged for at the time of the premier's visit to Ottawa, in September, 1935, just after we took office: For unemployment relief, \$330,000, for which commitments had already been made; for agricultural relief, \$1,200,000, for which commitments had already been made. We had to have that money to pay the amounts that had been committed. For re-lending to the city of Calgary, another \$200,000 which had been promised them by the previous administration. Calgary had been promised \$450,000. They obtained \$250,000 in June by loan from the federal government and another \$200,000, the balance of their request, in September. For completion of the trans-Canada-Jasper highway, a joint relief project of the dominion and the province, \$300,000. The work had been done by September 26 and the contractors wanted their money; they came to us and asked us to pay it. We had to dig up the money somewhere. For public institutions, \$25,000—for enlargement, by the way, of the mental institution at Ponoka; and for general purposes, including salaries of civil servants which were in arrears, \$995,000. Those are the sums that were arranged for on September 26, 1935, on our first visit to Ottawa.

Mr. DONNELLY: How much is that altogether?

The WITNESS: I have not the total here. I could figure it out for you if you just let me have a moment.

Further than that, in November of 1925 arrangements were made for further borrowings for unemployment relief of \$1,000,000 for which no provision was made in the budget, but which we had to meet. These were absolutely uncontrollable.

January 15th, 1936, is the date of the first debenture maturity after the Alberta government came into office. On that date \$1,577,000 of bonds fell due, which amount had to be borrowed because no provision had been made in the budget; and for unemployment relief also in January of 1936, borrowings of \$2,600,000.

By Mr. Thorson:

Q. Those are amounts that have been borrowed?—A. Yes, borrowed from the federal government.

[Hon. Solon E. Low.]

The WITNESS: Making a total of \$8,927,000 of borrowings in that year of which all but \$25,000, the amount borrowed for closing in the open verandahs at the mental institution at Ponoka so that we could take care of the crowded situation there—all of which, except that \$25,000, was absolutely uncontrollable expenditure by the new government. Now, in that connection, I might say that the total increase in debt was approximately equal to the figure that I have given you for the borrowings from the federal government for that year. When the government got down to business after their visit to Ottawa they found a large volume of uncollected taxes. They found that the policy for years past had been to go lightly on collections, and the result of that had been that there were something like \$17,000,000 of arrears of municipal taxes in the province outside of the large sums of neglected seed grain advances and relief advances and advances of other kinds by the government.

By Mr. Tucker:

Q. Were you interested in any of that money? Was there any of it coming to the government of Alberta?—A. Yes, large sums of it, because of advances which we had made for seed grain, agricultural relief, for unemployment relief, old age pensions, mothers' allowance, etc.

Q. What portion would you be interested in?—A. I would not be able to say just at the moment. I could easily get you those figures. It was a fairly large sum.

By Mr. Maybank:

Q. If they had collected their money they would have been able to pay their loans?—A. That is right, but no real attempt had been made, you see. No attempt had been made for some years to enforce collections. Not only that, but we had just passed through a very disastrous year so far as crops were concerned. We had one of the worst insect pest ravages that year that we have ever had in many a year. And in that same year, 1935, also, you may remember that in certain sections of the province we had severe drought and we had perhaps one of the worst hail years we ever had; and we had premature frost in the north in the central part of the province around Gleichen—east and north east of Calgary—which almost completely nullified the return for the farmers from their crops. These same conditions, by the way, Mr. Chairman, continued for three years; 1935, 1936 and 1937 were all bad years in Alberta, and it made it very difficult for us to enforce any collections until 1938 because of the disabilities which the farmers suffered.

Now, we were faced at the time with making a great decision. Here we were paying approximately 50 per cent of the revenues of the province to service the debt; here we were with a public debt of \$150,000,000 net, funded and unfunded, and here we were with \$10,000,000 of savings certificate money to be paid back to the people; and this \$10,000,000 must be considered, as we considered it, demand moneys—that were simply placed on deposit to be available whenever depositors wished to use it. We felt obligated to treat the holders of these certificates in a little different way from holders of debentures and bonds, because in no way could you consider that the holders of debentures were in a preferred position such as those having demand certificates.

By Mr. Thorson:

Q. What is the amount of the outstanding certificates?—A. If you do not mind I would like to give you the whole picture as I go along. I will give you that answer and then at the end of this explanation if there is anything further you wish to know about it I shall be glad to answer.

By Mr. Cleaver:

Q. I have a question here on the statement you just made. You say that it took about half of your revenue to service your debt?—A. Half of the ordinary revenue at that time.

Q. The ordinary revenues in 1935 as reported at page 13 of the appendix of the Sirois report were \$17,000,000 odd, and the net amount required to service the debt was only \$6,000,000.—A. The net amount.

Q. You are not adding on the interest charges on the debt held by the province?—A. Surely. Why not? These are sinking funds. They are trust funds. They have to earn moneys. Why, of course. It is only reasonable that you should consider that. We did.

Mr. BLACKMORE: Mr. Chairman, may I ask Mr. Low if the provincial treasurer would not be held accountable if he did not allow that interest?

The CHAIRMAN: I would suggest that we allow Mr. Low to finish his statement and then question him afterwards.

The WITNESS: Now then, faced with the necessity of dealing with the multitude of demands for redemption of these saving certificates from people who had put their money there in the express belief that they would be able to get it when they wanted it, and they had put it there at low rates of interest in order that they could be sure of having it when they wanted it, we were faced with a decision, a mighty big decision. In order to make sure that we made no mistake we called in an advisor who had been recommended to us, Mr. R. J. Magor; I say we, the Aberhart administration, called in Mr. R. J. Magor, whose reputation you know and who needs no introduction I might say here. Mr. Magor had already done several big jobs for various parts of the Dominion. I understand that he had been called in by Newfoundland. There he considered the whole economy of the country and did make recommendations which were implemented later. Mr. Magor came into Alberta and after a thorough investigation of all the finances and the economic situation then obtaining he gave certain advice; and that advice must have been—I am not saying that it was, but it must have been—based on the opinions of such men as J. Maynard Keynes, a great English economist who also needs no introduction here; whether we agree with him or not makes no difference—but apparently Mr. Magor did agree with this one thing that Mr. Keynes said in his pamphlet on monetary reform issued back in 1926—it runs something like this: There is a large body of opinion which fulminates alike against devaluations and levies on the grounds that they infringe the untouchableness or the sacredness of contracts, and in so doing they are the worst enemies of what they seek to preserve namely, the sanctity of contract, “for nothing,” he said—and this is the important point—nothing can preserve the sanctity of contracts between individuals except a discretionary authority vested in the state to revise what has become intolerable.

Mr. JAQUES: Hear, hear.

The WITNESS: Now, in their effort not to find a solution, but to make a decision, the government of Alberta realized that apparently Mr. Magor's advice was based upon that very principle which I claim is true, that nothing can preserve the sanctity of contracts anywhere except a discretionary authority vested in the state to revise what has become intolerable in these contracts. Mr. Magor then advised that we discontinue to pay the rates of interest which had been contracted on the debentures and the savings certificates. As a result, after very careful consideration of all of the problems involved and of the conditions then obtaining, and being faced with the necessity of making a decision quickly and as right as possibly could be done, the government of the day, the Aberhart administration, put through order-in-council 734 of 1936.

[Hon. Solon E. Low.]

By Mr. Maybank:

Q. May I ask if Mr. Magor's advice was given in writing, and, if so, would you be able to file a copy of his advisory report?—A. I am not sure, Mr. Chairman, that the whole of his advice was given in writing; if it was, I did not provide myself with it, but I would be pleased to obtain a copy if it is to go on file, and enter it in this evidence.

Q. Let me explain the reason for the question in order that you may see what is desired. I was wondering if the advice of Mr. Magor, which you have just set forth, was one item in a general advisory document?—A. Oh, yes.

Q. Or whether or not it was somewhat bound up with other pieces of advice?—A. Mr. Chairman, in answer to that, I can say that, if it was bound up with other pieces of advice, his whole recommendation was implemented.

Q. That is the point.—A. We singled out no one part of his general recommendation.

Q. In so far as you took his advice, you took it wholly.—A. Yes, sir, because we brought him in as an expert to advise the government on the best way to meet the situation at the time.

Mr. MAYBANK: Thank you.

The WITNESS: As a result, the order-in-council that I have mentioned was passed by the government, a copy of which I should like to submit to the committee. Do you want me to read the important part?

Mr. BERCOVITCH: I should like it read.

The CHAIRMAN: Is it the pleasure of the committee that the statement be put in the record and that Mr. Low give us now a digest of it?

Mr. BERCOVITCH: Carried.

The WITNESS: This was approved and ordered by Lieutenant-Governor W. L. Walsh on Saturday, May 30, 1936:—

The Executive Council has had under consideration the report of the Honourable the Provincial Treasurer, dated May 30, 1936, stating that:—

Whereas the public accounts of the province indicate that over a period of years, revenues of the province have been insufficient to meet the ordinary expenditures of the government and expenditures for unemployment relief; and

Whereas the purpose and with the object of meeting the deficiency in revenue, existing taxes have been increased and new taxes have been imposed; and

Whereas it is evident that notwithstanding such increase in taxation the resultant revenue will prove inadequate to meet the expenditures of the province; and

Whereas it is essential to the welfare of the province that the policy of increasing the debt of the province by borrowing funds for the purpose of meeting the deficiency in revenue be discontinued; and

Whereas approximately 47 per cent of the revenue of the province is required to provide for the payment of debt charges, and the average rate of interest on the debenture debt is 4.89 per centum; and

Whereas the essential services of government cannot be carried on unless the rate of interest payable in respect of the debt of the province is reduced by fifty per centum;

Therefore, upon the recommendation of the Honourable the Provincial Treasurer, the Executive Council advises that the Provincial Treasurer be and he is hereby authorized and empowered to offer and, if the offer is accepted, to pay in respect of and in full satisfaction for and discharge of any interest accruing on, from and after the first day of June, 1936, on each and every of the securities specified in Part I of the schedule

herein contained, on each of the dates subsequent to the last-mentioned date upon which any such interest becomes due and payable, a sum computed at the rate set out in respect of such security in Part II of the schedule.

The Executive Council further advises, upon the recommendation of the Honourable the Provincial Treasurer that a copy of this order be published in the *Alberta Gazette*.

THE SCHEDULE

PART I

Securities hereinbefore referred to;
 All debentures heretofore issued by the province;
 All stock heretofore issued by the province;
 All treasury bills issued by the province;
 All debentures guaranteed by the province save and except only the \$7,400,000 five per cent debentures of the Alberta and Great Waterways Railway Company;
 All savings certificates.

PART II

TABLE OF RATES OF COMPUTATION OF PAYMENTS IN RESPECT OF INTEREST ON THE SECURITIES MENTIONED IN PART I HEREOF

Where the security bears interest at:	The rate of computation of the payment to be made in respect of the interest on the security shall be:
Six and one-half per cent.	Three and one-quarter per cent.
Six per cent.	Three per cent.
Five and one-half per cent.	Two and three-quarters per cent.
Five per cent.	Two and one-half per cent.
Four and one-half per cent.	Two and one-quarter per cent.
Four per cent.	Two per cent.
Three and one-half per cent.	Two per cent.
Three per cent.	Two per cent.

(Sgd.) WILLIAM ABERHART,
Chairman.

In no case was the interest to be reduced below 2 per cent.

By Mr. Cleaver:

Q. What was the overall annual saving effected?—A. About \$3,400,000 based on the then existing debt.

By Mr. Maybank:

Q. You mean there would be a saving effected if the various holders—
 A. Accepted it.

Q. Perhaps you will indicate to us at a later stage to what extent the proposition was accepted?—A. Yes. I might do that now; it is proper right at this place.

Q. As you like.—A. At the beginning we placed in the interest fund in the bank, and indicated to our paying agents all over the world, the amounts that they were to pay on the various debenture coupons. That fund began to accumulate gradually as payments were made into it. We have very faithfully

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every single month paid into that fund in the Imperial Bank of Canada at Edmonton the 50 per centum, or the exact percentage as set out in each of the schedules to the order. The coupon interest fund began to accumulate quite rapidly in 1937, and by the end of 1937 a fairly large number of holders began to accept the proffered payment and to give certificates stating that they would waive any benefits that might be obtained legally in the future. The number accepting began to increase until in the spring of 1939 approximately 40 per cent of the holders had accepted. Some began to accept with reservations. I think some of the institutions led out in the general acceptance, among whom were one or two of the smaller insurance companies and some of the banks which held some of the securities either in trust or otherwise. To-day I would say that about 40 per cent are accepting the reduced payments.

By Mr. Tucker:

Q. Were they permitted to take the money out if they did not sign the document you required them to sign?—A. No, but they did sign. However at the same time, some of them furnished us with a protest which we accepted and placed on file in good faith.

By Mr. Cleaver:

Q. About what was the market price of your bonds just before the repudiation and what was the market price immediately afterwards?—A. The price of Alberta bonds began to decline in 1934 when Alberta went off the money markets of the world, and they declined to about 89 at that time on the average—89 to 90. Then after the first default in June, 1936, they declined fairly rapidly until at various stages they have been around 51, 52 and 53.

Q. The decline would be about 40 points?—A. I would not think on the average, no.

Q. 35?—A. I would think perhaps 35 on the average.

Q. What is your total bonded indebtedness?—A. At the present time, \$150,000,000 approximately.

Q. So that in the light of experience you might feel that that saving of about \$3,000,000 was rather a costly experiment?—A. That depends upon your viewpoint. It has not been costly in respect of any payment that we would have to make as a government or as the people of the province would have to make, but perhaps costly to those who would be dependent upon trading their securities on the market.

Q. Possibly if you should ever have to go to the market for refunding—

Mr. BLACKMORE: May I interrupt to say that a new question is being raised. I submit that that should be kept until the end of this discussion.

Mr. CLEAVER: I will reserve my question.

Mr. BLACKMORE: We are discussing Alberta's ability to pay.

Mr. CLEAVER: And I am suggesting that you saved \$3,000,000 and threw twice that amount into the gutter.

The CHAIRMAN: I think that as far as possible Mr. Low should be allowed to continue his statement without interruption and then re-open the question later.

The WITNESS: As I pointed out, I was not a member of the administration then and therefore cannot tell just exactly what reasoning the government used. When the advice to reduce the interest was given by Mr. Magor I imagine that their reasoning must have been as follows: Here we have been through a very severe period of depression, prices have been low, with the returns to the farmers and the people of the province of Alberta exceedingly small. Our people have been struggling against forces which were almost inundating them and during that time we saw the whole of the capital investment of a great

many people in the province of Alberta completely swept away, not only their earnings but their complete capital investment, through the depression. They lost their capital holdings because they had to dip into them from the fact that they had no earnings at all. Thousands of merchants had to go into liquidation. They lost their holdings, and still these people were being asked to pay taxes to keep up the full contractual rate of interest on bonds simply because people were claiming that these bonds were a sacred obligation and should not be violated. The facts are there, Mr. Chairman, for anyone to examine.

I imagine, too, that when Mr. Magor talked with these men, undoubtedly these things were all pointed out and all considered, and it was said at the time, doubtless, that it was high time the holders of the securities of the province began to share some of the burden of the people of Alberta, and now was the time to start to share them and indicate their willingness to share even though it is said they did hold a sacred contract with the province in the form of contractual bonds.

The province of Alberta was advised by Mr. Magor to approach the bondholders and they were approached. Various letters passed between the government of Alberta and the bondholders themselves. They were asked to sit down with the government and to give consideration to a compromise of some sort to meet the situation. Because of their absolutely flat refusal to give consideration to our people at a proposed round table conference where this whole business was to be discussed and some settlement or compromise reached, the government then took the step which had been advocated or advised by Mr. Magor, and the interest was cut by the before-mentioned order in council. Now, whether or not that step was right, I am not here to say. A thing may be right under one set of circumstances and it may be wrong perhaps under another set of circumstances. I am here to say only, Mr. Chairman, that under the set of conditions obtaining at the time the province of Alberta elected the Aberhart administration in 1935, to cut the interest was the only possible thing the government of the province could do.

Mr. Magor also advised overhauling the financial set-up—

Mr. TUCKER: Would this be a good time to adjourn?

The CHAIRMAN: I think we should sit for another quarter of an hour.

The WITNESS: I can finish in ten or fifteen minutes.

Mr. MAYHEW: We have a contract to live up to of fifteen minutes overtime.

Mr. TUCKER: I thought perhaps Mr. Low might take another half hour.

The CHAIRMAN: We took the time that we contracted to give Mr. Low for your bill. I think it is only fair we should give Mr. Low an extension.

The WITNESS: I would not mind at all, because I can go on. In fact, I intend to take this thing to its minutest detail, and we can take another half or three-quarters of an hour as a matter of fact, summing up this whole thing as a background. Then you can discuss it if you like, or adjourn. It is all right with me.

Mr. MAYBANK: I think this is a good place to adjourn.

The CHAIRMAN: I suppose some of the members are hungry. What time shall we adjourn to?

Some hon. MEMBERS: Four o'clock.

The CHAIRMAN: Shall we adjourn until to-morrow or this afternoon? What is your pleasure?

The WITNESS: I did have some appointments for this afternoon.

The CHAIRMAN: Suppose we adjourn until 11 o'clock to-morrow. Is that your pleasure?

The committee adjourned at 1.05 p.m. to meet to-morrow morning at 11 o'clock.

[Hon. Solon E. Low.]

SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 4

FRIDAY, JULY 19, 1940

WITNESS:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta.

MINUTES OF PROCEEDINGS

The Standing Committee on Banking and Commerce met at 11 o'clock a.m., the Chairman, Mr. Moore, presiding.

Members present: Messrs. Black (*Cumberland*), Blackmore, Casselman (*Edmonton East*), Cleaver, Donnelly, Eudes, Fontaine, Fraser (*Peterborough West*), Graham, Hazen, Hill, Jackman, Jaques, Kinley, Lacroix (*Beauce*), Laflamme, Lapointe (*Lotbinière*), Macdonald (*Halifax*), Macmillan, McNevin, Mayhew, Moore, Perley, Ross (*Calgary East*), Slaght, Tucker.

In attendance: Hon. Solon E. Low, Provincial Treasurer of Alberta, Mr. D. K. MacTavish, K.C., Counsel for the Government of Alberta, Mr. C. S. Tompkins, Inspector General of Banks, Department of Finance, and Mr. F. P. Varcoe, Counsel, Department of Justice.

Mr. Low continued his statement on Alberta's ability to meet its contractual obligations, and was further examined.

At 1 o'clock the Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

July 19, 1940.

The Standing Committee on Banking and Commerce met at 11 a.m. The Chairman, Mr. W. H. Moore, presided.

D. K. MacTavish, K.C., appeared as Counsel for the Government of Alberta.

Hon. Solon Low, Provincial Treasurer, Province of Alberta, re-called.

The CHAIRMAN: Order, gentlemen. We have a quorum. Mr. Low, you have the floor.

The WITNESS: Mr. Chairman, and gentlemen of the committee, yesterday in the short session we had I tried to briefly review the peculiar set of conditions which existed at the time the Aberhart administration took office in 1935, as a preliminary to the establishment of a case for Alberta's ability to pay or her inability to pay. To-day I should like to continue that review and try to finish up the question that is before the committee. In order to refresh the memories of the members of the committee, since the evidence in printed form has not yet been made available, I think perhaps I should just sum up very briefly what was said yesterday.

I pointed out that in September of 1935, when the Aberhart administration took office, the cash of the province had been completely exhausted through, particularly, the excessive demands for the redemption of savings certificates. I pointed out that there was an overdraft at the government's bank—that is, the Imperial Bank of Canada—of some \$5,700,000. There were at the same time over \$10,000,000 of savings certificates outstanding. The people who had deposited those funds looked upon them as demand funds and expected to be able to get them when they needed them. Further, I pointed out that we had entered into a series of very bad years for Alberta in that the crop situation was bad; pests, hail, drought and frost began in that year to take a toll which continued over a period of three years and which almost entirely did away with the earning power or capacity of the farming population. Further, I pointed out that it required almost 50 per cent of the ordinary revenues of the province to meet the interest on the public debt. I think I finished my remarks yesterday by pointing out that, under the peculiar set of conditions which existed, the government of the province of Alberta, the Aberhart administration, took the only possible stand that could be taken by any government.

Now I want to elaborate just a bit on that before I continue this morning. I want to consider for just a few moments the political situation, with which I am sure the hon. members of this committee will be more or less familiar. The temper of the people of Alberta in 1935 was such that any government, no matter what its political stripe—I repeat, any government no matter what its political stripe—would have had to take the same action that the Aberhart government did take in reducing the amount of interest paid on the public debt. The Aberhart administration was pressed into office by the people, with a mandate to stop the unprecedented increases in public debt that had been manifest over all the years since Alberta was formed in 1905. They were pressed into power by the people, with the demand that increases in taxes

should be stopped. They were pressed into office with the demand that the administration, particularly with respect to finance, should be cleaned up and set on a sound foundation.

It is a peculiar trait of democracy that any democratic government must govern in the way the people who put them there want them to govern. Otherwise, they simply could not stand in power. This government, the Aberhart government, found itself in that very position—that the demands of the people were such that they could not possibly have stood in office if they had not taken the action which they did. I might just say here, Mr. Chairman, that the opposition in the legislature and the press of the province did their utmost to bring about the defeat of the government on the very ground that I have just mentioned; that is, they were unwilling to see any increase in taxation at all to meet the payments that were necessary and incumbent upon the people of the province. They did their level best to bring about the fall of the government because the government was trying to do just exactly what the people had demanded that it do. I am here to say, Mr. Chairman, that if any one of the opposition groups had been in the position of the Aberhart government they would have done exactly the same thing, because they would have been forced to do it by the people. That was the political situation at the time.

Immediately after the government took office—that is, the Aberhart administration—they began an overhaul of the whole of the government. There were some departmental changes, but more particularly I want to deal with the changes in the financial set up. The budget of 1935-36—that is, of the year ending March, 1936—which had been passed by the U.F.A. administration, as I pointed out yesterday, provided for expenditures of approximately \$30,000,000 and provided for ordinary revenues, in round figures, of \$17,000,000. That same method of budgeting had gone on for a good many years. There had been built up in the province of Alberta by the Liberal administration of 1905 to 1922, and by the U.F.A. administration of 1922 to 1935, the practice—which, by the way, is a vicious practice, Mr. Chairman—of differentiating between ordinary and extraordinary revenues and expenditures. I do not know why it was done, but I have my suspicions that it was to fool the people. The people should be in a position to read the accounts of any government, and to tell what they mean. The accounts should be simplified as much as they possibly can be so that the people may read them. But I defy any layman to take the public accounts of the province of Alberta prior to 1936, and be able to read them and know the true position of the province. That practice, I must admit, was not peculiar to Alberta; but it was a practice, nevertheless, that had grown up in Alberta. The Aberhart administration decided that that must be changed, that instead of budgeting as they had done in the past for so much ordinary revenue and so much extraordinary revenue; for so much ordinary expenditure and so much extraordinary or capital expenditure, there should be a budget brought in in which there would be no differentiation between those ordinary and extraordinary moneys, in which there would be either an over-all surplus, deficit or balance. That is exactly the policy that began to be followed by the Aberhart administration for the first time in the history of the province of Alberta.

By Mr. Kinley:

Q. Mr. Low, talking politically—and I think you are talking politically—you say, and suppose we admit it for the moment, that the province of Alberta was overloaded with debt to the extent that they could not meet their obligations. How do you connect that with the promise to pay everybody in the province \$20 a month?

AN HON. MEMBER: \$25.

MR. KINLEY: \$25 a month as dividends.

[Hon. Solon E. Low.]

The WITNESS: Mr. Chairman, there was no promise to pay everybody in the province \$25 a month.

Mr. KINLEY: I accept that answer.

The WITNESS: That answer is correct.

Mr. KINLEY: You say there was no promise?

The WITNESS: There was no promise to pay everybody in the province \$25 a month.

Mr. CLEAVER: Mr. Chairman, might I refer the minister to Form B, issued by the Trade and Industry Department of the province of Alberta, a copy of which I hold in my hand.

The WITNESS: I do not recollect that form, Mr. Chairman.

Mr. KINLEY: We are very much misinformed in the east, then.

The CHAIRMAN: Mr. Low, do you welcome these interruptions, or would you wish to finish?

The WITNESS: I would rather continue, if I might.

The CHAIRMAN: Then, gentlemen, suppose we allow Mr. Low to finish his statement, and then bring these matters up later.

Mr. CLEAVER: Very well. I will be pleased to put these matters on record later.

The WITNESS: The result of the change of policy has an important bearing on the province's ability to pay. As you will see a little later on it is not political at all. What I am trying to point out is the circumstances surrounding the developments.

Mr. KINLEY: You told us you were speaking politically.

The WITNESS: It is quite true, Mr. Chairman, I was speaking politically when I mentioned the political situation, but this is different, this is the mechanical and technical situation.

The result, Mr. Chairman, was that the first budget which the Aberhart administration put through in March of 1936 for the year ending March 31, 1937, provided for an over-all deficit; no differentiation between ordinary and extraordinary moneys was made at all; and the result has been that the ordinary person can take the public accounts of the province of that time and by reading them can tell exactly the position of the province. Now, the new method of budgeting used for the first time in Alberta by the Aberhart administration brought about some definite results. Immediately the administration was able to put its hand directly in control of the debt situation, and I am going to review for you just exactly how it put its hand on the debt situation and conformed to the demands of the people in 1935, and the mandate given to the Aberhart administration to prevent an increase of debt that had been going on since 1905. The province of Alberta started in 1905 with no debt whatever. By 1922 at the end of a Liberal administration the debt had risen to \$95,000,000. By 1935, March 31, 1935, the debt of the province had increased to \$150,000,000. I am speaking now, Mr. Chairman, to clarify this, of the funded and unfunded debt, which was \$150,609,492.29; roughly \$150,609,000, as at March 31, 1936. Through the borrowings during 1935-36 over which the Aberhart administration had absolutely no control whatever (as I told you yesterday) and as I pointed out then, the public debt, had increased to \$158,081,000; and that date, March 31, 1936, is the beginning of the control of the Aberhart administration. By March 31, 1939, the net funded and unfunded debt of the province had decreased to \$154,944,000; by December 31, 1939, the net funded and unfunded debt of the province according to the public accounts I have here had been reduced to \$150,408,000.

Now, I point this out merely to show the committee that we began to take hold of things, and in spite of the fact that there still remained certain sums unpaid on the principal debt of the province, and certain sums which are in dispute as to interest payment; in spite of that fact, and in spite of the lower revenues raised in each year—which I am going to give you very shortly—the Aberhart administration took hold of the situation and prevented any increase in debt. I might point out also to the committee what the result of the new method of budgeting had on the savings certificates. As I pointed out, at March 31st, 1935, there were outstanding \$10,874,000 of savings certificates. At the time this government took office, I should say when the Aberhart administration took office, September 3, 1935, there would be approximately ten million two hundred thousand or ten million three hundred thousand dollars—I have not the exact figures here—it would be something just over \$10,000,000. At March 31st, 1940, through a process of consistent reduction in the amounts outstanding in each year the amount remaining unpaid was \$5,409,000; showing by that year a reduction in the amount of savings certificates outstanding of \$5,465,000. These saving certificate moneys, as I pointed out yesterday, we considered as demand notes. They were the people's money and they needed them and they should have them when they wanted them. Our policy was to appropriate at each session as much as we possibly could appropriate out of the revenues to redeem these certificates, and we established a policy of redeeming in nominal amounts for needy holders, and no application whatever was ever rejected without a thorough review and without thorough consideration, and no needy holder has ever yet been turned down in his application for redemption.

Mr. BLACK: Were these certificates redeemed at par?

WITNESS: Always at par, with accrued interest at reduced rates.

Now, so far as the effect of the new budget on the sinking fund is concerned I should like to point out for just a moment what was done. On March 31st, 1935, the general sinking fund of the province was valued at \$9,925,000. It had been increased to \$13,217,000 by March 31st, 1940; the increase in amount was \$3,292,000. This increase is accounted for in the following manner; contributions to the sinking fund, \$1,966,000, earnings \$2,034,000, less \$708,000 which was applied to the reduction of debt; leaving a net increase of \$3,292,000.

Now, it is true that in the same period, that is from June, 1936, until the present or June 1, 1940, there had accumulated unpaid interest of \$11,293,000. That was one of the figures, Mr. Chairman, which the committee asked me to prepare for them the other day—made up as follows: unpaid interest on debenture debt \$10,156,000; and on the guaranteed debt \$687,000; and on the savings certificates \$450,000.

Mr. DONNELLY: That is the amount in dispute, is it not?

WITNESS: Not so much in dispute, I should say, as the amount of the so-called unpaid interest that has accumulated since June 1st, 1936.

Now, during the period the following were the total revenues by years. The committee, Mr. Chairman, asked me to prepare a schedule showing the revenues for the years 1935 to 1939-40; and I have these for you so that we can compare the management of the Aberhart administration with the management of any other government that you would like to name, either previous to the time of the Aberhart administration or during that time.

By Mr. Kinley:

Q. It was made an issue in the election?—A. It was made an issue here the other day.

Q. I mean, Alberta's ability to pay?—A. Right, but I bring this in in response to a request that was made to me, that I provide this information as a means of comparing what this government under the Aberhart administration

[Hon. Solon E. Low.]

did do with what they might have done. I am going to give you the gross figures, because after all the only fair basis of comparison for revenues is on the basis of your gross revenues. You cannot make a fair comparison of ordinary revenues. I am taking here the total gross revenues of the province for the year. For the year ending March 31, 1935, the total gross revenues were \$27,522,062.02. I have the public accounts here and if any of you would like to examine the figures at any time, I would be glad to go over them with you. It is difficult for the ordinary layman to readily get the figures until the year 1937, because the practice, as I pointed out, was to budget for ordinary and extraordinary revenue. The total revenues of 1935 was made up, Mr. Chairman, of ordinary revenues of \$17,036,924.98, and capital revenues of \$10,485,137.04; a total of \$27,500,000 approximately. The total revenues for the province for the year ending March 31, 1936, were \$30,021,511; made up of ordinary \$16,575,151, and capital \$13,446,360. For March 31, 1937, the year in which the method of budgeting was changed, the total revenues, including all moneys received, even borrowings, was \$23,783,154.31; on income account alone the amount was \$20,743,045.72, and borrowings of \$1,319,748, made a total of \$23,183,154.31. For March 31, 1938, the total or gross revenues were \$26,267,512.55; and for the year ending March 31, 1939, there was a gross revenue of \$26,595,891; which includes, Mr. Chairman, the final payment on the sale of the railways of \$5,700,000. If this item were deducted from the total, both revenues and expenditures—because when this revenue came to us as the final payment from the Canadian Pacific and the Canadian National it was simply passed on to pay off the overdraft at the bank for which it had been hypothecated by the U.F.A. administration—I say if this amount were deducted from the \$26,595,000 total, there would have been an actual effective revenue that year of around \$21,000,000.

For the year ending March 31, 1940, the estimated revenue—and I say “estimated” here, Mr. Chairman, because the public accounts are not yet available closing the year 1940—was \$21,577,431.20. I might say, Mr. Chairman, that from information which I have at the present time that estimate is going to be very close to the actual figure for the year.

I want to point out that at no time in the history of the Aberhart administration has that government received a gross revenue that could compare with that of a number of years of previous administrations. In each of the last ten years of the U.F.A. administration they received a gross revenue much greater than that of any year during which the Aberhart administration has been in office. I know many people have criticized the Aberhart administration for getting so much money. As I have pointed out, the greatest amount that they have obtained in any one year was \$26,627,000, which was for the year ending March 31, 1938, and that is less than either of the two years ending March 31, 1935, or March 31, 1936, the last two years of the U.F.A. administration.

With those moneys we were able to carry on the ordinary service of the province, of building the roads and the buildings that were necessary to meet all our capital expenditures, and, at the same time, to reduce the debt, as I have pointed out, the net funded and unfunded debt, by something like \$7,000,000.

By Mr. Kinley:

Q. You are talking of gross revenue?—A. Yes.

Q. That, of course, is affected up or down by the borrowings?—A. Yes.

Q. And if you borrowed a lot your revenue would be higher with less taxation for the moment?—A. That is right.

Q. But if you are in the formative period of a province and building institutions, investing money and borrowing money to get gross revenue over the years, that would hardly be a fair picture, would it?—A. That might be

true in the formative period, but certainly, by no stretch of the imagination, could you call a province that was nearly forty years old in the formative stage.

Mr. GRAHAM: I would suggest that the whole three prairie provinces are very definitely in the formative stage.

By Mr. Donnelly:

Q. When would you think would be the change from the formative to the mature stage?—A. Judging from the way they started to go down hill they reached their senile stage about 1929.

By Mr. Kinley:

Q. There is this about your economy, that you had twenty-five years, whereas in the east it took perhaps one hundred years to build up institutions and to service the province. You need more capital expenditures both for municipal work and governmental work.—A. I am not, Mr. Chairman, entering into any controversy on the matter of whether the province should have been borrowing; all I am trying to point out are the facts of the case upon which we can base an opinion with respect to Alberta's ability to pay.

Q. You are adding borrowed money into the revenue and creating the impression that that was money that was taxed from the people?—A. No, I am not, Mr. Chairman. I very definitely stated that in addition to the ordinary revenues of the province these amounts included the borrowings and the amounts that were contributed by the civil service in what they called a voluntary contribution of their salaries, and all those things, because I wanted to give a picture of the total amounts of money that were spent and handled by—

Q. What was that voluntary contribution of salaries, was that the prosperity certificates?—A. No; that has nothing whatever to do with prosperity certificates.

The CHAIRMAN: I think we should allow Mr. Low to finish his statement. Mr. Low has promised to stay with us for the rest of the session, so we will have plenty of opportunity to criticize his statements.

The WITNESS: I will just answer the gentleman's question. Voluntary contributions of the civil servants were made in response to a request by the U.F.A. administration that the civil servants forego a certain proportion of their salary, and, so called, to voluntarily contribute them to the general revenue fund to assist the government in meeting its post war obligations.

Mr. KINLEY: There might be some things that we could adopt here.

The WITNESS: I would not be surprised. However, going on, immediately after the government's action in reducing the interest rate on the bonded indebtedness, the bondholders sent experts into the province to prepare a report on Alberta's ability to pay. A number of you perhaps will remember seeing that bondholders' report, a very voluminous document, with voluminous arguments, which in no way touched the problem. It was a glorified audit, and nothing but a glorified audit. Here we had the spectacle of a group of experts, auditors, chartered accountants, who came into the province and sat down at a desk and examined large volumes of balance sheets, revenue and expenditure statements and so on, and then gave as their opinion that the province could pay. I want to tell you, Mr. Chairman, that a glorified audit in no way can meet the situation under such circumstances.

By Mr. Ross (Calgary East):

Q. In what year was that, Mr. Low?—A. In 1936.

[Hon. Solon E. Low.]

By Mr. Jackman:

Q. Was that the so-called Elliott-Walker report?—A. That is right.

Q. Neither of those gentlemen is a chartered accountant.—A. They did not do the actual work; they did get chartered accountants to do the work. They are the ones who came and sat down at the table and did it in the government's offices.

The second attempt at making a report on Alberta's position was the attempt of the Bank of Canada. It is quite true that they came in upon invitation, and they presented at the end of their examination this report in 1937 which again was nothing but an audit, an examination of revenue and expenditure statements and balance sheets of the province. It did not take into account, Mr. Chairman, the economic disabilities under which the people of the province of Alberta are trying to carry on; it did not go into the lives of the people; it did not go into the communities and see how the people were getting on, what they were doing and under what they were labouring. In no way, then, could it be considered as a fundamentally sound statement of what the people of the province could do.

Eventually, Mr. Chairman, the Aberhart administration decided to attempt to bring about or to negotiate refunding. We have been working on that for the past two years, because we realize that with the schedule of maturities that had been set up by previous administrations, a schedule of maturities, Mr. Chairman, which no government could possibly meet, it was necessary to try to bring about a better schedule of maturities that could be met; and it was necessary to try to negotiate a better rate of interest which they could pay, because interest rates were definitely on the downward trend.

We were quite successful in making contact with a number of underwriting institutions who were willing to undertake the task. In order to determine Alberta's ability to pay, one of the underwriting institutions with whom we were negotiating suggested that an eminent economist who would be satisfactory to them, to us and to the bondholders, be commissioned to come into the province to examine the economy of the people and to make a report upon the ability of Alberta to pay.

It was finally decided after considerable thought that Dr. Jacob Viner should be commissioned. Dr. Viner at that time was a member of the treasury board with Mr. Morgenthau in the United States, and was also at the time head of the department of economy of the University of Chicago. He has been for many years a very eminent investigator, and his reports have been received and studied with great interest and respect.

By the Chairman:

Q. He is a Canadian by birth, is he not?—A. By birth, yes. Born in Quebec, as a matter of fact, Mr. Chairman. Dr. Viner's name was suggested along with several others, and I understand that the bondholders' committees were approached and they signified their willingness to have Dr. Viner make the report; that is, they had confidence in him, the underwriting group had confidence in him and the province of Alberta had confidence in him.

Accordingly, Dr. Viner came into the province in 1939 and after most careful study of the whole situation, after going into the communities to see how the people lived, after examining the disabilities of the people, the climatic vagaries and all of the things that constituted disabilities, and after considering the dead weight of debt that had been created, not only public debt but private, municipal and corporation debt. Dr. Viner issued his report which, by the way, Mr. Chairman, has not been made public because negotiations were rudely interrupted by the outbreak of war and we have not seen fit yet to release the report to the public.

However, your Minister of Finance has had this report in his hands for over a year, and I have a copy of it here from which I intend to quote. Dr. Viner's report in my estimation is the only attempt that has been made to get at the root of the problem, and whether or not it will be accepted by all parties concerned remains to be seen.

I just want to point out one or two things that Dr. Viner said in his report about the province and its ability to pay; I am quoting now from page 107 of the report under "Recommendations". He says:—

In the light of the foregoing analysis of the financial position of the provincial government and of the economic conditions prevailing in the provincial economy in general, . . .

By Mr. Graham:

Q. What is the date of the report?—A. The report was dated August, 1939.

. . . I submit the recommendations which follow.

I should like to point out, Mr. Chairman, that this report was rendered by this eminent economist after being with us for quite some time, studying not only the conditions prevailing but studying us; quoting further:—

Although I am convinced that the government and the people of the province are anxious to meet their contractual obligations to the reasonable limits of their capacity to pay, and believe myself that in their own interests and in the interests of the Canadian people generally they should do so, I do not find it possible to recommend that the province undertake to resume interest payments at the full contractual levels without further ado. I do believe, however, that the province can reasonably do somewhat more than it is now doing toward meeting its contractual obligations and restoring the provincial credit, provided its creditors make some concessions in return, not from their present actual status but from their legal or contractual claims.

I recommend the following general provisions for an agreement between province and bondholders, expressed in specific terms for the sake of concreteness, but subject of course to modifications in detail:

(1) That the province endeavour to negotiate with the bondholders an agreed reduction of the amount of contractual interest payable on the provincial debenture debt, and especially with respect to the debentures which were floated at times of financial crisis and carry extremely high interest rates, and also a rearrangement of maturity dates, in greater conformity to the province's capacity to pay than the present stipulated rates and maturity schedule.

(2) That the province undertake to refrain, for a stated term of years, from new debt-augmenting borrowing except to meet genuine emergencies or where the purpose of the borrowing is to finance a revenue-producing activity which offers genuine prospects of being able to carry the debt incurred on its behalf.

That is exactly the policy that has been entered upon by the Aberhart administration in 1935.

(3) That the province undertake to revise its individual income tax with a view to obtaining \$1 million more of revenue therefrom annually than the present rates and statutory exemptions would produce; to segregate the additional revenues so obtained, to the extent of \$1 million annually, for interest payments in addition to the present levels of such payment; and to devote any increase of revenue above \$1 million obtained from individual income taxation, whether as a result of increased effective rates or of improved economic conditions in the province, to liquidation of

outstanding indebtedness, in addition to whatever other funds may become available for this purpose, priority to be given to the savings certificates.

(4) That the provincial government endeavour to negotiate with the Dominion Government an agreement under which:

(a) the natural resources award would be implemented, and the proceeds are used toward liquidation of the provincial indebtedness to the dominion;

—which, by the way, Mr. Chairman, is around \$26,000,000 represented by treasury bills bearing 3 per cent.

(b) the remaining provincial indebtedness to the dominion would be funded on a long-term basis at the present rate of interest;

(c) the Dominion Government would facilitate the mortgaging by the provincial government of the annual dominion subsidies for purposes of interest payments.

(5) That the provincial government, as additional parts of its settlement with its creditors, undertake, provided the Dominion Government will cooperate, to segregate its dominion subsidy receipts for purposes of interest payment on the bonded indebtedness now outstanding and also undertake to segregate annually a portion of the operating surplus before interest of the telephone system, say \$500,000, for purposes of interest payment on its bonded indebtedness, the proceeds from such segregation, however, in both cases to be part of, and not an addition to, the total amount of annual interest payments referred to under (3) above.

(6) That the bondholders be asked (a) to agree to the repeal of sinking-fund requirements except as provided for in (3) above, and except that the existing sinking funds and their annual earnings shall be used only for debt-liquidation purposes, and (b) to agree to give the provincial government the right to call for redemption by lot at stated intervals any securities outstanding of any issue at their par value provided the funds for redemption are obtained from current revenues or from the realization of capital assets, and not from new borrowings, and provided there are no delinquencies with respect to interest payment requirements under the agreement.

(7) That the bondholders be asked to consent to cancellation of all outstanding claims with respect to deficiency of interest payments made at the reduced rates as compared to the full contractual rates, from the initial suspension of full payment to the time of coming into force of the contemplated agreement with the bondholders.

I want to stress most emphatically, Mr. Chairman, that a man of the standing and equipment of Dr. Viner would never have made such a suggestion if he had thought that the province of Alberta could pay the full contractual rate of interest.

By Mr. Graham:

Q. I wondered if your government is in agreement with this recommendation.—A. The government has tried since this report was made public to negotiate on the basis of these recommendations.

Q. You accept the recommendations?—A. Generally, yes.

By Mr. Casselman:

Q. I thought you said it had not been published.—A. It has not been published.

Q. Why not?—A. Because we felt that it was not yet in the public interest to make it public.

The CHAIRMAN: Because of the interruption caused by the war?

The WITNESS: The interruption caused by the outbreak of the war was the most important thing. But to continue with Dr. Viner:

A settlement along the lines here indicated would not by any means solve all of the province's difficulties. Nor is it suggested that the proposed settlement would be an ideal arrangement. For an agricultural province, whose economy rests primarily on the production of a commodity whose yield, price, and marketability are all subject to extreme fluctuations, fixed interest and fixed maturity securities are not well adapted. But until a more flexible instrument, which more or less automatically adjusts the time, and perhaps also the amount, of income and capital payments to the variations in the capacity to pay of the debtor, is devised which is suitable for use by governments, there is no practical alternative. Given the various elements in the situation, it seems to me, however, that a settlement following the general lines here proposed would constitute a reasonable compromise as between the bondholders' contractual rights and the province's capacity to pay, and would be to the mutual interest of both parties.

Should economic conditions in the province improve substantially above their present level, the bondholders would under the proposed settlement share adequately in the better conditions both from the greater security and marketability which would result for the obligations they held and from the more rapid rate of redemption of these securities which the more abundant provincial revenues would make possible. If, on the other hand, economic conditions in the province should not improve or should even deteriorate moderately from their present level, the province should still be able, although not easily and not without sacrifice, to carry out the terms of a settlement along the lines which have here been proposed. A settlement which would at the same time involve no concessions by the bondholders and no assumption by the province of burdens beyond its reasonable capacity to carry would require either aid from the Dominion Government or a degree of economic recovery in Alberta which there is no good reason to expect. A settlement on a basis which the province would soon find impossible to maintain would be worse than no settlement. The proposals made here are offered in the belief that they are neither beyond the capacity of the province to bear nor less generous to the bondholders than the province can afford to be.

By Mr. Kinley:

Q. A moment ago one member asked if you and your government subscribe to that report.—A. In general, yes, Mr. Chairman. There are some things I might explain, which existing circumstances would make impossible of implementation. I refer more particularly now to the income tax which, as you understand, would be impossible.

By Mr. Slaght:

Q. Why?—A. Because, Mr. Chairman, of the increases that have been made in the dominion income tax, the imposition of the wage tax, and the decrease in income in the province due to low prices of wheat and other things.

By Mr. Kinley:

Q. The people could not stand it?—A. The people could not possibly stand it.

[Hon. Solon E. Low.]

Q. We have been given the impression from what I have heard here from you and what the other members have heard from you that you have been travelling along very sound lines, and I do think that the provincial treasurer of Alberta knows what he is talking about.—A. Thank you.

Q. Do you subscribe to the easy way that you people in Alberta seem to think you have of getting over your difficulties?—A. Well, Mr. Chairman, in answer to the question may I say I do not believe there is any easy way.

Q. I quite agree.—A. But there certainly are different ways.

Q. Sure.—A. And more sound ways, I may say, than some we are trying at the present time. We are trying now to lift ourselves up here in Canada by our bootstraps, and we cannot do that. By "we" I mean the people of Canada. We in Alberta are trying to change that.

Q. Your government has been in office how many years?—A. Since 1935; that will be five years.

Q. Apart from, let us admit, a fairly reasonable administration of public affairs, what other things have you done, having in view the monetary things that we hear from that part of the country, to bring about a solution of your problems?—A. I wonder, Mr. Chairman, if it would not be wise for me to complete the little review that I have started and then come back to such questions. I will be happy to answer the questions. I am nearly through with that review.

Now, the province of Alberta carried on the negotiations for the refunding on the basis of Dr. Viner's report until such time as the outbreak of the war prevented us carrying on further. Up to the present, as you understand, it has been impossible to complete an arrangement but the Aberhart administration is still determined to negotiate a refunding process on the basis of the ability of the people to pay, one that is fair not only to the people but to the bondholders and all concerned.

Mr. Chairman, we want to pay our obligations. There is no getting away from that at all. We want to pay, and we want to retain the credit of the people of the province, and we want to have things on a sound foundation.

Now, Alberta came close to the 1st of April, 1936, facing a maturity of \$2,846,000 odd to be exact, feeling that they wanted to meet that maturity. And when we approached the federal government for assistance we were told, of course, that the only way that the federal government had of assisting any province was through some authority that had been given it to assist provinces in meeting unemployment relief expenditures, or if the province was bankrupt, right on the verge of bankruptcy, then they could help us. We were told that, and I think that is true. That is the only authority the House of Commons has given them. We approached the Bank of Canada on the 1st of April, 1936, and we did not get any help from them. And we tried desperately to be able to meet that maturity because we realized the same as you realize, the same as any serious minded person realizes, that it is a blow to the good standing of any individual or any province if it has to go into default.

Q. Was it an absolute refusal or were there some conditions with which you would not comply?—A. Mr. Chairman, all I can say is that about the same time the province of Ontario was having difficulties, as you see by examining evidence given here before the Banking and Commerce Committee back in 1939. Ontario was having the same problems and were promised by the Bank of Canada that they would buy their treasury bills, and then they were refused. They were having the same trouble exactly.

By Mr. Cleaver:

Q. Ontario did not default.—A. No, quite true. Somebody came to their assistance, we do not know who. Here is a thing you must know. We were in the peculiar position of having fought the financial institutions. The people

of Alberta rose in a body and demanded better terms at the hands of the financial institutions and the financial institutions did not feel any too happy about coming to the assistance of the province of Alberta because of that.

Q. Would it not be fair to suggest that perhaps you lost the confidence of the financial institutions?—A. No.

Q. By your wild-eyed promise to pay dividends?—A. No; I think it was not that. We incurred their displeasure, definitely.

By Mr. Kinley:

Q. Mr. Low, was not this the reason: at the time you came to the federal government for help did you not refuse to comply with the conditions that the Minister of Finance wanted as a part of the arrangement?—A. Well, Mr. Chairman, in answer to that I will simply say this: the conditions that were suggested or rather the arrangement of the loan council suggested by the Minister of Finance had no bearing whatever upon Alberta meeting that maturity on the 1st of April, 1936. It was a suggestion that would have taken away from the province of Alberta and from all provinces who become parties to it the right to do as they saw fit with respect to their own finances; and the province of Alberta did exactly the same as several other provinces did; they refused to agree to the loan council and it did not go through. But in spite of that fact, however, other provinces received help. Saskatchewan received help.

By Mr. Tucker:

Q. They agreed to come in under the scheme if it went through, did they not?—A. Quite true, but it did not go through.

Q. If you had done the same thing as Saskatchewan promised you would have got help.—A. It would have put a different complexion on the thing if it had gone through. It had been set up for all provinces, if they agreed, but it was—

By Mr. Cleaver:

Q. What part of the proposal did you quarrel with?—A. We simply refused to agree to the set-up of a loan council to which all questions of raising money would have to be taken.

By Mr. Slaght:

Q. Did you realize you were getting the money of other provinces that was advanced to you?—A. Well, I do not know that that thought particularly came into our mind but if it had, undoubtedly, we would have considered too that they had had their hands in our pockets for years.

Q. They agreed to just what you refused?

By Mr. Cleaver:

Q. You, of course, knew by electing not to comply with the suggestion that you were electing to default?—A. No, we did not, because we continued to try to meet the maturity in good faith right up until the day of the default.

Q. You still hoped to pay?—A. Yes, we did, and we could see no reasonable reason why, facing the situation we did, they should not have agreed to assist us the same as they were willing to assist any other province.

Q. In regard to the question I asked you a moment ago, certain conditions were laid down. You knew that if you did not accept those conditions you would not get the assistance?—A. No, as I pointed out, the loan was not to be made contingent upon acceding to those conditions.

Q. But you knew that if you did not get the money for the loan you would have to default?—A. Right.

Q. So that you virtually elected to default?—A. No, Mr. Chairman, I still contend that we had reasonable ground to expect we would get assistance anyhow.

[Hon. Solon E. Low.]

By Mr. Casselman:

Q. From where?—A. From the Bank of Canada or from the federal government—particularly the Bank of Canada which was set up for that very purpose.

By Mr. Kinley:

Q. Do you think those conditions conform pretty nearly with the philosophy contained in the report of Mr. Viner; that is you would be consoled and that you would get along in a sound, reasonable and economic way?—A. Well, I am not so sure of that.

Q. You believed in the good faith of the Minister of Finance?—A. Yes.

Q. And you defaulted. Every individual in this country, when he comes to default, must submit to some kind of control.—A. You see, Mr. Chairman, the Aberhart administration was perfectly willing to co-operate to the fullest extent with the Minister of Finance in the matter of any further borrowings, and we have done it under every circumstance since, but we could not see why a proposal raised just at the time when we were facing the necessity of raising over two millions of dollars should be put through very quickly just because we had a maturity coming due on the 1st of April.

The CHAIRMAN: In other words, you refused to surrender your financial autonomy.

The WITNESS: That is right.

The CHAIRMAN: I think we ought to try to get on with the argument.

The WITNESS: Thank you, Mr. Chairman. Having defaulted, then, after every single effort we could possibly make, we were in the default class and other maturities came along quickly; and during the first year—in fact the first two years after April 1, 1936, when the default occurred—every single time a maturity was about to come due we made further advances in an attempt to get this thing straightened out, but, of course, we realized we could not possibly do anything about the further maturities until such time as we had taken care of the first one that had been defaulted. Obviously, we cannot discriminate against any group of holders of our securities, the one group over another. So this has accumulated until to-day we have, as I pointed out to you, something like \$13,000,000 in default. I gave it to you the other day. At any rate, the maturities came along quickly, and I want to give you a list of some of those that did come due and show you how the schedule was impossible to meet without assistance.

The first one I shall point out was April 1, 1936, \$2,846,000, with interest rate at 6 per cent, and the reduced rate was 3 per cent; November 1, 1936, \$1,109,000 at 6 per cent on which the interest was being paid at 3 per cent. There you have approximately \$4,000,000 coming due in that one year of 6 per cent bonds. Now, it was simply impossible—it would have been under any circumstances with the revenues available—to pay this off without assistance.

June 1, 1937, \$1,650,000 at $4\frac{1}{2}$ per cent, and the rate on this was $2\frac{1}{2}$ per cent; June 1, 1938, \$2,000,200; January 1, 1939, \$1,000,000 at $5\frac{1}{2}$ per cent; January 15, 1939, \$2,500,000, January 1, 1939, \$750,000 at 5 per cent; September 1, 1939, \$250,000 at 5 per cent, and then there was another one in the beginning of that year making in all around \$13,000,000.

Now, as I said, the first default had a cumulative effect as the months passed, in that we could not possibly expect to take care of any of the maturities coming due until we had first taken care of those that had been defaulted; and so it has gone on until to-day we are paying interest at the reduced rate on not only the unmaturing securities but also on those that are matured and past due. We continue to place the interest in the coupon fund in the bank to-day to meet those payments, and if the coupons have all been clipped from the bonds which the holders have we have given them instructions to take the bonds to

the office of our paying agents on the dates when the interest is due and the paying agents will endorse the amount of the payment on the back of the bond itself, and they get their interest the same as in the past.

By Mr. Kinley:

Q. You did not meet the maturing bonds?—A. No.

Q. Is your policy also to meet the interest on maturing bond in part the same as on unmatured bonds?—A. Oh, yes.

Q. You only redeemed in part the capital?—A. Oh, no, no; as a matter of fact we have not redeemed any bonds in capital—just continued paying the interest.

Q. And if they are due—the ones that are maturing, you do not pay them?—A. We cannot very well unless we can borrow, and we have to borrow \$13,000,000 to get them all cleared away.

Q. It would be difficult?—A. Yes, the only way it can be handled is by a joint refunding operation, and that is what we are trying to accomplish.

By Mr. Black:

Q. It is established that eventually the province will pay the capital?—A. We are determined to render the principal sum inviolate.

Q. Why are they selling at only 50 per cent of the face value if there is an assurance that they are going to be redeemed at face value?—A. That is a mystery to me. I want to point out in that connection that they have not been active on the market, and I have seen a number of days where quotations were given on the New York market or on the stock markets in Canada and you simply could not pick up a bond at the quotations at all. That is a peculiar condition.

By Mr. Slaght:

Q. Is there much of that \$13,000,000 held in England?—A. Yes, there is quite a considerable quantity of that, particularly the issue of stock, 5 per cent stock.

Q. Have you had correspondence with the London Stock Exchange on the subject?—A. Yes, we have had correspondence with not only the Exchange but with a good many individuals. Now, during the same period that these defaults have been accumulating—and in respect to Alberta securities, I might point out that our sister province of Saskatchewan—and we do not envy her this assistance—obtained in May, 1936, \$2,200,000 to meet a maturity. She did not raise it out of general revenue, but she got it.

By Mr. Cleaver:

Q. That shows you the position Alberta was in—deliberately refusing to place herself in a position where she would receive similar assistance.—A. Or does it in the alternative indicate a rather rank discrimination on the part of those institutions that could have helped?

Q. I do not think you seriously suggest that?—A. I do very seriously suggest it.

By Mr. Kinley:

Q. Why would they do that now?—A. It is difficult to understand, except as I pointed out to you, this great series of conditions and circumstances.

Q. Is your condition worse than that in Saskatchewan?

Mr. SLAGHT: Or British Columbia?

The WITNESS: That is entering into a new discussion which I think it not relevant at the present time. To proceed, Saskatchewan received during that period up to May, 1939, \$7,502,000 in meeting maturities, and they did not have the security that we had. Their debt was mounting much more rapidly than ours.

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By Mr. Tucker:

Q. What are you speaking of?—A. Saskatchewan.

Q. We want to be fair. Saskatchewan very definitely said to the Dominion government that they would meet their conditions, and the same condition and proposal was made to you. Now, after all, I do not want anything said here that is quite unfair.—A. That is right.

Q. I am very favourable to your proposition, but I cannot sit here and hear you say there was discrimination in favour of Saskatchewan against Alberta, because the same proposition was put to your government as was put to the government of Saskatchewan. You know that. You cannot say it is discrimination.—A. That is the point.

Q. Our government said they would agree to go into it if it were set up, and that is all that was required of the Saskatchewan government; the Alberta government would not say it; but if they had said it they would have got the assistance. Now, when that is the case I have no faith in statements like that.

The WITNESS: However, to resume, then. I was pointing out that the province of Alberta is desirous of paying its obligations. We would be happy and we would be ready, I am satisfied, as a people, for the province of Alberta to pay its obligations in full as they become due, if we could pay in goods that are produced; but we cannot pay in goods. Our creditors are not ready to accept goods. What they want is money. If the goods cannot be turned into money, then, Mr. Chairman, how can we pay? We are anxious to keep our province in good standing, and for that reason we are negotiating just as fast as we can for refunding operations which, I am sure, will work out eventually. Our whole aim and desire is to get this thing straightened out in an equitable way, equitable both to the people and to the holders of the bonds, and to relieve the people of the province of the burden, or some of the burden, at least, which they are bearing to-day. We are anxious, Mr. Chairman, to preserve national unity. We are as anxious to do that as anyone. I was born in Canada. I am a Canadian through and through. I am not just Albertan, I am a Canadian. I will do my utmost for this Canada of ours. You do not hear me at any time setting off the east against the west. I have heard so much of that, and it should stop. But, Mr. Chairman, it must stop. I am sure that there are a great many people in this dominion who must hold the view and who express their feeling that it seems that the east is against the west and the west is against the east. I think that there must be a greater element of understanding as between the east and the west. I do not say that the fault is here or there, but both must try to get together and to understand the other's problems. Both must have a more sympathetic interest in the other's problems and be ready to sacrifice, at least in a small measure, to assist one another. We are anxious to see that done out in the province of Alberta.

Mr. KINLEY: By deeds rather than words.

Mr. HILL: Right.

The WITNESS: Yes, by deeds. Yes, sir, we are anxious to do that and we will show the people of this country, if we are given a chance. We have come down here to-day not to say that we have been dead right in everything we have done. Certainly not. What is right under one set of circumstances may be dead wrong in another set of circumstances. But I want to tell you that I am firmly convinced that what the Aberhart administration did at the time, in 1935 and 1936, was the only possible thing that they could do, keeping in mind all of the existing conditions. I want you to understand Mr. Chairman, that I have no quarrel. I want to get along peaceably. I think you have given me a splendid hearing, and I want to go back feeling that everything has been done fairly and squarely; and if I have done any-

thing or said anything here in answer to questions, in an attempt to bring up illustrations, which has offended you, I sincerely and humbly beg your pardon and withdraw. Thank you very much.

By Mr. Graham:

Q. Just to complete your financial picture—and I have every sympathy with the province of Alberta in their difficulties and I thoroughly agree with the difficulties you have presented—I want to come to this: In the financial record of the Aberhart government that you have presented and the picture of what has been done, would that have been the financial record had the province of Alberta, represented by the Aberhart government, not met constitutional difficulties. Would that have been the picture?—A. Had they not which?

Q. Met certain constitutional difficulties?—A. That is possibly true. I am sure that, at least, on the ground of constitutional difficulty the Aberhart administration was refused certain things which they had asked for.

Q. So that this record is really not the record that the Aberhart government would have shown had they been allowed to have gone the full length of their own policy?—A. Well, that is hard to say, Mr. Chairman. I think perhaps that we could have improved conditions quite considerably if we had not been refused certain things we asked for.

By Mr. Ross (Calgary East):

Q. There are a few questions I wish to ask you, Mr. Low. The position is clear, I think, in respect to this. If I present \$100 worth of coupons, I can collect only \$50 for those. Is that not correct?—A. That is essentially correct.

Q. And I must surrender the coupons?—A. Yes.

Q. And that \$50 I receive, according to your order-in-council, is accepted in full satisfaction for and discharge of any interest?—A. That is right.

Q. That is right; full discharge and satisfaction?—A. Yes.

Q. And yet you quarrel with me when I call that repudiation?—A. Yes. We do not call that repudiation. In fact, no one can call it repudiation and be honest.

Q. You do not call that repudiation?—A. No.

Q. What is your definition of repudiation?—A. When you refuse to pay accounts definitely to be paid, if you can pay them.

Q. Yes. I will state the definition: Refusal to discharge a public debt. You would add to that definition, I suppose, "if inconvenient to do so", would you not?—A. Well, now, Mr. Ross, could I not refer for just a minute, we will say, to the proposed Central Mortgage Bank and what was going to happen there?

Q. No.

Mr. KINLEY: That was terrible, too.

The WITNESS: Well, it was mooted and proposed by a body of men and was accepted by members of this committee; and further, your Farmers' Creditors Arrangement Act.

Mr. ROSS: Mr. Low, I do not want to take up too much time. If you do not wish to answer that question, we will pass on to the next.

The WITNESS: Mr. Chairman, just before he goes on, I do not evade anything at all, and I want it definitely understood that I am here to try to make these things clear. I will not side-step. I want you to keep in mind, Mr. Chairman, that as I pointed out yesterday there can be no sanctity of contracts between any parties unless there is a discretionary authority vested in the state to revise the terms of that contract when it becomes intolerable.

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Mr. GRAHAM: Mr. Ross, would you mind if I put a question?

Mr. ROSS: We will pass on from that for the moment.

The CHAIRMAN: Will you allow Mr. Graham the floor? Order, please.

The WITNESS: There was a question here (indicating his right) which I would like to answer; would you mind stating the question again.

The CHAIRMAN: Mr. Ross has the floor. Mr. Graham has a question which he would like to ask if Mr. Ross desires to give him the floor. What is your pleasure, Mr. Ross?

Mr. ROSS: Oh, all right.

Mr. GRAHAM: I wanted to say this in support of Mr. Low; I think you can possibly answer with respect to repudiation that it is not repudiation if the debtor finds himself incapable of paying.

The WITNESS: That is right, very definitely.

Mr. GRAHAM: And that is the position you take, that Alberta cannot pay.

The WITNESS: Provided, of course, that he is willing—

Mr. GRAHAM: He is willing but not able.

The WITNESS: That is right.

By Mr. Ross:

Q. In your statement yesterday you spoke of Mr. Magor, of Montreal, I believe?—A. Yes.

Q. Did you say that he advised you, that he advised the government of Alberta, to pay only 50 cents on the dollar and to default the rest?—A. No. Mr. Magor's advice, the general advice, contained in his recommendations was that the only possible way that we could put ourselves on a self-sustaining basis would be to cut the amount of interest being paid, not all.

Q. Was he referring to refunding?—A. Oh, no; because—

Q. So you say he advised you to cut the interest to any extent and refused to pay in part the principal only—A. No, he did not.

Q. Who did advise you then?—A. Well, Mr. Chairman, the question is not clear. I do say this, that Mr. Magor did very definitely recommend that the amount of interest being paid to the bondholders be reduced in order that we could balance our budget.

Q. Well, with or without their consent?—A. Well, he didn't say.

Q. You did not say what he is an expert in?—A. Well, at least he was sufficiently expert, Mr. Chairman, that he had been recommended to us as being very capable of assisting us in putting our house in order, and he had already been in Newfoundland and made a survey of the situation there.

Q. Is he an expert in finance, or what is he expert in?—A. I understand he is an industrialist and expert in finance as well.

Q. He is an industrialist, is he? Now, Mr. Low, passing that up for the present; at one of our meetings you said, when I read Mr. Davisson's letter to the committee, that you were going to produce the letter written by

Mr. Davisson to you recommending Sousa?—A. That is right, but pardon me, Mr. Chairman, I did not suggest that this letter was written to me. I pointed out, and I took care to point out in this committee, that it was not written to me but that I had a copy of a letter which had been written by

Mr. Davisson recommending Mr. Sousa.

Q. Have you got it with you?—A. I am having it sent down by air-mail. I think it will be here to-day.

Q. You have not received the letter yet?—A. I think it will be here by air-mail to-day.

Q. All right, we will pass that up for the present so we can get along. Now, Mr. Low, I suggest this to you; that if the province is so hard up as you have represented it to be that this committee must come to the conclusion that Alberta is a bankrupt province now.—A. No, I did not say bankrupt.

Q. I think they will be bound to come to that conclusion anyway?

Mr. JAUQUES: No, the province is not bankrupt.

By Mr. Ross:

Q. At any rate, it is pretty hard up, we will put it that way. If the province is so hard up I suggest to you that you are taking a great risk starting a bank now which is very speculative and through which you are liable to lose a number of millions more of dollars.—A. Mr. Chairman, other banks—would you like—

Q. Just a minute, until I come to the question. A. You have made a suggestion which I think should be answered before you come to your question.

Q. What do you want to say?—A. I certainly want to say this, Mr. Chairman, that I have presented a picture of the conditions which brought Alberta to the situation in which she now finds herself, and I have also pointed out that the Aberhart administration has managed the affairs of the administration of Alberta very well indeed, and has done a good job of housekeeping.

Q. I have not been finding fault with that.—A. Right. And we have been able in the province of Alberta for the last three years to live within our means, which is something that very few countries are doing to-day; and therefore in spite of all these disabilities we are progressing, when we are able to maintain the payments that are scheduled in the order-in-council, when we are willing to go ahead and negotiate for a refunding arrangement to get us an even keel again and still remain in control of the debt situation; any province which can do that, that is willing to do that, Mr. Chairman, should, I submit have the right to set up a bank and to operate it.

Q. You were boasting that the province was able to finance— —A. I was not boasting.

The CHAIRMAN: Neither boasting nor glowing.

By Mr. Ross:

Q. Right, then—

Mr. SLAGHT: More in sorrow than in anger.

By Mr. Ross:

Q. As a matter of fact, you are doing that because you are defaulting.—A. Does it hurt the hon. member to know the truth?

Q. Because you are defaulting—just a minute until I have finished my question—because you are defaulting half of your interest; and furthermore, because you have increased taxation to the extent of approximately \$10,000,000 a year; is that not correct?—A. No, it is not correct, Mr. Chairman.

Q. It is not correct?—A. No, sir. The hon. member is misinformed.

Q. All right then, I have your answer. You have increased your taxation?—A. Yes, sir.

Q. You have defaulted your interest to the extent of one-half the interest on the bonds and other indebtedness to the province?—A. That is right.

Q. Well, now, if you can boast of having done that— —A. We were not boasting, Mr. Chairman; could we find another word, Mr. Chairman, for the hon. member?

Q. "Asserted", how does that word suit you?—A. All right.

Q. You are asserting that you were able to carry on without any loss on that basis. Now, I would suggest to you that you repudiate the whole of the interest, repudiate the principal as well, and then you could come before this committee and could assert then that you were making a handsome surplus each year.—A. Might I ask the hon. member if that is his policy, to repudiate; that would be repudiation.

The CHAIRMAN: He has just stated that; Mr. Ross makes that as a suggestion.

The WITNESS: Yes, he makes the suggestion.

The CHAIRMAN: Are you serious in that suggestion, Mr. Ross?

Mr. MACDONALD: I do not think that is a serious suggestion.

The CHAIRMAN: I think it would be unfortunate for you to allow that to go on the record, if I might make the suggestion.

Mr. ROSS: I was just asking him if the government might not do that.

The CHAIRMAN: I doubt if that is the way the record will read.

The WITNESS: That is not our suggestion at all, we do not want to repudiate.

By Mr. Ross:

Q. You are defaulting one-half of the interest now; why not default on the other half and on the principal as well?—A. It would be most wrong if we were to default on the other half if we could pay it, as long as we can pay it; and we do not intend to do that; as long as we can pay we are going to pay as much as we can.

Q. Would it be any more wrong to default on the other half of the interest than on the first half?—A. It would be if you could pay that second half.

Q. You cannot pay the first half but you can pay the other half?—A. Yes, sir.

Mr. ROSS (*Calgary East*): I wish to point out to you that according to the *Canada Year Book*, page 942, at confederation we had nineteen banks in Ontario and Quebec, five in Nova Scotia and four in New Brunswick. Of these banks in the maritime provinces only one is operating to-day. The smaller banks, apparently, have very little chance of succeeding.

Mr. JAQUES: Why?

Mr. ROSS (*Calgary East*): I was just pointing this out. The small banks have very little chance of succeeding. Since confederation a number of other banks have started up and they have been merged with the bigger banks or else gone to the wall.

Furthermore, according to the *Canada Year Book* of last year, at page 944, the reserves in the commercial banks of Canada fell in 1931 from \$162,075,000 to \$133,750,000 in 1938. So that even these big banks are having a very difficult time in getting along.

Mr. BLACK: On a point of order, Mr. Chairman, I just wonder if it would not be wise for Mr. Ross to confine his questions to the subject of whether or not Alberta can pay. There was an understanding among the members of the committee, as I understood it, that we were going to deal with the question of Alberta's ability to pay, first, and satisfy the members of the committee upon that head. Once that is accomplished, we will have done something and then we can go on with other questions. Mr. Ross is asking questions which bear upon the advisability of giving Alberta this bank, in a general way, and certainly do not bear specifically on the question of Alberta's ability to pay, which is the subject under discussion this morning.

The CHAIRMAN: I think, Mr. Ross, the understanding was that this day should be devoted to Alberta's ability to pay. I suggest that the questions should as far as possible be directed to that particular subject. I should just like to ask if the figures you quoted were in regard to profits?

Mr. ROSS (*Calgary East*): Reserves.

The CHAIRMAN: The inspector of banks has raised that point.

Mr. ROSS (*Calgary East*): It was with respect to the reserve in the different banks of Canada in those two periods.

Mr. C. S. TOMPKINS (Inspector-General of Banks):

Mr. Chairman, I do not quite recognize what the honourable gentleman is referring to in the way of reserves. I think perhaps he might have had reference to earnings.

Mr. ROSS (*Calgary East*): No; reserves.

Mr. TOMPKINS: The reserve funds of the banks might or might not fluctuate, as they have in the past; and, of course, it is a matter of public record that the profits of banks have fallen off.

Mr. ROSS (*Calgary East*): I am quoting from the *Canada Year Book* of last year; I do not happen to have it with me, but I am referring to page 944. I took these figures from the book.

Mr. TOMPKINS: I will have a look at it.

The CHAIRMAN: I suggest that the questions be directed as far as possible to Alberta's ability to pay, for the balance of the morning.

Mr. ROSS (*Calgary East*): What I was directing these questions to was Alberta's ability to go into a speculative business of this nature, and whether a province that is so hard up and is going to risk millions more in a speculative business of this nature is doing the wise thing. I think I should have the right to proceed, Mr. Chairman.

Mr. BLACKMORE: I do not think the honourable gentleman is well advised to go on, for the simple reason that it is one of the easiest things in the world to get into first one thing, then another and then another, until you are in complete confusion. If we organize our discussions in a sensible, logical way, as a deliberative body of this kind should, we will be able to deal with these questions point by point; then we will be finished and be able to answer Mr. Ross' questions. The last few questions he has asked have borne on the advisability of Alberta having a bank, which is the whole subject under discussion. What we are trying to do is to narrow it down to one aspect of the question, and that aspect is Alberta's ability to pay.

Mr. KINLEY: Are we confined this morning to the question of Alberta's ability to pay?

The CHAIRMAN: I thought so.

The WITNESS: Yes, Mr. Moore; until we were finished, and then if there is anything more on that matter I would be happy to answer it.

The CHAIRMAN: Are there any other questions bearing on Alberta's ability to pay?

Mr. BLACKMORE: Mr. Chairman, as the sponsor of the bill, I should like to know definitely whether the idea of the members of this committee is that Alberta could pay more, or, if she could not pay more, whether the evidence which has been adduced to-day is satisfying? If there are flaws in the evidence, let us have them brought up, and then we can go on to another aspect of the question.

Mr. SLAGHT: Mr. Chairman, I have a few questions which I should like to submit to Mr. Low. Before doing so I want to pay him a compliment and say that in my view he has shown very marked ability in dealing with financial

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matters and that he has conducted himself under some difficulties here when we are all shooting questions at him, with dignity and ability. I should also like to say to him that I am of an open mind on this matter, but I have some grave fears and doubts. Will you take my question in that spirit?

The WITNESS: Yes.

By Mr. Slaght:

Q. As I gathered, you are endeavouring to persuade us that it is absolutely impossible for Alberta to pay the defaulted interest on some \$11,000,000 and the defaulted principal of some \$13,000,000?—A. Mr. Chairman, that, essentially, is the case. I would say not to persuade but to convince.

Q. What you are putting to us is a statement of your position?—A. Yes.

Q. That you have not paid during the past five years because— —A. We couldn't pay.

Q. —because you couldn't pay?—A. That is right.

Q. How did your default last year compare as to principal and interest with the default of the year before, not in exact figures but roughly?—A. In interest it would be approximately the same, just over \$3,000,000; about \$3,200,000, if I remember correctly. In principal during the year 1939, the following amounts—

Q. I do not want the details; you would know in the main.—A. \$4,500,000 in principal.

Q. Comparing it with the year before, your default was as severe last year, was it not?—A. Yes; perhaps a little more.

Q. As you told us, after five years of default your financing becomes cumulatively more difficult?—A. That is right. Let me qualify that, would you mind? It would become cumulatively more difficult if we were to pick up all of these, but it becomes now a matter of complete readjustment through a re-financing operation.

Q. Am I right in thinking that you are putting to us, hardly looking to the future with optimism, two ways out for you: The first, to bow your necks to the regulations which the Bank of Canada put to you and which you refused? That would be one way to get help, would it not?—A. I am not sure, Mr. Chairman, in answer to the question, that the Department of Finance and the Bank of Canada are still proposing that loan council method.

Q. Have you approached them now in your dilemma with the suggestion that you change your mind and submit to what Saskatchewan submitted to and what they put to you?—A. Well, I have had a number of conversations with the Minister of Finance and his deputy, Dr. Clark, and, as a matter of fact, the suggestion has never been made by either of those two men to me or by me to them.

Q. They would hardly want to push money on you?—A. No.

Q. Is it a fact that you have not gone back to them and shown any weakening in your refusal to adopt that method of being able to pay?—A. We have, Mr. Chairman, agreed to co-operate fully with the Department of Finance in any possible way that we could to straighten our affairs out.

Q. Except the way they asked you to?—A. No, we have not even excepted that. That has not been mentioned specifically since 1936.

Q. Your position, as I understand it, is that you as a province are unable to pay your debts in full as they mature?—A. That is right.

Q. That, I can tell you, is the legal definition of bankruptcy as applicable to a corporation, in fact; would you agree with that?—A. Well, at least, when one considers that the original schedule of maturities of principal was absolutely impossible and as a rearrangement of such schedules has been going on in other places all during these years and might still be made in connection with Alberta's debt, then I could hardly say it would be bankruptcy.

Q. I am not suggesting bad faith, and I do not want to put you in the position of having to say on the record that your province is bankrupt, but I point out to you that lots of individuals and corporations go into bankruptcy because they are unable to pay, and sometimes not in good faith. The second way out for you, I suggest, would be to get your bondholders together and get them to sit down and agree with you upon a plan which would lessen your burden.—A. Surely, that is right.

Q. If your thesis is right, that you are unable to pay, I am unable to see a third way out, although you may be able to direct me to a third course. The two courses are to agree to what this bank asked you to do, with the government behind them, or to sit down with your bondholders and try to reach an amicable arrangement that will let you go on. Is that a fair way to put it?—A. I think, yes, naturally, any refunding programme would necessitate sitting down with the present bondholders and arriving at some arrangement.

Q. That being so, you were in the throes of trouble because you had not yet adopted either of those courses successfully, had you?—A. Well, at least, because the second one had not worked out, surely.

Q. However, you have not been willing to adopt the first one I put to you?—A. Quite true.

Q. That being so, you agree with me these are the only two ways out. Let me suggest to you that you have to reassure me.—A. There is just one other one whereby there is a way out perhaps, and that is a refunding somewhere else outside of an agreement by arrangement with the present bondholders and that would necessitate an underwriting of the whole debt by some big institution.

Q. That would necessitate getting somebody willing to loan you money?—A. That is correct.

Q. You have not been able to get an offer of that kind?—A. The Rowell-Sirois recommendations naturally bring in a third method, where we would dump off the debt on the shoulders of the dominion.

Q. Now, I put this to you: Am I not justified, so far as the province of Ontario is concerned, before furnishing you money to say to you, please go and solve your present inability to pay in one of those two ways before you ask Canada for a charter that will enable you to run an ordinary banking business?—A. No, Mr. Chairman.

Q. That is my trouble.—A. I would think that answer would not help because we feel that if we can receive a charter for our bank that it would make it possible for our people to pay. In other words, it would increase the ability of the people of the province to pay quite definitely.

Q. You would not think that was boot strapping de luxe, because you are going to take the bank money which is only put there by the province from the taxes of the people?—A. No.

Q. And then loan it out to them and make them prosperous so that they can pay more taxes in and pay your default?—A. Well, of course, that is a different approach to the problem. Here is the situation. I would like to make it quite clear in answer to the question that surely if we can succeed through the use of a provincial bank in industrializing to a degree the province of Alberta, we are certainly going to increase the ability of the people to pay, and once their ability to pay is increased there would be no reasonable excuse for our not paying our obligations.

Q. In the meantime the eight other provinces are to go on dealing with chartered banks as they have since confederation.—A. That is up to them entirely. If they would like to have their own banks they can have them too.

Q. You were good enough to tell me it is conceivable if you get your charter for a bank that you might owe some \$8,000,000 to the Bank of Commerce and other substantial sums to the Royal Bank. You remember telling me that?—A. I would not think that the bank in Alberta would get to that point.

Q. That is only a figure I suggest; but to a degree, a large indebtedness.—
A. Essentially, but at the same time the banks might also be indebted to us.

Q. Now, then, if that were so the province is the only real source for these creditors getting their money back. Is not that so?—A. In the last analysis, yes.

Q. And you would agree with me that if your province is unable to pay now maturities that come due every year and are unable to pay the interest on them it will be difficult to suggest how they would be able to pay such debts as those?—A. Well, Mr. Chairman, the only answer I can possibly give to that is this: that a similar situation can be envisaged at the present time in every province in Canada.

Q. No.—A. In every single province in Canada.

Q. They are not asking us for the right to establish commercial banking.—
A. That may be quite true, but they are asking to enter into other things. You have in Ontario the Ontario Hydro Electric Company that went out and began to compete with other big businesses. What for? To enable the people to industrialize at a lower cost, to compete in the markets of Canada.

Q. I do not want to interrupt you, but you are really backing away from my question.—A. No, I am coming to that.

Q.—which was this suggestion: if you have not been able to pay and if we are to accept your absolute inability to pay these maturities for the last five years amounting to \$12,000,000 in principal and a similar amount in interest approximately, how on earth can you expect to pay millions of dollars to the creditors if your bank went wrong. How could you pay that if you cannot pay your existing obligations?—A. This is the answer definitely, Mr. Chairman: the honourable member has had, I am sure, experience with refinancing corporations. Surely he has had experience with several corporations that have gone down to near bankruptcy and he has seen boards of directors get together and set up administrators, set up new boards for the purpose of refinancing and rehabilitating those corporations with the prospect of their being able to pay, and giving that corporation certain concessions now which would assist them to get on their feet and increase their ability to discharge their obligations. That is all we are asking.

Q. Then, would it be unfair for us to say to you: go and take one of the two plans that you have told us are the only two possibilities for an out; that is an arrangement with the Bank of Canada by taking on conditions you do not like, or getting your bondholders together and getting a clean-up with them on your past obligations. In other words, get out of bankruptcy used in the sense, unable to pay your debts in full and come back and say, now we are the kind of people that ought to have a chance to run a bank. I suggest to you if you can do one of these two things and come back you would be in an infinitely stronger position. Do you agree with me?—A. If you would just include this with it; give us the power to do so. Say to us we will be glad to assist you to get yourself on your feet so you can help yourself to meet your position, by granting us this bank charter.

Q. As far as I am concerned—I am not a member of the administration—I think you will find this administration are prepared to help you in every reasonable way.—A. Quite; I appreciate that.

Q. But not at the expense of the pocketbooks of eight other provinces unless you show a capacity to run a bank.—A. Well, it is quite true, is it not, Mr. Chairman, that to-day Alberta is paying \$19,000,000 net a year, in tariff increases while the province of Ontario is receiving some \$51,000,000 a year more than she pays.

The CHAIRMAN: No, I would not agree with that. If you ask me the question I would not agree with that at all.

By Mr. Slaght:

Q. I am afraid I am not sufficiently an economist to discuss that with you. I want to conclude these questions, and I shall do so in a few moments. You see my difficulty.—A. Yes, I see the point.

Q. Coming to us as a province, and we accepting your terrific good faith and accepting the fact that you found on your doorstep a terrifically bad situation five years ago, you have had two ways of curing it and so far, let us say, from political stubbornness, if you like, or financial stubbornness, you refused to accept the conditions that the province alongside you—which is in greater stress, I suggest, than you are—was willing to bow to, you did not take either alternative, you have not been able to persuade your bondholders to make a friendly arrangement, and you still say that this is a good time to give you the tremendous power to loan money of the other provinces, to incur obligations with the other chartered banks, and yet you cannot pay your debt to-day. Yet you want that chance to go on. That is my trouble, my whole trouble in this situation. There is one other point. I asked you yesterday to give me some details of the lawsuit which you are defending against bondholders who are suing.—A. Yes.

Q. Can you give me that?—A. Yes, I can.

Q. I do not want a lot of detail. You said the cases have not been decided. As I gathered it, they are somewhere hanging in the courts?—A. Yes, I have here, Mr. Chairman, and I am prepared to submit to the committee, a wire from the attorney-general in answer to the request that is made for information. This is what he says: "No fiat re debt or interest on debt has been refused." Now, that is the first thing. In the second place—

Q. All I am interested in is this: you have been sued. Writs have been served on you. Are you fighting those creditors, or are you consenting to judgment on obligations that could have no possible defence by you except on repudiation?—A. The only suits that have been entered and are now in process are suits taken by the Independent Order of Forresters against the Lethbridge Northern Irrigation District whose bonds the province of Alberta guaranteed.

Q. They entered the province as a co-defendant?—A. No.

Q. Then I am only interested in suits that the province as such is defending?—A. We are not defending any on the debt; just indirectly, as I said, by having a suit entered against the corporation whose bonds we have guaranteed.

By Mr. Tucker:

Q. And in that suit the Privy Council found that your steps had been ultra vires?—A. They found that the Guaranteed Securities Interest Reduction Act and the Provincial Securities Interest Reduction Act were both ultra vires; and the judgment, by the way, was given against the Lethbridge Northern Irrigation District.

By Mr. Slaght:

Q. You said my suggestion of coming back to us when you, so to speak, cleaned the situation would be fair providing in the interval which, I suppose, would mean six months until another session, the federal government were willing to cooperate with you in assisting you. What form of cooperation did you ask under that thought?—A. I had in mind more particularly granting us the charter for a bank.

Q. I am afraid you have not apprehended my question. A. It is quite—

Q. . . . which was that it would be dangerous to grant you a charter for a bank until you show us your ability to clean your own doorstep for debts you can pay?—A. I insist we have shown our ability to manage the horse that we have got on, and we have kept that debt from increasing. We have lived within our means without as much revenue as was had in many years past, and surely, having demonstrated our ability to handle that—

Mr. KINLEY: As trustees.

The WITNESS: Yes.

By Mr. Slaght:

Q. Any merchant can keep out of bankruptcy if he just refuses to pay and nobody sues him. Of course, he can prosper and have a good time in the doing of it. You have not paid your debts?—A. True, but I point out to you, sir, that we have been doing all these things on less revenue than other government's have had in the past.

Q. Then there are no lawsuits pending at all?—A. No.

By Mr. Hill:

Q. I want to ask Mr. Low if legally the province of Alberta could have taxed the interest on those bonds down to a certain level which they thought was a fair return on the bonds—if they could have legally done it?—A. Mr. Chairman, the bonds in the main had been issued tax free.

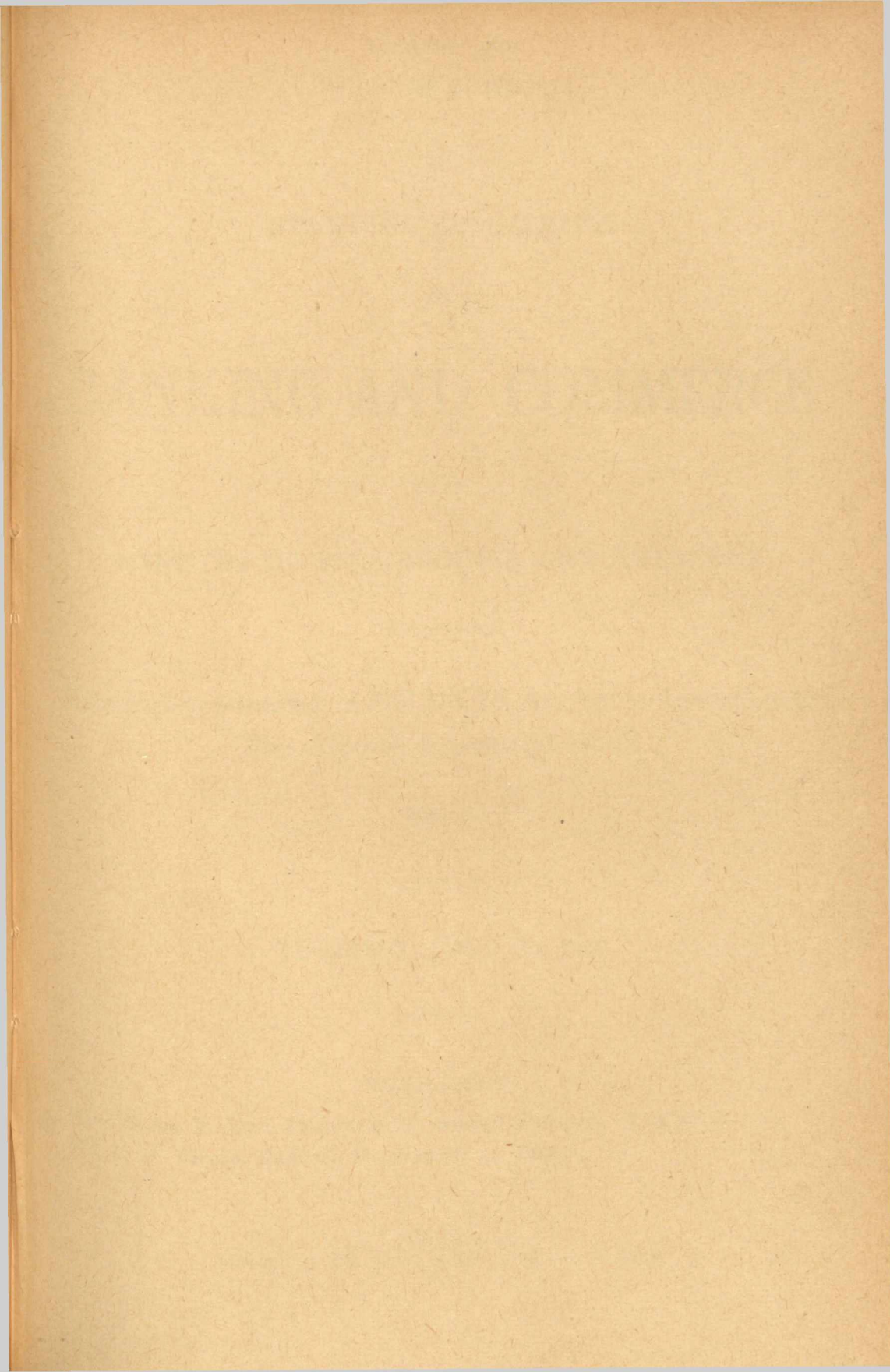
Mr. BLACKMORE: Before we adjourn, Mr. Chairman, I wonder if the members of the committee would like to select the particular aspect they would like to discuss when we meet next so that we could be prepared for it.

The CHAIRMAN: I think we will have a free for all at our next meeting.

Mr. BLACKMORE: Mr. Chairman, there is one other matter which was raised; it is the matter as to whether Alberta was trying to tax the banks out of existence; I wonder if the members would try to discuss that first and then have a free for all afterwards?

The CHAIRMAN: The committee will adjourn to the call of the chair.

The committee adjourned to the call of the chair.



SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 5

TUESDAY, JULY 23, 1940

WITNESSES:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta.
Mr. F. P. Varcoe, Counsel, Department of Justice.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940

MINUTES OF PROCEEDINGS

TUESDAY, July 23, 1940.

The Standing Committee on Banking and Commerce met at 11.00 a.m., the Chairman, Mr. Moore presiding.

Members present: Messrs. Blackmore, Bercovitch, Blair, Casselman (*Edmonton East*), Claxton, Cleaver, Coldwell, Eudes, Fraser (*Peterborough West*), Graham, Harris (*Danforth*), Hazen, Hill, Jaques, Kinley, Lacroix (*Beauce*), Laflamme, Lapointe (*Lotbinière*), Macdonald (*Halifax*), Macmillan, McNevin, Mayhew, Moore, Perley, Ross (*St. Paul's*), Slaght, Thorson, Ward.

In attendance: Mr. C. S. Tompkins, Inspector-General of Banks, Department of Finance, Mr. F. P. Varcoe, Counsel, Department of Justice, Hon. Solon E. Low, Provincial Treasurer, Province of Alberta, and Mr. D. K. MacTavish, K.C., Counsel for the Government of Alberta.

The Chairman read a letter received from Mr. Robert Magor, Montreal, with respect to evidence given by the Hon. Mr. Low on July 18th.

Hon. Mr. Low made a statement and his examination was continued.

Mr. F. P. Varcoe of the Law Branch, Justice Department, was called for a statement on the constitutional power of parliament to enact the legislation proposed under Bill 26, and was examined.

Mr. MacTavish, Counsel for the Government of Alberta, made a brief statement.

As requested by the Committee on July 17 (page 36 and 37 of the evidence), Mr. Low filed a copy of a letter signed by A. Davidson, Mayor of Calgary, respecting Mr. J. J. Sousa. (*See Appendix to this day's minutes of evidence.*)

At 1.05 p.m. the Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

July 23, 1940.

The Standing Committee on Banking and Commerce met at 11 a.m. The Chairman, Mr. W. H. Moore, presided.

D. K. MacTavish, K.C., appeared as Counsel for the Government of Alberta.

Hon. Solon Low, Provincial Treasurer, Province of Alberta, *re-called*.

The CHAIRMAN: Order, gentlemen. We have a quorum. I have received a letter which I think should be placed on the record. I will ask Mr. Tompkins to read it.

Mr. TOMPKINS (Inspector General of Banks): This letter is dated July 20, 1940, and is addressed to the Chairman, Commons Banking and Commerce Committee, Ottawa, Ontario. It reads:—

In a Canadian press report of July 18th, it was stated that the Honourable Solon Low, Provincial Treasurer of Alberta advised your committee that the reduction of interest rates payable on Alberta's bond indebtedness in June, 1936, was on my recommendation.

The CHAIRMAN: By the way, this is a letter from Mr. Magor.

Mr. TOMPKINS: Yes. It is from Mr. Robert J. Magor. It continues:—

It was further stated that my advice on the whole financial set-up was adopted in full. These statements are not correct.

The functions that I performed in Alberta were:—

1st. To examine and certify the financial standing of the Province as of the day when the present Alberta government came into power. This was requested because there was considerable controversy as to the financial condition of the province when the previous government went out of power.

2nd. I was to draft, on an orthodox basis, the budget for 1936.

Both of these functions I performed during my stay. Being there prior to their first default, I recommended most strongly to Premier Aberhart that he should accept federal Finance Minister Dunning's loan council scheme and this would automatically result in a lower rate of interest, because of the additional security of the federal government guarantee, which the bond holders would secure, thus resulting in an increased market price and a greater assurance of interest payment. This advice was not followed.

The recommendation which I made to the Alberta Government was similar, in principle, to the recommendation which I made to the Amulree Royal Commission, which dealt with Newfoundland's problems in 1933. This recommendation, as you know, was finally adopted, the interest of the Newfoundland national debt being reduced approximately 2 per cent on the strength of the British government's guarantee.

Yours very truly,

R. J. MAGOR.

The CHAIRMAN: It might be as well to let Mr. Low have the letter, if he would care to make a statement.

The WITNESS: Yes, Mr. Chairman. I am rather surprised to have the information, and naturally I would not be able to make any statement to the committee on the second part of it until I have had a chance to check its accuracy with the government of the province. I think I made it quite clear, Mr. Chairman, on the second or third day of the hearings before this committee, that I was not then a member of the administration, and therefore I would have to check some of the things that were asked with those who were there and who were more familiar than I would be with the actual facts of the case.

However, I can say this, Mr. Chairman—and I think it gives me the real opportunity to say it. It is quite true that Mr. Magor's functions were as he outlined, but we must not overlook the fact that his work in connection with the budget of 1936 was exactly what I was talking of when I made the statement. It was not in connection with any subsequent advice which he might have given as new things arose and before he did leave Alberta. He does not deny in this letter that he did recommend the reduction of interest, but he does say that I was wrong in claiming that we had adopted in full his recommendations. I pointed out—and I can quickly turn to it, I am sure—that there were two things, Mr. Chairman. This will be found on pages 50 and 51 of the minutes and proceedings of this committee on Wednesday, July 17; that is, No. 2. I pointed it out on page 51, in answer to a question of Mr. Thorson's where Mr. Thorson said, "Now, are you suggesting that the Bank of Canada would make a report regarding Alberta on a different basis from the report which they made with regard to Saskatchewan, with different motives in mind?" I said, "No, I think perhaps there are two things which must be kept separate. Each of the provinces, Saskatchewan, Manitoba and Alberta, did make requests of the Bank of Canada. In the first place they made requests for interim assistance until such time as the Sirois royal commission report was issued and implemented. That was to help them carry on their existing services. Secondly, they made application for assistance in meeting their maturities. The report that I mentioned had to do with the requests for interim assistance, but other requests were made by Alberta, Saskatchewan, Manitoba and British Columbia, that I know of, for assistance in meeting their maturities." It was in connection with Mr. Magor's work in building or assisting the Alberta government to build their budget for 1936 that I made the statement. I have no recollection of any statement ever being made by any member of the executive council or any document ever being shown to designate that Mr. Magor did advise, as he states, acceptance of the loan council proposal. Now, it may be true. But I want to point out most definitely here that the two things were absolutely separate; and all of these things which he did propose in connection with the building of a new type of budget, setting the province on a new basis at the beginning of the year 1936, were adopted.

Just to show you, Mr. Chairman, that the matter of building a budget to provide for existing services—including the servicing of the debt, the interest to be paid by the province—and the matter of providing for maturities, were two separate things and were not considered as one, I want to point this very important thing out to this committee. In January of 1936,—on the 15th of the month, as a matter of fact—there was a maturity of \$1,577,000 of Alberta bonds, and Alberta met that maturity by borrowing from the federal government. That amount is set forth on page 20 of the public accounts of Alberta for the year 1936, a copy of which I have here and which any of you may examine. It was naturally expected that any other maturities that would come due during the year 1936 would be met in exactly the same way as that maturity was met, in the same manner as other maturities were being met.

[Hon. Solon E. Low.]

Mr. CLEAVER: I wonder if Mr. Low would rather conclude his statement before any questions are asked of him?

The WITNESS: I would.

Mr. CLEAVER: Because he has made a statement just now which I do not think is accurate.

The WITNESS: I would be happy to pause, Mr. Chairman, to be corrected there, as I do not want to make statements that are not true.

By Mr. Cleaver:

Q. Is it not true that you did get assistance in the early part of that year?—
A. In 1936?

Q. Yes, in January; January 15th?—A. Yes.

Q. Yes; and is it also not true that you, subsequent to that, introduced legislation which had the effect of repudiating your undertaking—Alberta's undertaking—in regard to the loan council? That is, you introduced legislation cutting the interest rates on Alberta's bonds in half?—A. It is quite true, Mr. Chairman, that subsequent to the date that I mentioned—January 15th, 1936—legislation was put through providing for the cutting of the debt.

Q. Yes, and is it true— —A. Pardon me—interest on the debt.

Q. Yes?—A. And just in connection with that, it is also true that this legislation was never implemented. The actual reduction of interest came about by order in council in May of 1936, which was later—what should I say? There is a definite word that has just left me for the moment. I have it now—which was later validated by legislation at the next session.

By the Chairman:

Q. Implemented?—A. No, validated by legislation.

By Mr. Cleaver:

Q. Yes. But is it not true that a series of wires were exchanged between the Premier of Alberta and the Minister of Finance here at Ottawa, quite distinctly indicating the fact that Alberta was warned that if she persisted in the cutting down of interest rates compulsorily on her bonds, she would not get assistance from the federal government?—A. Well, that perhaps is true, but it came later.

Q. Well— —A. Just a minute. It came after—

Q. No, in March. These telegrams were exchanged in March, before the default.—A. That is quite true.

Q. Yes. And is it not true that it was very clearly indicated in those telegrams that if Alberta persisted in the compulsory cutting down of the interest rates, she could not get assistance from the dominion government?—A. All right, Mr. Chairman, in answer to that—

Q. No, no.—A. I must answer that in this way. There is certainly a qualification. I cannot answer "yes" or "no" when there are qualifications, Mr. Chairman. That legislation, mentioned by Mr. Cleaver, providing for the compulsory reduction of interest on the bonded indebtedness of the province of Alberta was never implemented. It was never proclaimed.

Q. No. But I am saying that in the exchange of these telegrams starting on the 12th of March and extending right down to the actual default, the gist of the telegrams clearly indicates that Mr. Aberhart was distinctly told that if he persisted in his determination to compulsorily cut the interest rates on Alberta bonds in half, he would not get federal assistance.—A. All right. That may be.

Q. Yes?—A. But—

Q. All right.—A. But the default—the cutting of interest really did not take place until after the default on April 1st.

Q. You said that that may be, and I suggest that there is no "maybe" about it. You are surely familiar with all those telegrams?—A. Yes, sir.

Q. Yes. Then is it not a fact that the Minister of Finance at Ottawa did tell Mr. Aberhart that if he persisted in that, he would not get federal assistance?—A. Yes. But I am still pointing out to you and to this committee that the actual cutting of the interest did not take place until after they had allowed us to default.

Q. No, no.—A. That is right.

Q. You not only passed the order in council— —A. In May.

Q. In March.—A. Not the order in council.

Q. It came out in the press?—A. Mr. Chairman, we did place on file with the committee a copy of the order in council.

Q. I should just like to read one of the telegrams.

Mr. COLDWELL: May I ask what clause of the bill we are discussing? I was attending another committee.

The CHAIRMAN: I should explain perhaps that we are not dealing with the bill by clauses. The bill has not been referred to us. It is simply the principle of the bill.

Mr. COLDWELL: It is only the principle?

The CHAIRMAN: The principle of the bill has been referred to the committee.

Mr. COLDWELL: Not the bill itself?

The CHAIRMAN: The principle of the bill.

By Mr. Cleaver:

Q. I am reading from a wire of March 17th from Hon. Mr. Dunning to the Provincial Treasurer of Alberta.—A. Yes. Go right ahead.

Q. It reads:—

Your letter requesting dominion loan to assist you in meeting April first maturity reached me simultaneously with premier's newspaper announcement that province was about to introduce legislation reducing interest rates on outstanding debt apparently without reference to proposed loan council arrangement. Announcement has already had serious adverse effect on market particularly for western provincial bonds . . .

Then followed an exchange of telegrams—I need not read them all—where it was plainly put up to Mr. Aberhart that he must either retract from that stand or he would not get assistance from the Dominion of Canada; and he did not retract from that stand.

Mr. BERCOVITCH: Was there an exchange of telegrams?

Mr. CLEAVER: Yes. There are many of them—pages of them.

The WITNESS: I have tried to point out—and I want to be patient, of course, in all these things—that although legislation may have been in contemplation at the time that these telegrams were exchanged, and though the intention was clearly intimated by the premier that he would have to take that action under the circumstances and with all the conditions taken into consideration, the actual order in council for the purpose of reducing the interest on the bonds was not put through until May 30 of 1936.

By Mr. Cleaver:

Q. Yes?—A. After the default had taken place.

Q. Yes?—A. And, furthermore, this order in council was not based upon any legislation then existing. It was validated at a later session of the legislature by actual legislation.

[Hon. Solon E. Low.]

Q. Yes. You, of course, know, Mr. Low, that at the time these telegrams were exchanged, just prior to your default of April, 1936, all the Department of Finance at Ottawa had at that time was a gentleman's agreement, a verbal indication from the different provinces, that they would come in under this loan council scheme?—A. Not all of the provinces.

Q. You knew that at that time?—A. No.

Q. Alberta had indicated her approval of the scheme and said she would come in under it?—A. Not Alberta. Alberta never did.

Mr. JAKES: Alberta never did. The government would have been put out of office.

Mr. CLEAVER: You say that?

Mr. JAKES: I say that if the Alberta government had gone in under that loan council scheme, the government would have had to go out of office.

The WITNESS: If the gentleman would allow me to finish the statement I was making in connection with Mr. Magor's letter, I think I could straighten this out.

Mr. CLEAVER: All right. I will reserve my remarks until later.

The WITNESS: Because it does have an important bearing upon the loan council, and it was the loan council idea that was injected into the thing that made it impossible for the Alberta government to do anything.

Mr. COLDWELL: I am going to rise to a point of order, Mr. Chairman. A moment ago I asked what we were discussing. The order of reference states: "That the subject matter of Bill No. 26, an act to incorporate the Alberta Provincial Bank, be referred to the said committee for consideration and report." I submit that if we are to discuss the subject matter, we ought to be discussing this bill clause by clause, and not conducting an inquiry into the financing of the province of Alberta. I think we are going far afield from the reference and wasting a tremendous amount of time. We are within a week of prorogation, and it seems to me that we should come back to the purpose of the committee, which is to examine the subject matter of the bill. I submit that for the consideration of the committee and for your ruling, Mr. Chairman.

The CHAIRMAN: I was in a little bit of doubt as to the interpretation of the words "subject matter". I interpreted it myself as meaning the principle of the bill. In our committee work, of course, we have always had a certain amount of informality. The question came up, but you were not present at the time, I think, Mr. Coldwell.

Mr. COLDWELL: I am sorry I could not be present.

The CHAIRMAN: No. I quite realize that. But I am trying to explain why we are now discussing the ability of Alberta to pay.

Mr. COLDWELL: Yes.

The CHAIRMAN: Mr. Low, in his argument, stated that the province needed a bank, a chartered bank, in order that they might be able to carry on; that is why we are now discussing the ability of the province to pay. In the course of that discussion certain statements were made and they have brought out this letter of Mr. Magor's. The letter is put on record. I put it on record, believing it should go there in view of the statement. It seems to me that Mr. Low ought to be allowed to make a statement in reply.

Mr. COLDWELL: I quite agree. But what I am pointing out is that although I have not been able to be here because of another committee which has been sitting at the same time, I am anxious to see this matter dealt with before the session ends. It seems to me that if this bank is to operate under a charter granted by the dominion, and certain regulations are laid down in our Bank Act, we have the necessary supervision; and the point at issue, it seems to me,

is whether this particular bill, clause by clause, meets the requirements of our Bank Act after the other requirements of capital and so on have been met. I am suggesting that we would facilitate a decision on this bill if we discussed the bill as we usually do, clause by clause.

The CHAIRMAN: Mr. MacTavish has already discussed that matter, Mr. Coldwell, as to the clauses that would not apply.

Mr. BERCOVITCH: They are trying to get away from the general principles, or from some of the principles of the Bank Act by the mere fact that they are asking for this legislation. It is not as if someone came here and asked for incorporation under the four corners of the Bank Act. They want some exceptions.

The CHAIRMAN: I think Mr. Low should be allowed to continue with his statement.

Mr. COLDWELL: Yes.

The WITNESS: Coming back, Mr. Chairman, to the question of Mr. Magor and his advice, may I say this. For a number of months Mr. Magor and the officials of the Department of Finance in Alberta were in deep study in consideration of the various means by which the finances of Alberta could be put on a sound basis. They actually were in the course of preparing a budget for the year 1936-37, and it was in connection with the budget that most of the recommendations, if not all of the recommendations, of Mr. Magor were given to the government. When that budget was put through, Mr. Magor left. As we approached the first of April, it was realized that another maturity would have to be considered. \$2,846,000 had to be met somehow; and it was the firm belief of the government of the province of Alberta, the Aberhart administration, that there would be no trouble in meeting this maturity in the same manner exactly as other maturities had been and were being met.

By Mr. Bercovitch:

Q. What did you base that on?—A. The fact that in January of that year a maturity had been met.

Q. Yes, but you had subsequent correspondence?—A. Yes. I am going to come to that.

Q. All right.—A. About the middle of March of that year correspondence passed between the provincial government and the federal government, in which the provincial government asked for funds to meet that maturity of April 1. The loan council suggestion was made to the province and since the province of Alberta was among the first of the provinces to have to meet a maturity, I want to tell you, Mr. Chairman, that that was a serious moment, for various reasons—a very serious moment—for the people of the province. In the first place, it was definitely known by the people and the Aberhart administration that there was a grave question as to the constitutionality of the proposed loan council to be set up in the dominion of Canada. It was definitely known that the federal government would first have to obtain an amendment to the B.N.A. Act in order to put that into effect, and there was grave doubt on the part of the people of the province of Alberta whether the province had any right to agree to anything proposed by the federal government that would require a change in the federal constitution, especially when what they were proposing would have the effect of taking away from them their financial autonomy. Because of the fact, Mr. Chairman, that Alberta was one of the very first provinces to be approached on the matter, simply because of the impending early maturity, the government of Alberta felt that it was in duty bound to stand on its dignity in the matter of the loan council lest she establish a precedent which would unduly have weakened the position of the other provinces in this respect when they were approached. We knew, Mr. Chairman, that not all of

[Hon. Solon E. Low.]

the provinces had signified their willingness to come under the loan council, and our action in being one of the very first to agree would undoubtedly have prejudiced—or at least acted as a precedent, and maybe a dangerous precedent, for the other provinces. We felt in duty bound to stand on our dignity and refuse, for the time being. The people of Alberta—and I want to point this out in all sincerity and seriousness—had put the Aberhart administration in office to do a job, and that job would have been impossible if that government had accepted the principle of the loan council, thus giving up a good deal of their financial autonomy.

By Mr. Cleaver:

Q. Why?—A. Well, as I say it would have meant giving up a good deal of her financial autonomy, and she required all of that financial autonomy to do the job which the government was put there to do.

Q. Would you indicate the part you would have had to give up which would have prevented you from doing what you had undertaken to do?—A. If the hon. member would not mind, I think, if we could get the whole picture first, then I would be glad to go into that question.

Q. All right.—A. I pointed out that the savings certificates problem constituted a situation which put Alberta in an altogether different position from that of either Saskatchewan or Manitoba; and therefore it makes it all the more important that Manitoba and Saskatchewan did receive assistance, as they did, while Alberta received no assistance and was left to default. After the damage had been done, on April 1, 1936, the dominion government then, and only then, substituted to the other provinces—and not to Alberta, mind—or rather placed before the other provinces of Canada—Manitoba, Saskatchewan, British Columbia and others—a new, modified loan council proposal. She did not submit that to Alberta before the default; and the fact that the other provinces agreed to the modified loan council and did receive help based on that agreement to come under the terms of the modified proposal, certainly makes the case of Alberta all the more aggravated.

Q. In what way do you say it was modified?

By Mr. Graham:

Q. Would the Alberta government have submitted to that amendment?—

A. I am not saying that she would.

Q. The same barrier would have arisen in that?—A. I beg your pardon?

Q. The same barrier as you have outlined would have come up, as to autonomy?—A. That may have been the case; but the very fact that the modified loan council proposal was submitted to those other provinces, and it was the basis on which they did receive help, emphasizes the unfairness of the situation to Alberta in having defaulted or being left to default. Because she would not accept the terms of the first loan council, when it was definitely known a number of other provinces in the dominion were not ready to accept.

By Mr. Bercovitch:

Q. Did Alberta ask to come under the modification of the loan council?

—A. No, she did not, but the damage had already been done.

By Mr. Cleaver:

Q. What was the modification?—A. I do not recall, definitely, but I do know that it was submitted to the other provinces, and I am going to refer you to some statements of Hansard that will definitely show that was the case. It has never been refuted. I want to point out, Mr. Chairman,—

Q. You have no idea in what way it was modified?—A. I did, yes, but I do not propose, Mr. Chairman, to deal with that here. I do propose to point out there was a modified loan council with possible advantages over the original one. It is important to know what particular virtue there was in the other provinces saying, yes, we will, that made it possible for them to receive help while for the province of Alberta there must have been some particular lack of virtue in saying no, we won't, to the terms of the first one.

Q. If the modification was a modification as to principle then, any reasonable person would agree with you, but if it was a trifling modification—
—A. It certainly must not have been a trifling modification.

Q. You have told us you know what it is. Why not tell us what the modification was?—A. The modification, in my judgment, Mr. Chairman, was simply this—

The CHAIRMAN: That is hearsay.

The WITNESS: No, it is not.

Mr. CLEAVER: He knows.

The WITNESS: I think it would be wise to have both of them right here for the Committee to examine.

Mr. COLDWELL: I do not think we should rely on memory.

The CHAIRMAN: It would be much better to have the documents here than for Mr. Low to give it to us.

Mr. CLEAVER: The statement has been made, and I think we should have some evidence to back it up.

The WITNESS: Would it be possible to send for these and have both the original and the modified one brought right here? I think that is the best way to do it.

By Mr. Graham:

Q. To save time, is it not a true statement of fact to say that the province of Alberta refused to give up any measure of its own control for good reasons of the province of Alberta?—A. Yes.

Q. And absolutely refused in those early negotiations to accept any dominion control over its financing?—A. So far as—

Q. I am going to put it to you.—A. Yes.

Q. Is not that the fact?—A. Yes.

Q. It is not much use going into detail because it is a fact that the province of Alberta saw in the control that the dominion would have over its finances something it did not like and therefore refused to go into any kind of bargain at all?—A. Of that type, yes. Now, in the House of Commons on April 9, 1937, no less a figure than R. B. Bennett, who for a number of years occupied the most important portfolio of Minister of Finance of the dominion and who knew all of the implications of such a measure as the loan council and all of the facts concerning the situation in Alberta said this; his remarks are found on page 2882 of Hansard, on the date of April 9, 1937. The Hon. Mr. Dunning was dealing with certain grants to the provinces of Manitoba and Saskatchewan in order to enable those governments to continue the essential services pending improvement in their crop conditions and pending report of royal commission to investigate financial powers and responsibilities of the dominion and the provinces; Manitoba, \$750,000; Saskatchewan, \$1,500,000.

Then Mr. Bennett says this: "I cannot permit this item to pass without making at least one observation. I am not going to do more than say that with respect to all these items, we who constitute the official opposition have to balance the question of what we regard as the public interest in remaining here and discussing these items in detail against permitting the members of

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the government to discharge very onerous and difficult duties before they leave for overseas. But obviously the discrimination against the province of Alberta involved in this item is such that I cannot let it pass without protest.

On a review of the report made with respect to that province I find that it has been treated entirely differently from the provinces of Saskatchewan and Manitoba. When Alberta first made application for a loan to enable it to meet its obligations, the application was refused. As a result of that refusal, and the statement made subsequently, they cut down their interest payments to half. The report points out that if they had been in a position to discharge their obligations in that regard they would have been able, by securing money from the dominion, to be in exactly the same position as the other provinces of Saskatchewan and Manitoba. The report concludes in this way:

Its position would be little worse than that of Manitoba, but distinctly better than that of Saskatchewan; and a claim for assistance would, no doubt, be considered in the light of these facts. It is the case, however, that Alberta's budgetary position differs materially from that of the other provinces, by reason of the fact that interest payments have been reduced by fifty per cent, or \$3,400,000, and, other things being equal, its cash requirements have been reduced by the same amount. We can only deal with the situation as it is—not as it might have been in other circumstances. We find that Alberta can maintain its governmental services on as favourable a basis as Manitoba or Saskatchewan without receipt of additional assistance, and we therefore see no basis for recommending that temporary financial aid should be extended by the dominion government.

Then follows what I first read, "and that condition exists because the government of this country declined to make an advance to that province which would have enabled it to meet its obligations. The minister may shake his head as much as he likes;—" Apparently the Hon. Mr. Dunning shook his head. "—it does not have any effect on my mind. I have read this report. Because of this refusal; because Alberta did not join the loan council; because it took the action it did, we find it treated differently from Saskatchewan, which was able to secure \$3,000,000 from the Bank of Canada. Under the law that bank could no longer continue to loan that money, so it was compelled to purchase bonds of the Saskatchewan government, and to that extent it has made an investment in a bankrupt province, admitted by the bank to be such. Alberta has been unable to secure money from the bank or from the dominion; it has been denied any assistance, and as a result the bondholders have been compelled to take fifty cents on the dollar, while we are voting money to enable the other provinces to pay one hundred cents on the dollar in connection with their bonds.

I say that is a distinct discrimination; it is unfair to the people of Alberta who hold these securities, because that province did pay the whole interest on the bonds of the Alberta and Great Waterways railway, as is pointed out in the report; but now, by reason of the action of this dominion, that province finds itself in a position in which it must pay only fifty cents on the dollar to people who have put their whole savings in its bonds.

Yet we find Saskatchewan and Manitoba now being given grants by the parliament of Canada to enable their bond interest to be paid in full. By the action of the government and the Bank of Canada the province of Saskatchewan has been able to secure not only the borrowings it has obtained but an additional \$3,000,000 from the bank, to which it had no right, and the province of Manitoba is being granted \$1,500,000. I say that is distinctly wrong, and I should like to spend some time in analysing this report and going into these matters in detail. I must content myself, however, with merely making the observation, with which the minister, as he pointed out the other day, entirely disagrees. But the fact is that the province of Alberta applied for the money and its application was refused. As a result it is in its present condition. The minister says it is not as a result of that; but that statement is not borne out by the records that appear in the report."

By Mr. Cleaver:

Q. The extract you have read from Mr. Bennett's speech clearly indicates that even great men can be mistaken in their facts. He builds up his whole argument on the opening words of his statement where he said that Alberta's request was turned down and that as a result of that Alberta was forced to reduce its interest rate; whereas as a matter of fact the premier of Alberta announced his intention of a compulsory reduction of interest rates two weeks before the default and it was that announcement which precipitated the default, and it was that announcement of the compulsory reduction in interest rates which brought about the condition whereby the Dominion of Canada refused assistance to Alberta.—A. I have only this to say, Mr. Chairman, that I am just as satisfied as I am that I stand here that if the Bank of Canada and the Dominion Government had taken the same attitude towards the other provinces, namely Saskatchewan and Manitoba, as they did towards Alberta those two provinces would to-day have been in default and furthermore would have been forced to cut the interest on their debts.

Q. Yes, but did either of those provinces precipitate the matter and force the issue by announcing in advance that no matter what happened they were going to compulsorily cut their bond interest rates?

The CHAIRMAN: Gentlemen, we seem to be going around in circles.

Mr. CLEAVER: Yes. I do not think a statement of that kind, Mr. Chairman, should be read into the record when it is based on ignorance of the facts.

The WITNESS: It is not, Mr. Chairman, I contend.

Mr. CLEAVER: No wonder Mr. Dunning was shaking his head when Mr. Bennett was making his statement.

Mr. COLDWELL: May I ask Mr. Low a question?

By Mr. Coldwell:

Q. The default two weeks before this announcement would not have been made unless there had been prior knowledge of the fact?—A. Certainly not.

Q. You knew the attitude pretty well of the federal authorities at that time?—A. Well, at least—

Q. When the announcement was made by the premier of Alberta?—A. At least, we knew that they did not want any action taken such as cutting the amount of interest paid on the bonds; we knew that they were asking or submitted for approval the loan council's suggestion; we knew these things, yes, sir, but we had every reason to suppose that help would be forthcoming anyway.

By Mr. Bercovitch:

Q. Is it your submission then if you had had help from the Dominion Government that you would not have cut your interest rate?—A. No, I am not saying that at all, sir. We would not have been in default on the principal of the bonds. We would not—I want to finish in connection with this.

By Mr. Coldwell:

Q. Your contention would be, I take it, that the western provinces would ultimately have to cut their interest rates in any event?—A. Yes, sir, absolutely.

By Mr. Cleaver:

Q. That has nothing to do with the loan council's arrangement whereby you would get a federal guarantee and thereby automatically cut your interest rate.

Mr. COLDWELL: That did not happen in Saskatchewan.

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The WITNESS: Even if we grant for the moment that is true, let me continue, because there is a vital point here yet to be considered. I am referring further to Mr. Bennett. I take his speeches on the matter because of the fact that Mr. Bennett for years occupied the portfolio of Minister of Finance and he knew, and not only that but he was interested because it was his home province and—

Mr. COLDWELL: May I just interject there. As I understand Mr. Cleaver's suggestion it was that if the loan council had been accepted the bond indebtedness interest rate would have been cut, but it was not cut in Saskatchewan or Manitoba although they did accept.

The WITNESS: The loan council was never set up.

By Mr. Coldwell:

Q. But they accepted the principle.—A. Of the modified—

Q. But the interest rates in these provinces have not yet been cut.

Mr. CLEAVER: Provincial refunding with federal guarantee could not be done unless it was done universally, and the province of Alberta threw a monkey wrench into the scheme. Alberta stopped the whole scheme.

Mr. JAKES: The object of the loan council was to stop monetary reform in Alberta.

Mr. CLEAVER: No.

The CHAIRMAN: Continue, Mr. Low.

The WITNESS: On March 2, 1937, Mr. Bennett has this further to say, and it affects vitally the point under consideration. His remarks will be found on page 1410 of the debates of the House of Commons on March 2, 1937. This is what he said:—

“For the moment, leaving the tariff, there is another matter to which I should like to refer, and that is the question of our financial relations with the provinces.”

Mr. CLEAVER: You are reading from what page?

The WITNESS: 1410.

Mr. CLEAVER: What date?

The WITNESS: March 2, 1937. “The other day the minister dealt with the matter briefly. In amplification of the position I desired to present at that time I wish to say only this: the determination of a policy, I found by experience, is a matter of profound importance, because the implications of it sometimes are not foreseen. When the minister said to the province of Alberta that he would not help them out of their difficulty by advancing them, through loans or otherwise, sufficient money to enable them to pay their maturing obligations, his statement was regarded as a policy. Many people scattered throughout the province in which I have long lived, as well as people residing in other parts of Canada, found themselves in straitened and difficult circumstances because their investments had been wholly in those securities, the market value of which fell to a very low figure, and the interest upon which was reduced to half of what the coupons carried. If that policy is reversed, if it is not applied to the provinces of Saskatchewan and Manitoba, obviously a situation is created in which the people of Alberta have just cause to say they have been discriminated against. Because if the minister will accept what I think he will, namely that the implication of his refusal to assist Alberta involved the thought that the same policy was to be applied to all the provinces—

Mr. DUNNING: And it was.

Mr. BENNETT: No, no.

Mr. DUNNING: I refused British Columbia and Saskatchewan at the same time and on the same grounds, in connection with the same class of matter.

Mr. BENNETT: Yes, but the provinces of Saskatchewan, Manitoba and British Columbia have not defaulted. The province of Alberta defaulted.

Mr. DUNNING: If the right hon. gentleman will permit, on the maturity which was the occasion of the default, both British Columbia and Saskatchewan had maturities at the same time and received precisely the same answer.

Mr. BENNETT: Yes, but I am pointing out that Alberta defaulted.

Mr. DUNNING: Yes.

Mr. BENNETT: And the others did not. Alberta defaulted because it was unable to secure money from the dominion government to prevent it from defaulting; that was regarded as an indication of a policy which I believe, rightly or wrongly, should not have been put in force at that particular time."

Q. That was not the reason for the default that you have already told us of, Mr. Low?—A. I am not speaking, Mr. Chairman, of the principle of cutting interest, I am speaking of the principal default. That was exactly the reason for the default in the principal, no other reason.

Mr. CLEAVER: When we have the chance to ask a few questions I think perhaps you will take back that statement.

The WITNESS: I will be happy to answer questions. In order to show that there was a modified loan council I quote also from Hansard, page 2515, for the year 1936, the Hon. R. B. Bennett still dealing with it. He says: "May I point out here that in my opinion it was a great mistake for the minister to suggest that he had arrived at some modified scheme in connection with loan councils and national loans. I say that for this reason. Did Alberta have a fair chance? The correspondence was tabled here. Alberta declined. But Alberta did not have what has now been suggested, a modified scheme; Alberta did not have that scheme before it at the time default came about.

Mr. DUNNING: She has now.

Mr. BENNETT: Yes, but the harm has been done; that is my point. If Alberta accepts it now, then you have this terrible situation—"

Mr. CLEAVER: You told us a moment ago that the modified scheme was not submitted to Alberta.

The WITNESS: It was not submitted to Alberta until after the other provinces had received it and not until after Alberta had defaulted. That is the insinuation I made. We had the terms, surely.

Mr. MAYHEW: You had, or you had an idea?

Mr. CLEAVER: You said—

Mr. MAYHEW: You said you did not know the exact terms.

The WITNESS: I personally did not know the exact terms.

Mr. MAYHEW: Well, you have had them. It has been submitted to you and you do not know?

Mr. COLDWELL: This is several years after.

The WITNESS: I was not a member of the administration at that time, I pointed out, and there are a good many documents that I have never had occasion to refer to since I came into that position.

Mr. SLAGHT: Are these observations of the honourable member, consisting of Mr. Bennett's remarks, in the House of Commons, useful in helping us to reach a decision on this bill which never was before him and never was projected at that time? I do not get the reason for it.

The WITNESS: Mr. Chairman, the reason those observations were read was simply to show this, that when Alberta, refused on the grounds that I mentioned,—the fact that she knew that this was an unconstitutional proposal that would require a change in the B.N.A. act before it could be put into effect; also Alberta felt herself in duty bound to stand by the other provinces and to

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refuse on the ground, if for nothing else, than that her action might constitute a precedent and that it would be dangerous for those other provinces, and on the ground that the government of Alberta, her administration, had been put in there to do a certain job, which the acceptance of the loan council would make it absolutely impossible to do. It is for those reasons she refused the terms of the first loan council arrangement; and subsequently when the modified loan council's proposals were put before the other provinces, they did receive assistance and Alberta by that time had gone into default. It was merely to place the facts, not to justify in any way, but to get the facts to the committee, and it was in connection also with the letter which Mr. Magor wrote to us.

Now, I want to make this very clear. I was not referring to the cut in the interest; I was referring to the default on principal which is an entirely different matter. Now, that is the end of my statement.

The CHAIRMAN: Mr. Mayhew has the floor.

Mr. MAYHEW: We have up to date spent over five hours on this discussion, and I do not think we are getting any place at all. We are no nearer to what we set out to do than we were when we started. The history that we are getting is very interesting. Most of us are quite familiar with it, particularly those of us from the west. I suggest that if we are going to give Alberta a bank charter we had better start discussing the bill and if we are not going to give them a bank charter we had better say so. Personally I would be quite in favour of giving Alberta a charter if it is on orthodox lines, the lines that are prescribed by the Bank Act; but I do not know whether the one they are presenting now is on orthodox lines or not. I submit that if the 43 per cent of the people of Alberta—because after all 43 per cent of the people of Alberta was the percentage that voted for this Social Credit government—request a bank and desire a bank, that 43 per cent can put up the \$500,000 out of their own money and not out of the taxpayers' money of the province of Alberta. I think it is time we got on with the bill rather than hear the interesting and very able representations of Mr. Low.

By Mr. Cleaver:

Q. Mr. Low, during the years leading up to Alberta's default, the provincial treasurer of Alberta must have known the financial policy of the Dominion of Canada with respect to bond interest. There are two schools of thought, you will agree with that, the one school of thought at that time believed that there should be a compulsory writing down of interest rates as Australia did?—A. Yes, that is right.

Q. The other school of thought, which Canada adopted, was that we should maintain our credit 100 per cent, pay our bonds according to the terms of the bonds and with the aid of an easy money policy gradually drive down interest rates until by subsequent refunding we would also achieve a drastic reduction in interest rates across the entire field. You, of course, as the present provincial treasurer of Alberta know the result which Canada has achieved along that line and you are now aware of the fact that as a result of maintaining our credit 100 per cent, and as a result of our easy money policy, Canada is now in the position as to the federal debt interest across the entire federal bond issue of paying about one-half per cent less for interest than is now being paid by Australia. You are aware of that?—A. Oh, yes.

Q. I do not want to interrupt you, but we have been listening to you for a long time—

The CHAIRMAN: You were asking Mr. Low a question.

The WITNESS: I certainly would not admit that the influence of any easy money policy of the dominion government was the answer.

By Mr. Cleaver:

Q. You do admit the results which have been obtained and that to-day notwithstanding the fact that Australia compulsorily wrote off 22½ per cent of her bond interest rate Canada is to-day in a better position with regard to interest rates than Australia to the extent of one-half of one per cent across our entire bond issue?—A. Yes.

Q. I am now going to make a suggestion to you and I want you to be frank. The premier of Alberta and the provincial treasurer of the day had a different idea as to what should be done with regard to these high interest rates. The government in Alberta sided in with the Australian scheme and felt there should be a compulsory write-down of interest rates and that you would reach your objective more quickly by doing that.—A. Yes, because we were faced with a peculiar set of conditions which no other country, I submit, in christendom was facing.

Mr. SLAGHT: What do you mean by "country," provinces or dominions?

The WITNESS: Either provinces or dominions.

By Mr. Cleaver:

Q. Knowing the plan under which the Dominion was working, I suggest to you that Alberta deliberately decided to endeavour to impose on the dominion Alberta's policy of the compulsory writing down of interest rates. Your premier on the 17th of March announced in the press that Alberta's plan was a compulsory writing down of interest rates. You knew at that time that Alberta was going directly contrary to the policy of the federal government?—A. Mr. Chairman, we certainly had no intention in Alberta at that time of imposing any policy whatever upon the federal government.

Q. All right.—A. All we wanted—

Q. I take that answer and I ask of you this question.—A. All we wanted to do was to complete the job which we had started, that is to put the finances on an even keel.

Q. I take that answer. And then when it was called to your attention that you were going directly contrary to the federal policy and when you were asked to retract that policy did you retract or did you persist in your policy of a compulsory write-down?—A. Mr. Chairman, we had already passed the budget.

Q. You were already committed?—A. We were already committed in the budget because we had only provided for \$3,000,000 odd for servicing the debt.

Q. You had a right to your own opinion, and I take it at that time you believed that, so far as Alberta was concerned you would be better off financially by compulsorily cutting interest rates in half, not caring what happened to the federal programme.—A. Well, as a matter of fact we made the cut in the interest rates for the specific purpose of putting ourselves into a position where we could carry the dead weight.

Q. Well, now, was it for that reason or was it for—.—A. Yes, it was.

Q. Then I call your attention to this. You are familiar with the loan council discussions which took place at the interprovincial conference and under these proposals, if everyone agreed, the federal government was to make its guarantee available for the provincial issues and in that way all of the provinces were to achieve a reduced interest rate.

Mr. COLDWELL: Mr. Chairman, I rise to a point of order. What has this to do with the bill? We are pursuing a line of questioning which is away off the bill. We were investigating some of the activities of the Alberta government, and now we are discussing the budget.

Mr. JAMES: The idea is to discredit Alberta so as not to grant it the charter. That was made pretty plain by the leader of the opposition when he said that the bill would go to a committee, "but I warn you that that will be

its burial ground." This bill was killed before it came in here. I do not know whom these members represent, but it seems to me they represent the financial interest.

Mr. CLEAVER: Mr. Chairman, I do not wish to pursue this line of questioning if the committee believes it is a waste of time, but the reason I was pursuing it was this: Alberta, through its representative, came along the other day and deliberately made the statement—and I see that it is still in the record—that Alberta was unfairly discriminated against—I say it is not right that that should be on the record without being corrected. The facts clearly show that instead of being discriminated against, it was Alberta that threw the monkey wrench into the machinery and that Alberta had an idea of her own as to how she could achieve low interest rates. She went directly contrary to the federal policy, and the federal policy has been proven extremely successful—a far better policy than a compulsory write-down, I think this should go on the record.

The CHAIRMAN: Would it be the pleasure of the committee to hear Mr. Varcoe of the Department of Justice?

Mr. CLEAVER: I have one question—

The CHAIRMAN: I make the suggestion as the result of what Mr. Mayhew said a moment ago. I think, Mr. Cleaver, that when you have finished your statement we should hear from Mr. Varcoe as to the legal position.

Mr. MAYHEW: Mr. Chairman, it has been stated just now that this bill was condemned to failure before it ever came to this committee. I beg to say that there is no one who is going to speak for me. I am going to speak for myself; and if this bill is not special legislation it will have my support. If it is special legislation then the bill damned itself before it got here.

The CHAIRMAN: Mr. Cleaver, you want to finish your statement.

By Mr. Cleaver:

Q. I have one question to ask arising out of a statement made the first day of our hearing. I understood Mr. Low to say—you can refresh your memory Mr. Low—you gave two reasons for Alberta asking for this bank, at page 28 of the record?—A. I do not happen to have my first number here, but go ahead and read it.

Q. It finally boiled down to this that Alberta wanted the right to loan money which you said you did not have at that time, and you wanted the right to issue currency?—A. Right.

Q. Now, I am going to suggest to you that it really boils down to the right to issue currency, and I am going to refer you to an Act of the Alberta legislature which, I presume you sponsored as provincial treasurer; an Act to amend the Treasury Branches Act?—A. Yes.

Q. Chapter 14, 1940. Under that Act I suggest to you the province of Alberta rightly or wrongly took to itself the power to make loans and give to the treasury branches the power to make loans?—A. You know, Mr. Cleaver, that bill was put through on proclamation and it has not yet been proclaimed.

Q. I say that the Alberta legislature has passed this bill?—A. That is right.

Q. Under which you give the treasury branches power to loan any deposits received in the branches of the treasury under the provisions of this Act to persons, firms or corporations upon such terms as may be agreed upon, and in connection with any such loan they may take such negotiable instruments and securities as he the minister may from time to time direct?—A. That is right.

Q. Very wide loaning powers?—A. That is right.

Q. So I suggest to you that all that Alberta really wants to accomplish as a result of this present application is to obtain the power to issue currency?—A. No, Mr. Chairman, that is not true.

Mr. JAUQUES: Banks do not lend their deposits.

The WITNESS: We want, as I pointed out on the first day, you may refer to page 28 of the evidence—we want the right to make loans and we want the right to issue currency.

Mr. JĂQUES: As a bank?

The WITNESS: Yes, not as a treasury branch, but as a bank.

Mr. SLAGHT: Where would you get the money from?

The WITNESS: The same place as the banks get it.

Mr. CLEAVER: Here is your statement: "We would like the right to make loans, which we have not under our present Act. . . ." I say that that statement is hardly accurate.

The WITNESS: Mr. Chairman, the Act is not an Act, it is a bill yet, and it will not become an Act until such time as it is proclaimed in the first place and until it is signed by the lieutenant-governor of the province, and that has not been applied for yet. We are not sure it will be applied for.

Mr. KINLEY: Mr. Chairman, this is all very interesting. I am sure we have all been glad to hear the record of the Alberta provincial government which has been well presented, but it seems to me the principle of this bill is what we are here for. The first thing that suggests itself to my mind—I am not a lawyer, but I have had considerable experience in provincial affairs—in the whole matter of jurisdiction, and if Mr. Varcoe is going to speak on the matter of jurisdiction both as regards the province of Alberta passing the legislation they have passed and the dominion government passing this bill, I think we should hear from Mr. Varcoe. This is the first question that should be considered.

The CHAIRMAN: Is it the pleasure of the committee to hear Mr. Varcoe?

F. P. VARCOE, Department of Justice, called.

The WITNESS: Mr. Chairman, I should like, first of all, to refer briefly to some of the provisions of the bill in order to make clear what I have to say about the constitutional power of parliament to enact this legislation. Honourable members will notice that by section 2 of this proposed bill the members of the executive council of the province are to become the directorate of the bank. Then, by section 3 the Lieutenant-Governor in Council of the province is to have the power to appoint the president of the bank and the vice-president and to fix the quorum of directors for the purpose of directors' meetings and, under the provisions of the Bank Act, to fix the amount of discounts or loans which may be made to the government of the province of Alberta, or to any one firm or person or to corporations.

Now, I have considered this bill in its constitutional aspect, and I have reached the conclusion that parliament has no authority to empower or to purport to empower the executive government of the province to perform the functions which this bill purports to do. I do not know whether the committee would be interested in any reasons.

Mr. BERCOVITCH: Certainly.

The WITNESS: Perhaps I had better begin by reading a short statement I have prepared.

Mr. MAC TAVISH: Mr. Chairman, Mr. Low indicated that with respect to section 2 the government of Alberta was quite prepared to have the directors not the members of the executive council, and that statement of facts which Mr. Low made may, perhaps, colour his opinions.

The WITNESS: I was only dealing with this bill as I find it; I do not know of any other projects.

Mr. SLAGHT: It was the suggestion that they should be.

Mr. MAC TAVISH: Mr. Low indicated that he would leave that open.

[Mr. F. P. Varcoe.]

The CHAIRMAN: Allow Mr. Varcoe to finish.

The WITNESS: I will read this short statement:—

“This bill purports to impose administrative and legislative powers and duties upon the Lieutenant-Governor in Council and upon the executive council of the province. Such provisions are invalid for the following reasons:—

- (a) The Lieutenant-Governor in Council and the executive council would be thereby subordinated to a legislature other than that of the province. The provincial government has a constitutional place in the structure established by the B.N.A. Act and parliament cannot alter that. Conceivably, the Lieutenant-Governor in Council exercising power as a delegate of parliament or as a subordinate of parliament would be called upon to do what, in a legal sense at least, would be inconsistent with the exercise of its proper functions as the government of the province.
- (b) The provincial government cannot be made the delegate of parliament for the purpose of exercising legislative power in relation to banking.

That is to say that while parliament has complete power over the subject of banking it cannot impose upon a provincial government the powers to legislate as would be the case if this bill were passed, because the members will realize that the directors of the bank and the Lieutenant-Governor in Council, under paragraph 3(c), would acquire subordinate legislative power in respect of banking.

By Mr. Thorson:

Q. In what respect?—A. The directors would have, for example, the power in respect of this bank to fix the number of directors—or would but for the provision that the Lieutenant-Governor in Council is to have the power to fix the quorum—the qualification of directors, the method of filling vacancies in the board of directors, the time of proceeding with the election of directors in case of failure of any election on the day arranged for it.

Q. Would you say that those are legislative powers?—A. Yes, they are legislative powers in relation to this bank.

Now, the third and equally important point, is this:—

- (c) The administrative or executive functions of the provincial government are such as are conferred by the B.N.A. Act and by the conventions of the constitution. The executive functions correspond to the legislative jurisdiction of the province and the provincial executive cannot, therefore, be empowered to exercise functions in relation to dominion subjects such as banking.

For these reasons I reached the conclusion that the bill as drawn would be beyond the powers of this parliament to enact.

Q. The question occurs to me: would it be your opinion that it would be impossible to create a publicly owned chartered bank with a public ownership of the bank vested in His Majesty in the right of a province; that is really what you said?—A. No, sir, if it had to do merely with the question of ownership of the stock I see no reason why the province could not own the shares of stock in a bank.

Q. If the province owns the stock it would have all the rights of a shareholder in the bank?—A. Yes.

Q. It could elect its own directors?—A. Yes.

Q. And it could make the members of the council directors of the bank as long as the province owns the stock. Then, the province as a shareholder of the bank could do all those things—appoint the directors, fix the quorum of the directors, and do all those things which you describe as legislative acts?—A. Yes, I think they could, because in that case the members of the executive council would acquire their appointment as directors by the action of the shareholders of the bank and not by the action of this parliament.

Q. Now, you say that it would be within the competence of parliament to create a chartered bank publicly owned by one of the provinces. Is it absolutely clear that the dominion government could do that?

The WITNESS: I would like to see the project set out more precisely.

By Mr. Thorson:

Q. Now, if this set-up were in the form I indicated, with the stock of the bank all owned by the province, then the province could ask the shareholders of the bank to provide for the composition of the directorate and, in effect, do all the things that sections 2 and 3 of the bill provide for?—A. The constitutional difficulty in that case would arise as to the power of the province to authorize or do whatever is necessary in its field to empower its provincial treasurer to subscribe for the stock. There might be a difficulty.

By Mr. Kinley:

Q. I just wanted to ask one question. I suppose that your suggestion is that this parliament has no right to take away from itself the effectual control of banking which is given to it by the British North America Act; and in giving it to a province they would remove from this government the control of the situation?—A. No, Mr. Kinley, that was not my point. The point that I was trying to make was that the provincial government, having a certain place in the—having certain functions or a certain place in the constitution, cannot have that—

Q. They could control the situation unduly. Is that not the point?—A. No, that was not the point. The point was that the position of the lieutenant-governor in council and of the executive council cannot be, in my opinion, varied or altered.

Q. By the provincial government?—A. By this parliament imposing on it legislative and executive powers which are in the dominion field.

Q. When you were dealing with the power of the provincial government, you said that they did not have the power, or that it was ultra vires for them to pass this statute, this chapter 7, authorizing that government to be bankers?—A. That is the provincial statute?

Q. Yes.—A. I have not expressed any opinion about that.

Q. I thought you did.—A. No. I did not deal with that.

Q. Do you think the Alberta government has jurisdiction to enact banking legislation?—A. I am sure it has not.

Q. That is what they have done?—A. Yes.

Q. A further question is this. To incorporate the ministers of the Alberta government into a bank would effectually remove that bank from parliamentary and dominion government supervision and control. I think that under the British North America Act banking and commerce is placed under the federal government for a purpose, namely, to make it uniform and to make it the same all over Canada. If they give to another government the right to carry on a bank, with plenary powers in that province, are they not effectually removing from their own control the powers over that part of their banking system?—A. The power of parliament to legislate in respect of banking is absolutely unlimited. It is a sovereign power. Parliament could do as it pleased about that. Parliament could have a different banking system in every province, I suppose, if they wanted to do it.

[Mr. F. P. Varcoe.]

Q. In every province, but not with every province. That is the point.—
 A. And parliament has wide powers to delegate its functions, if it desires to do it.

Mr. THORSON: In deference to Mr. Kinley, I shall stand.

Mr. KINLEY: Thank you.

By Mr. Thorson:

Q. The point that bothers me, Mr. Varcoe, is this. If the dominion parliament can constitute a chartered bank and provide that all the stock shall be owned by His Majesty the King in the right of the province, and thus constitute a publicly owned chartered bank, the public ownership being in a province, why cannot the dominion then enact sections 2 and 3 of the bill? Since the province itself, by reason of its being the owner of the stock in the bank, could provide that the members of the executive council should be the directors of the bank, that no director should receive any remuneration for his service and that no director should be granted any discount or loan by the bank, and since the stock would be vested in His Majesty the King in the right of the province, the lieutenant-governor in council could then appoint one of the directors as the president and another as the vice-president; and if there is a quorum of directors for the purpose of the directors' meeting, subject to the provisions of the Bank Act, they could fix the amount of discounts or loans which might be made to the government or to any person or to a corporation. Now you get my point?—A. Yes, I do now. I did not at first when you first mentioned it.

Q. If it is competent for the dominion, having power over banking, to constitute a publicly owned chartered bank, with the public ownership in the province, why then is it not competent for the parliament to enact likewise the provisions of section 2 and section 3, since the province itself, being the owner of the stock in the bank, could do all of these things? I cannot quite see the force of the reasoning, unless you go back farther and say that the dominion parliament could not constitute that kind of a publicly owned chartered bank. Must you not pursue your question further and determine whether it is within the competence of parliament to constitute a publicly owned chartered bank with the public ownership in His Majesty the King in the right of the province? And there may be some difficulty about that. I understood you to say that there would be no doubt about the competence of parliament—A. No. I did not understand you, Mr. Thorson.

Q. —to formulate that kind of bank. But is there not some doubt?—
 A. I said before that there is some difficulty about advising on abstract questions which are not or which have not been reduced to any formula. I completely misunderstood your first question as to whether parliament could authorize a publicly owned chartered bank. I thought that all you meant by that was whether there was any objection to a province owning the shares of the bank; that is to say, could you set up an ordinary bank under some arrangement between the two governments whereby the provincial government subscribed for the shares and became the shareholder. I do see an objection to that. But I would strongly object to a bill which purported to make of the government, in terms, a provincial bank.

Q. My difficulty goes back farther, because if the dominion can constitute—

Mr. GRAHAM: He does not say that it could.

The WITNESS: I did not say that it could.

By Mr. Thorson:

Q. I am careful. I am putting it this way: If the dominion can constitute the province as the owner of the bank, then the province can do all these things that are specified in sections 2 and 3; and it would seem to me that if the dominion can constitute a publicly owned bank of that kind, then there would

be nothing to prevent the dominion from providing as is provided in sections 2 and 3. The question has to go back farther, and we have to explore whether the dominion can constitute a chartered bank with the public ownership of the bank in a province.—A. I would think it is very doubtful.

Q. Do you not think that is the heart of the jurisdiction question?—A. Well, it is a part of it at any rate, yes.

Q. Could the department give us an opinion on that basic jurisdiction point, because it really goes back to that?—A. Would you provide in this hypothetical bill you are thinking of that the stock must be owned by the lieutenant-governor in council?

Q. The bill provides that the capital stock of the bank shall be vested in the provincial treasurer of the province?—A. Yes, it does.

By Mr. Graham:

Q. Mr. Varcoe, is your point not this, that the legislative authority resides in the dominion parliament?—A. Yes.

Q. And that this parliament cannot, even by its own consent or act, confer upon a provincial government, in the terms of a bill, any power that suggests a legislative or executive control over a banking institution?—A. That is perfectly correct.

Q. Then you would agree that directors, if properly chosen and nominated by the shareholders—let us say the provincial government—can exercise those functions because they are not exercising any legislative functions. They are simply pursuing the course directed by the Bank Act. But your objection to this bill is that it confers a certain degree of legislative or executive control upon the provincial legislature of the province of Alberta and you think that is against the B.N.A. Act. Is that not your point?—A. Yes.

Mr. THORSON: If the province is a shareholder of the bank and the Dominion constitutes the province as the shareholder of the bank, it gives to the shareholder all the powers that are provided for in sections 2 and 3.

By Mr. Slaughter:

Q. Mr. Varcoe, referring to the bill as drafted,—and entirely to that, as put forward by the promoters—would you tell me if there is in any other province a provincial bank with the powers sought here?—A. Not that I know of.

Q. No. We have in Ontario, as I understand it, a provincial bank which can receive deposits but not make loans?—A. Yes, sir.

Q. That is correct. Under the system we have of political parties forming government, would it be correct to say that under this bill, certain things could be done? I do not desire to be understood as suggesting that the present administration would permit any of these things, but I want to know whether the present political party in power and forming the executive council and controlling absolutely the lieutenant-governor in council, could not do certain things. First, would you agree with this suggestion, that the lieutenant-governor in council acts on the advice of his surrounding ministers?—A. Yes.

Q. And not otherwise; so that would it be fair to say we have the picture of the political party entrusted for the moment with the control of government in Alberta, having under their absolute control the lending of money to John Smith and the refusing of it to Henry Jones. That is clear, is it not?—A. Well, it would appear to be clear that there is no limitation on the powers of the bank to lend to Smith and Jones.

Q. No. If they like the looks of Smith's chin and do not like Jones' mouth, they can say, "We will lend to one and not to the other." That is a fact, is it not?—A. Yes.

[Mr. F. P. Varcoe.]

Q. Then could this Aberhart government—and I am not saying that they would do it any more than any other political party would do it—make Mr. Aberhart president of the bank, under the bill as it is drawn, and pay him \$250,000 a year as salary?

Mr. COLDWELL: No.

The WITNESS: The bill provides that no director shall receive any remuneration.

Mr. SLAGHT: Then that is out. Could they loan to him on his promissory note or to his Bible tabernacle on their note a quarter of a million dollars?

Mr. COLDWELL: Not to him.

Mr. SLAGHT: Well, to his wife, let us say—a quarter of a million dollars.

Mr. THORSON: Yes.

Mr. SLAGHT: And if an election was mentioned and some of the boys in the ridings supporting the government wanted a loan, could they loan money freely to them?

Mr. THORSON: Yes.

Mr. SLAGHT: And refuse it to C.C.F.'ers, Conservatives and Liberals?

The WITNESS: There might be some restriction in the Bank Act which would require them to carry on the business in a certain manner.

Mr. SLAGHT: Did you ever know that a proposed borrower could go to the court and say, "You have no right to refuse me"? Surely the discretion as to loaning would be vested by us in a political bank,—and I am using that term in no offensive way—or in a political group who control with a strangle hold the persons who might borrow money from them. Is that not fair or am I overstating it?

Mr. COLDWELL: Oh, I think that is overstated.

Mr. SLAGHT: I mean, under this bill as drawn and submitted to us, could not that result flow from the powers we are asked to give?

Mr. THORSON: Yes, surely.

Mr. KINLEY: The power is there to do it. That is the point.

Mr. SLAGHT: The power to do it is there, if they were weak enough—I will not say corrupt—or if they were so minded to do it.

Mr. COLDWELL: Do you think a Liberal government would do that?

Mr. JAQUES: Does that not cut both ways, Mr. Chairman?

The CHAIRMAN: Yes, certainly.

Mr. SLAGHT: I am serious in this. Am I right in thinking if we give this group, this political party—

The CHAIRMAN: Or any other political party.

Mr. SLAGHT: Or any other political party the powers that are sought here, they could, if they saw fit, exercise it politically and without restraint?

The WITNESS: The only answer I can make to that is that there is no restriction contained in this bill upon the powers of the bank directorate to lend, except that the lieutenant-governor in council may by section 3 (c) fix the amount of loans, which may be made to any one firm or person or corporations.

By Mr. Slaght:

Q. Then I come back to my suggestion to you, as a constitutional lawyer, that the lieutenant-governor in council is nothing more than the political party in power who sit around him in executive office. Is that not true?—
A. The lieutenant-governor in council is the lieutenant-governor with the executive council; that is the cabinet.

Q. But he is unable to act without them, unless he became an unconstitutional lieutenant-governor?—A. That is quite right.

Q. He cannot act except on the advice of those gentlemen belonging to one political party, because we have not had the suggested blessing of union government in Alberta yet. That would practically be political control of a bank.—A. Yes.

Q. Is there any getting away from that?

Mr. JAQUES: Do the banks not control politics?

Mr. SLAGHT: I beg your pardon?

Mr. JAQUES: Do not the banks control politics?

Mr. SLAGHT: No bank in Canada controls the right to lend money exclusively to Conservatives, Liberals or any other political party.

Mr. JAQUES: They can exercise their discretion and most certainly do.

Mr. SLAGHT: Do you suggest there is a chartered bank, we will say, of one political stripe that will lend its money to them in preference to others?

Mr. JAQUES: I will say this—

Mr. SLAGHT: If so, let us get it on the record.

Mr. JAQUES: I will put this on the record, that those who hold ideas of monetary reform most certainly are discriminated against; and every business man knows that.

Mr. SLAGHT: By whom?

Mr. JAQUES: I beg your pardon?

Mr. SLAGHT: They are discriminated against by what chartered bank? If you have a charge to make, make it.

Mr. JAQUES: All of them.

Mr. SLAGHT: That is pretty broad and covers a lot of territory.

Mr. JAQUES: There is no business man in Alberta to-day who is prepared to say, although there are many of them—there is not one who is prepared to come out in the open and say, "I am a social creditor," for fear of his credit. That I know to be a fact.

Mr. SLAGHT: Are you asserting that no avowed social creditor in Alberta has loans from any chartered bank to-day?

Mr. JAQUES: No, I am not saying that. But I do say this—and I say it without any doubt at all—that there are in Alberta to-day many business men who are at heart social creditors and who, I know, vote social credit when they vote, but they fear to get out in the open and say so. As they say, their credit would suffer.

Mr. SLAGHT: Well, that is their idea, perhaps. But are you prepared to make a charge against any chartered bank that did do business or is doing business in Alberta, to the effect that they operate their bank in that way? If so, let us have something definite.

Mr. CLEAVER: Let us have the names.

Mr. JAQUES: I will put this on the record, and I am giving the opinion of the biggest banker in the British Empire. He said that banks control the policies of governments and hold in the hollow of their hands the destinies of the people. The right hon. Reginald McKenna made that statement; he was at some time chancellor of the exchequer and at the present time is the chairman of the Midland Bank which, I believe, is the biggest bank in the British Empire.

Mr. SLAGHT: I am through with Mr. Varcoe. I have just one suggestion to the hon. member who has just addressed the chair, and it is this. I should

[Mr. F. P. Varcoe.]

like to hear from him any reason why the political party, of which he is a worthy advocate, should control in his province a purely political bank when no other province in the dominion has such a thing.

By Mr. Bercovitch:

Q. Mr. Chairman, may I just ask Mr. Varcoe if he would be good enough to say another word or two, if he would care to, on the last reason he gave for suggesting that this might be unconstitutional—that last paragraph.—A. Well, the legislative power in Canada is divided between the dominion and the provinces particularly by sections 91 and 92 of the British North America Act; and it has been held over and over again that the administrative or the executive powers of government are similarly divided; that is to say, that the executive power of the province, of the provincial government, is confined to those things that are relevant to the legislative powers vested in the provincial legislature. Similarly, the dominion executive or administrative power has a very direct relationship to the dominion legislative power. My submission is the provincial government cannot be vested with any sort of executive power which ordinarily falls within the dominion field.

Mr. THORSON: What executive power are you referring to that relates to this bill?

The WITNESS: Section 3.

Mr. BERCOVITCH: That appears to me to be a powerful argument.

Mr. CLEAVER: I have two questions I should like to ask Mr. Varcoe.

The CHAIRMAN: Mr. Blackmore has the floor.

Mr. BLACKMORE: I just wonder if the witness would tell us whether or not the dominion government has the power to refuse to allow an elected government to own shares in a bank? For example, would the dominion government have the power to refuse to allow the municipality of Toronto to buy shares in a bank in Canada.

The WITNESS: There is no question as far as I have considered it of parliament prohibiting any person owning shares in a bank.

Mr. THORSON: Parliament can do that under its legislative power as to banking. It can say who may and who may not own bank shares.

Mr. COLDWELL: As a layman, there is one thing that puzzles me. Why cannot the dominion government give to the provincial government all the rights that it can give to a board of directors of ordinary people?

The WITNESS: Because the powers of that provincial government are fixed by the constitution and cannot be altered by any action on the part of parliament.

Mr. COLDWELL: Are we to understand that a board of directors can be given wider powers than members of a provincial government?

The WITNESS: As such I would think so.

Mr. THORSON: Not necessarily wider.

By Mr. Cleaver:

Q. It is proposed under this bill that the province of Alberta should guarantee the bank against loss of capital and make good any loss of capital which might occur. It is a well known fact that a province cannot be sued without the consent of the province.—A. Yes, sir.

Q. Keeping both these facts in mind my question is: Would the federal parliament have power to enact legislation permitting the liquidator of this bank in the event of its bankruptcy, to sue the province without its consent?—

A. Could the dominion authorize the liquidator to sue without the consent of the province?

Q. Yes.—A. I would think not, but a question arises there—

Q. So that then the province itself could entirely nullify its guarantee to the creditor by simply declining to be sued?—A. I do not know at the moment—

Q. You might consider that point and the other point. On which I would like your opinion is this: Has any province the right to use public money which it receives by taxation from its people to operate a bank with federal banking powers, a bank incorporated by the federal authorities?—A. Of course, that raises the same question that was dealt with in the privy council in the unemployment insurance reference where they seem to have laid down that the dominion parliament could not utilize dominion money for provincial purposes. I suppose they would have logically to say that the provincial legislature could not authorize the using of provincial funds for a dominion purpose.

Q. Is it your opinion that the province of Alberta could be restrained from using provincial moneys for the purpose of carrying on a bank under a federal charter?—A. I do not suppose you use the term “restrain” in any strictly technical sense.

Q. Are there constitutional restraints, then?—A. Well, I had not given any thought to that, Mr. Cleaver, but the question does arise, undoubtedly.

By Mr. Thorson:

Q. The difficulty in the question is exactly the one that was raised on the unemployment insurance reference.—A. Yes.

Q. Because if the dominion cannot use its moneys for purposes other than dominion purposes then, of course, it would follow the province could not use its money for other than provincial purposes.—A. It seems so.

Q. On which banking is not run.—A. Yes, sir.

Q. But I do not know that unemployment insurance case goes quite that far.—A. Well, it is a little difficult to be sure of what they meant.

By Mr. Blackmore:

Q. Mr. Chairman, let me ask a question. Would the province be competent to use provincial moneys to buy the securities in a corporation and put it in its sinking fund?—A. Well, purely on the basis of an investment I would think so.

Q. If it could use its money in that manner could it not use its money to purchase all these securities that constitute the shares in a bank?—A. Well, Mr. Blackmore,—

Q. Or a portion of them?—A. You get into the field of what is the real purpose of the legislation. If you have legislation, for example, authorizing a provincial treasurer to invest surplus funds in various kinds of securities including bank stocks I would think no one could question the validity of that. On the other hand, if it became apparent the scheme was to utilize the funds of the province to go into the dominion field of business then another question would arise and as Mr. Thorson pointed out in the unemployment insurance scheme they said the dominion parliament could not appropriate funds—at least that is one interpretation of the judgment—that parliament could not appropriate dominion funds for the purpose of dealing with a provincial matter, and I would subscribe entirely to Mr. Thorson’s proposition, that at least it would be logical to say that the provinces could not utilize their funds to engage in a dominion purpose.

MR. THORSON: That is, if that is the meaning of the Privy Council’s decision.

The WITNESS: If that is the true interpretation.

[Mr. F. P. Varcoe.]

By Mr. Claxton:

Q. May I just put a question to Mr. Varcoe following along the lines of the present discussion? May I suggest to him the restraint on the spending power of the province flows from the British North America Act itself and does not depend upon any interpretation given to Lord Atkin's dictum in the employment and social and insurance reference case.—A. That is quite right.

Q. Namely this, that section 92 (2) of the British North America Act gives the province legislative jurisdiction over "direct taxation within the province in order to the raising of a revenue for provincial purposes." And therefore you are directly within the four corners of section 92 of the British North America Act, the limitation upon the power of the province to raise money or spend it at all.—A. Oh, well, that has to do with the raising of money by taxation; but it might raise money by borrowing.

By Mr. Kinley:

Q. Do you think the provincial government of Alberta could create a commission and give instructions to the commission to approach the federal government to obtain a charter to carry on a bank?—A. I would think that would be just in the same category as what they have done in Alberta.

Mr. GRAHAM: You cannot do indirectly that which you cannot do directly.

By Mr. Thorson:

Q. Is not the question to be approached in this manner? What is the real pith and substance of this bill, and is it not a fact that the province of Alberta by this bill is constituted a bank?—A. That is right.

Q. Now, may that be done?—A. I say it cannot be done.

Q. That is related to the first question that I put to you, namely could the dominion constitute a publicly-owned chartered bank with all the stock vested in the province?—A. No.

Q. When I asked you that question first you were not quite certain. Your first reply was that you thought they could do that.—A. I should like to explain that answer because I thought you had something like this in mind: suppose these ten or twelve gentlemen who constitute the executive council of the the province and who signed the petition, I believe, of this bill, asked for an ordinary bank charter without any of these special powers at all. Now, they became incorporated and they proceeded to issue stock, and that stock is subscribed for in toto by the provincial government. There you have a set-up that one could hardly doubt the constitutional validity of.

Q. I am not sure of that.—A. You would have to go back to the provincial government statute to find any invalidity, because there would be nothing in this statute that indicated who the people were or what was in the mind—

By Mr. Slaght:

Q. When they came to get the money out of the province by order in council to put it into this venture to carry on banking would there be any question arising?—A. I quite agree there would be.

Mr. THORSON: Now it seems to me that we should have a very definite opinion on the basic question of the jurisdiction of the dominion, and the basic question is the one that I suggest, first of all, can the dominion parliament constitute a publicly-owned chartered bank with all the stock owned by the province. I think we should have a considered opinion on that.

Mr. SLAGHT: Would you not add to that, with all banking powers?

Mr. THORSON: The stock might carry the powers with it. But the basic question is: Can the dominion parliament constitute a publicly-owned chartered bank with the public ownership in the hands of the province; that is, make the

province the sole owner of all the shares of the bank. It would seem to me that we ought to have from the department a considered opinion on that subject; and it is not an easy decision to make.

The WITNESS: In the interest of being sure that I understand what you have in mind, Mr. Thorson, may I ask do you mean that you have an ordinary bill in the usual form (a) or whatever it is in schedule to the Bank Act, with one unusual provision, namely section 5?

Mr. THORSON: Yes.

The WITNESS: That is all you would have in the bill?

Mr. THORSON: Yes.

The WITNESS: Well, I would certainly have to consider that.

Mr. THORSON: My point is this: if the dominion government can do that, can constitute that kind of a publicly-owned chartered bank then the province by virtue of its ownership of all the shares can then do the things that are provided for in sections 2 and 3.

Mr. GRAHAM: But not in the way it is stated in the bill.

Mr. THORSON: That is really a mechanical matter, and the question which I asked, I think, goes to the heart of the jurisdiction of the dominion.

The WITNESS: I am not sure that it goes to the heart. I will agree that it goes to the heart of it, but you would have to make up your mind on the very difficult question whether parliament was not trying to do indirectly something it could not do directly.

By Mr. Thorson:

Q. Why, then, related to that question is this, as it is really another way of stating exactly the same thing: Can the dominion parliament constitute a province as a bank; that is, the government of the province as a bank which is, I submit, what this bill purports to do?—A. Well, I have already advised that in my opinion parliament could not do it.

Q. The two are related?—A. They are related in the way I have indicated, that if this stock ownership scheme is really a move or a method of doing indirectly what I have already advised cannot be done directly then it is bad and you get into the very difficult field that you know as well as anybody. You know how difficult it is to know what a court will say as to the pith and substance of such a provision as you have in mind.

By Mr. Graham:

Q. Your considered opinion, Mr. Varcoe, is that parliament has not constitutional authority to pass the bill that is before the committee?—A. Yes, sir.

By Mr. Slaght:

Q. Can you tell us if the promoters of this bill prior to its getting along to us got from the Justice Department or the law officers of the Crown an opinion on its constitutionality, or did you go into it at the request of this committee?—

A. At the request of this committee.

Q. Not prior thereto?—A. No.

The CHAIRMAN: I suggest we give Mr. MacTavish an opportunity to make a statement.

Mr. SLAGHT: Yes.

By Mr. Ward:

Q. Following along the last question of Mr. Slaght—it may have been considered at some previous meeting of the committee when I was not here—could Mr. Varcoe or anyone here tell us what the difference is between this bill

[Mr. F. P. Varcoe.]

and the proposed legislation passed by Mr. Dunning to the province of Alberta?—
A. Mr. Dunning never got down to details, that I know anything about. He never got down to details about it; all he said was simply this: I will facilitate your getting a bank or something like that.

By Mr. Thorson:

Q. It is clearly stated in the house. There is just one other question I should like to ask: Would it then follow that the only public ownership of a bank that could take this would be a bank in the hands of the dominion government?—A. Well, that is quite a question to answer.

Q. It is related to the question I asked you; in other words, we are facing a principle here of public ownership of a bank?—A. Yes, sir.

Q. Not private ownership of a bank?—A. Yes.

Q. And the question that arises, if this committee should pass in favour of public ownership of a bank, is this, can that public ownership only be in the hands of the dominion or is it possible for public ownership of a bank to be in the hands of a provincial government?—A. Yes, sir.

Q. I realize that I am putting before you an exceedingly difficult constitutional problem, and if the department has not considered that in a basic fundamental aspect— —A. The department has not considered it with a view to advising on it at this time.

Q. I would suggest that we should have a further outline of the reasons for the opinion of the department, because I think you will agree, Mr. Varcoe, in the light of the discussion we have had this morning, it presents the reasons as you have outlined them in not as complete a manner as I am sure you would like them to be.—A. You mean in relation to this bill?

Q. In relation to this bill and in relation to the fundamentals underlying it, because you cannot give an opinion based only on the form, when the purpose—
—A. But, Mr. Thorson,—

Q. Just a moment; let me finish. You cannot give an opinion only on the form on a thing when the same thing can be accomplished in another manner. You have to look at the whole pith and substance of the legislation and the fundamentals underlying it.—A. The pith and substance of this legislation is as plain as anything can be. The proposal is to turn the lieutenant-governor of the province into a bank, and my submission is it cannot be done. I have no desire to amplify that opinion at all.

Q. Now, we have had it stated that the pith and substance of this bill is that the government of the province of Alberta is being turned into a bank.—
A. Yes.

Q. And that is not within the competence of the province.—A. That is right.

The CHAIRMAN: I suggest we should let Mr. MacTavish make a statement or ask some questions.

Mr. JAQUES: May I ask one question?

The CHAIRMAN: We are within five minutes of adjournment. I think Mr. MacTavish who is representing the province of Alberta in connection with this bill should be given an opportunity to make a statement.

Mr. MACTAVISH: Mr. Chairman, it might be premature for me to endeavour to make any statement at the moment if Mr. Varcoe, who is the constitutional adviser of the committee proposes to give a further opinion along the line of Mr. Thorson's questions. In the first instance when I was proposing to present this constitutional difficulty which, of course, has been present in the minds of those men connected with this bill, I had intended to do it in this way. It is obvious that under the Bank Act there is contemplated the incorporation of chartered banks. Sections of the act provide for that. Now, assuming that then it seems to me that the question was as Mr. Thorson has put it—assuming

that the bank has itself provided for the necessary delegation of authority to directors and promoters to incorporate and administer the bank, can these powers be delegated or not, the same powers be given to a province. Now, it seemed pretty clear looking at it at the moment from the layman's point of view, as Mr. Coldwell has said, that it would seem absurd that if the Bank Act provides for the delegation of authority to a board of directors that the same thing could not be done with respect to a province.

Mr. BERCOVITCH: I do not agree with that at all.

Mr. SLAGHT: The board of directors would use its own money, not the people's.

Mr. BERCOVITCH: This is the people's money.

Mr. MAC TAVISH: From that point of view we approached the drafting of the bill, and the drafting was done, and it was for that reason that certain changes were made in different sections of the bill bringing the mechanics of the bill in line with that principle. Now, as I said at the beginning of these remarks it might be premature for me to attempt to declare anything along that line if the fact is that Mr. Varcoe as constitutional adviser of the committee proposes to give an opinion on the fundamental point raised by Mr. Thorson. It would seem proper perhaps that I should withhold any remarks that I have to make until after Mr. Varcoe gives his opinion.

The CHAIRMAN: Shall we adjourn until 11 o'clock to-morrow?

Mr. JACQUES: May I ask one question?

Mr. COLDWELL: Will Mr. Varcoe prepare a statement?

The CHAIRMAN: Yes, that is the understanding.

The WITNESS: I do not know that it would be ready for to-morrow morning.

Mr. THORSON: Really it would be quite impossible for Mr. Varcoe to prepare that statement for to-morrow morning. It is a constitutional question involving an extremely difficult problem.

Mr. SLAGHT: I suggest this—

The CHAIRMAN: Just a moment; Mr. Jacques has the floor.

By Mr. Jacques:

Q. May I ask Mr. Varcoe one question? Has the dominion parliament the power to delegate to private individuals the power to create money?—A. Well, now that is a pretty broad question. If you are in the dominion field, of course, parliament powers are unrestricted.

Q. By the British North America Act you would have the fundamental powers and if this parliament has the power to delegate to private individuals the power to create money— A. There is no restriction whatever upon the power of parliament to legislate in relation to money within Canada.

Q. Then it could grant the privilege to private individuals too?—A. I am afraid—

Mr. THORSON: That may be possible, and that is the question I asked Mr. Varcoe.

The WITNESS: I should like to be a little clearer on it. The point is not that the dominion parliament has not got ample powers to do anything it pleases in relation to banking but that the provincial government is an institution established by the constitution and parliament cannot alter that. Parliament could not, for example, delegate to the provincial legislature of Alberta power to legislate on banking because section 92 of the B.N.A. act says what the provincial legislature can do and parliament cannot change it. That is the point.

[Mr. F. P. Varcoe.]

By Mr. Jaques:

Q. Is it not by the constitution the sole prerogative of the Crown to create and issue money?—A. The dominion Crown.

Q. How can they delegate that to private individuals?

Mr. THORSON: They may be able to do that and not be able to delegate it to the provinces by reason of the constitutional set-up of the provinces, and it is just that particular question I am asking Mr. Varcoe to explore further.

Mr. SLAGHT: May I make this suggestion? Instead of asking Mr. Varcoe to give an opinion on Mr. Thorson's question I suggest we do not for this reason; he cannot do it to-morrow; it may take a week, and it is not involved in the constitution of this bill.

I am afraid when we are reviewing this bill we will get off into academic discussions about the Bank of Canada and everything else. Let us stick to our knitting and not wait for a week for an opinion on an academic problem that is not presented in the consideration of this bill.

Mr. THORSON: There is nothing academic about it.

Hon. SOLON LOW, recalled.

The CHAIRMAN: Mr. Low, is there anything you wish to say?

The WITNESS: Just one point, Mr. Chairman. I have no right of questioning at all; but I thought perhaps at this point it might be useful to put this thought before the members of the committee for consideration in connection with the constitutional question. I do not propose by any means to know anything at all about the constitutionality of the bill. I do know, though, that the B.N.A. Act does give to the province control over property and civil rights.

By Mr. Thorson:

Q. Not banking.—A. All right.

Q. Not over property and civil rights connected with banking.—A. But I am wondering if the members here have given serious consideration to the question of just how far any provincial government can control, even remotely, property and civil rights unless they have control of one of these two things: the complete control of credit policy of the existing banks within the boundaries of that province or the right to make regulations under a bank of their own which would have the same effect.

By Mr. Thorson:

Q. Has the supreme court not settled that for you in the province of Alberta?—A. I do not know that they have. I doubt that they have. But I just wanted to mention that because it is an important point for your consideration while this constitutional question is up; because if the B.N.A. Act gives to the province the undisputed control of property and civil rights, and property and civil rights cannot be controlled except through a control of credit policy within the boundaries, then how in the name of common sense can the terms of the B.N.A. Act be carried out under such conditions?

By Mr. Slaght:

Q. Has your attorney-general rendered you an opinion, a considered opinion, on the constitutionality of this bill or has he not been asked to?—A. Yes, he has; and the law officers of the crown unanimously agreed that it was constitutional.

Q. Can you give us their opinion and put it before us? Then we will have the two.—A. I would be quite happy to obtain that. Just before I close, I was asked by the committee, Mr. Chairman, to bring to this committee a copy of

the letter which was mentioned in the questioning on the first day of the hearing. That was in connection with Mr. Davidson's recommendation—his personal recommendation of Mr. Sousa. I have that here.

The CHAIRMAN: Place it on the file, Mr. Low. The committee will adjourn to meet at the call of the chair, if that is agreeable.

Some Hon. MEMBERS: Carried.

The committee adjourned at 1.05 p.m., to meet again at the call of the chair.

APPENDIX

(Letter filed by Hon. Mr. Low as requested on July 17—page 36 and 37
of the evidence)

MAYOR'S OFFICE

CALGARY, ALBERTA,

November 22, 1935.

TO WHOM IT MAY CONCERN:

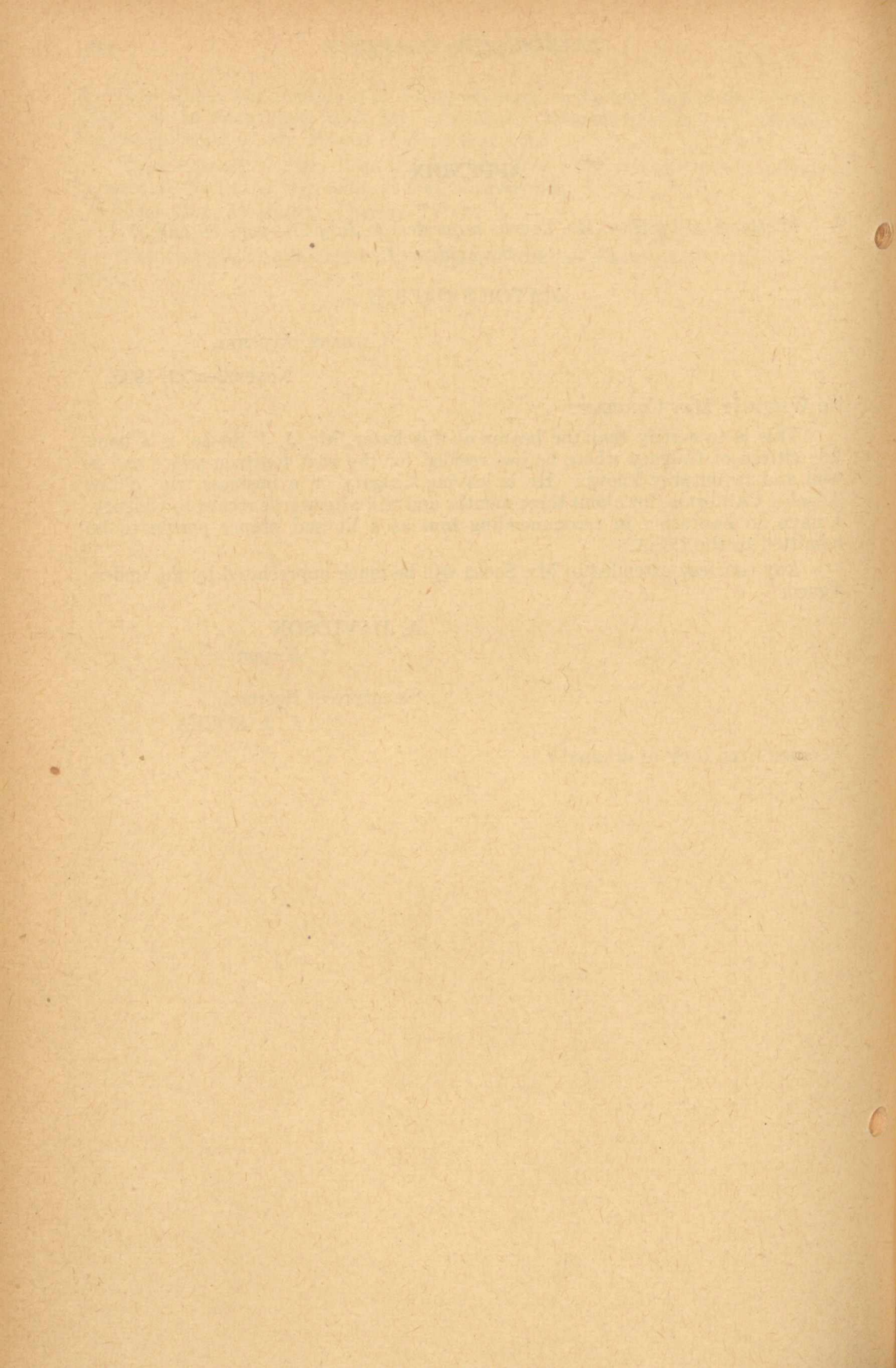
This is to certify that the bearer of this letter, Mr. J. J. Sousa, is a bona fide citizen of Calgary where he has resided for the past fourteen years and is well and favourably known. He is leaving Calgary on a business trip to Los Angeles, California, for about three months and will afterwards return to Calgary. I have no hesitation in recommending him as a fit and proper person to be admitted to the U.S.A.

Any courtesy extended to Mr. Sousa will be much appreciated by the undersigned.

A. DAVIDSON,
Mayor.

Signature of Bearer:
J. J. SOUSA.

(Copied from copy of original.)



SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 6

WEDNESDAY, JULY 24, 1940

WITNESS:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940

MINUTES OF PROCEEDINGS

WEDNESDAY, July 24, 1940.

The Standing Committee on Banking and Commerce met at 11 o'clock a.m., the Chairman, Mr. Moore, presiding.

Members present: Messrs. Black (*Cumberland*), Blackmore, Bercovitch, Blair, Casselman (*Edmonton East*), Claxton, Cleaver, Donnelly, Eudes, Graham, Gray, Hazen, Hill, Jaques, Kinley, Lacroix (*Beauce*), Laflamme, Lapointe (*Lotbinière*), Macdonald (*Halifax*), Macmillan, McNevin, Marier, Mayhew, Moore, Ross (*St. Paul's*), Thorson, Tucker, Ross (*Calgary East*), Ward.

In attendance: Hon. Solon E. Low, Provincial Treasurer, Province of Alberta, Mr. C. S. Tompkins, Inspector-General of Banks, Department of Finance, and Mr. J. C. Osborne, representing Mr. D. K. MacTavish, Counsel for the Government of Alberta.

Mr. Blackmore made a statement.

The Chairman submitted representations received from the Edmonton Chamber of Commerce on the matter of an Alberta Bank Charter. By unanimous consent, these representations were read into the record.

A telegram addressed to Mr. Ross, Member for Calgary East, by Mr. J. J. Sousa, was also read into the record.

Hon. Mr. Low was recalled and further examined.

At 1.00 p.m. the Committee adjourned until Thursday, July 25, at 11 o'clock a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

July 24, 1940.

The Standing Committee on Banking and Commerce met at 11 a.m. The Chairman, Mr. W. H. Moore, presided.

Hon. Mr. Solon Low, Provincial Treasurer, Province of Alberta, recalled.

The CHAIRMAN: Order, gentlemen. This session of the committee has been called at the request of the promoter of the bill, Mr. Blackmore, and I would suggest we have from Mr. Blackmore at the outset a statement as to what he has in mind with regard to the conduct of this session.

Mr. BLACKMORE: Mr. Chairman and gentlemen of the committee, I am endeavouring to put myself in the same position as you gentlemen must be; I am endeavouring to look at this whole question from your eyes. I thought because of the number of questions that have been most sincerely asked—and they were most sincerely asked by men who wished information—that it was only fair that you be given an opportunity to have the questions which have been raised dealt with in a way which would satisfy you. That is why I thought it wise that we have a meeting or two more while you have Mr. Low—who is a member of the administration in Alberta, about which we hear so much, and who knows probably more about the details of that administration than any other man in Canada. It is an opportunity I think which you recognize that we are not likely to have again soon—to get together and have a chance to ask him questions again and have him deal with aspects that in the general run of things he has not been able to go sufficiently into to satisfy some of the minds of the committee.

If I were a member of this committee as you are—I am a member of course—if I were a member of the committee from Ontario or from the Conservative party there are certain things I would want to know concerning this bill and the whole general set-up before I would feel myself justified in casting a vote either one way or the other.

Mr. CLEAVER: I would want to know first, what is social credit.

Mr. BLACKMORE: If the honourable member will first let me give my little speech Mr. Low probably will be able to answer you as he is aware what is going to come up. While we are on that may I say there is not any other question that any Social Crediter from Alberta is more eager to answer than the question which the honourable member has asked and there is not any question which Mr. Low is more glad to answer and more qualified to answer than that very question; so that you can see already, Mr. Chairman, that there is evidence that there were questions which the members do want to ask and have answered in a straightforward way.

I would want to know two main things, I would say, about the set-up before I would have an idea what to do about this bank. First of all I would want to know a good deal about the Aberhart administration, as has been indicated by the general attitude of the members of the committee. They want to know what kind of a crowd they are giving these powers to or being asked to give these powers to. I have noticed that most of the questions were bearing one way or the other on that main topic. If the members' minds have been satisfied with respect to those considerations naturally they would feel free to deal with the question of a bank and consider it.

I would want to know concerning the Aberhart administration some of the few things I have listed as sufficiently comprehensive to satisfy myself. Most of the members here will probably feel that they could assist me by increasing the list. But I should want to know: has the Aberhart administration shown itself to be worthy to be entrusted with a bank? I should like to know first has this administration thus far been financially sound; that is, could Alberta pay; did Alberta do her best to pay; was Alberta justified in cutting interest; was Alberta justified in defaulting? Then, again, is the administration aiming at objectives which are sound? Now, incidentally the question which Mr. Cleaver raised just this minute is directed right on that point so that I think I have judged the minds of the committee with some degree of success. Has the administration aimed at objectives which are sound?

(a) Repaying its debts.

(b) Paying its interest.

(c) Paying its way—a very serious matter for us all in these trying times.

(d) Developing its resources, primary and secondary, so that it can guarantee to its people food, clothing and shelter to the extent of even \$25 a month to bona fide citizens; and price parity, the thing about which we hear a good deal to-day in a general way but not very much in a detailed and technical way; price parity for Alberta producers and consumers.

Then, has the Aberhart administration been sound domestically?

(a) Has it saved money?

(b) Has it saved wisely? We know economy consists of saving money wisely and also spending money wisely. Has this administration saved money wisely and spent money wisely? These are very important questions. For example, has it saved on the cost of insurance where it could? Has it saved by cutting down excessive staff where it could? Has it saved by purchasing the goods it needed at the best advantage? Then, has it spent wisely? Has it provided the province in so far as it could possibly do so with good roads, with suitable education, with such things as irrigation? Then, has it encouraged the development of industry? For example, what has it done with respect to its oil industry; what has it done with respect to manufacturing such as woollens and sugar and clay products and the like? Has it really had a policy in this respect and has it pursued that policy with definite tangible results which are good? Then, has it taxed wisely? That is a matter which is in everybody's mind while we are considering the greatest budget in Canada's history and regarding the greatest budget in Britain's history. Has it taxed wisely; has it brought in experts to advise it in the matter of taxation, and has it followed the advice of those experts? Is its tax structure in accordance with the best accepted ideas of the best thinkers of to-day? Has it collected wisely? Has it been severe enough on the people who owed taxes, but not too severe? Has it so deported itself as to establish confidence in the minds of those with whom it has intimately dealt? For example, at what time did Mr. Aberhart conceive the idea of refunding Alberta's debt, and has he maintained that objective consistently through the years? Is he still working towards a refunding which would obviously put the province on a sound basis financially and greatly aid in the reestablishment of complete confidence in Canada which might perhaps have been put in some question as a result of Alberta's default? Is the government honestly and earnestly seeking to refund at a lower rate? Has it been prompt to pay? When it has agreed to pay a certain amount of money, has it paid it? Are the teachers of the province paid up? Are the civil servants paid up? Are the people who supply goods to the Alberta government paid promptly and fully so that there is confidence in the government? Again, has it adopted a co-operative attitude? I notice that some members of the com-

mittee raise questions like these: did the government call in the bondholders and talk the matter over with them? Has it played the game, so to speak? Is it square and above board and honourable?

Now, there is no man in a position possibly to tell us better than this man here, pointing to Mr. Low, regarding these matters because he is the man that meets these men. As I see it, Mr. Chairman, all of these questions would have an important bearing upon whether or not I would vote to give Alberta a bank, were I a member from Nova Scotia instead of a member from Alberta voting on this bill.

Having dealt with this whole question of the dependability of the Alberta administration and of the Social Credit party in general throughout Canada I would then want to turn to the question of a provincial bank as such and I should wish two main questions answered regarding the provincial bank.

Mr. Ross (*Calgary East*): You have submitted a lot of questions and if they are going to be answered they would have to be answered against the province.

Mr. BLACKMORE: It just happens that the opposite is true. If the answers to these questions are given they will be in favour of the province; but I did not wish to interject anything that might be considered of a political nature until the honourable member made that observation.

Mr. CASSELMAN: Perhaps some of the members would like to hear from some of the other members.

Mr. BLACKMORE: I think the Chairman gave me the privilege to make a little speech. Everybody recognizes I cannot give that speech as effectively when I am interrupted. There are plenty of other questions that may be important, these questions in particular may be asked.

The CHAIRMAN: May I say to the honourable members that every opportunity will be given to a free discussion on that matter.

Mr. CASSELMAN: I am sure it will.

Mr. LACROIX: Are you permitted to make a political speech?

The CHAIRMAN: I will allow you to make one.

Mr. JAQUES: I just want to ask one question.

The CHAIRMAN: I do not think you should interrupt.

Mr. JAQUES: I want to ask one question.

Mr. MAYHEW: Do not ask a question until Mr. Blackmore finishes.

The CHAIRMAN: Let Mr. Blackmore finish.

Mr. BLACKMORE: I have endeavoured—

The CHAIRMAN: You are setting a bad example to the other members, Mr. Jaques.

Mr. BLACKMORE: As I was saying when I was interrupted, or as I said because of the interruption, I have endeavoured to keep politics out of this little speech. I am keeping away from everything which might even conceivably be interpreted as being political; therefore I have made no statement, or at least I have endeavoured to make no statement; I have merely raised questions which might be answered by members of the committee and by Mr. Low to the complete satisfaction of all the members of this committee.

May I turn again to the question of a provincial bank? The first thing I would want to know regarding a provincial bank is this: Is it sound for the economy of Canada, for the economy of the British Empire, for the economy of Alberta? Is it sound that any degree of control over banking shall be put into the hands of a unit smaller than the Dominion of Canada? There are two points of view, one in favour of the centralization of industry and other things, and one in favour of decentralization; but obviously the proposal to establish a provincial bank is a step towards decentralization. So I would

say I should wish to canvass with a great deal of care, the whole general question as to whether or not it is sounder for the Dominion of Canada to have complete control of currency and credit vested in one unchallengeable central power or vested in a number of smaller units under suitable safeguards. Having answered that question to my satisfaction then I would be prepared to proceed with the particular bank in question. And I would want to know whether or not in Alberta it does look as though the operation of a provincial bank with its policy directed by the provincial government which is responsive to the will of the people would make for an improved economic standard in the country or would make in the opposite direction. I would want to know, for example, whether in all probability Alberta would be better able to develop her beef production with a bank than without a bank; whether Alberta would be able to establish such concerns as woollen factories; whether she would be able to establish these factories better with a bank than without a bank.

Mr. LACROIX: Without a bank.

Mr. BLACKMORE: I am raising the question; I am not answering it.

Mr. LACROIX: Without a bank; with a bank you fail.

Mr. BLACKMORE: You can see how interesting these questions are.

Now, upon the way in which I answered that question much of my decision as to where my vote would go would depend; and if it could be shown—please note the “if”—that Alberta through the operation of an instrument of currency and credit production, such as a bank, could be more certain that she could develop the woollen industry, the milk-processing industry, the hat manufacturing industry, the fur farming industry, the oil production industry and any one of scores which I could name right off—if it could be shown that with a provincial bank Alberta would be better able to develop these industries then I would be forced to this conclusion, that it is well to let Alberta have a bank. Why? Because this Dominion of Canada at this particular moment wants production in superabundance. Then I would propose to canvass this question: Knowing that the matter of price is of very vital concern, would Alberta's government be better able to guarantee to her people such fair prices, both to producers and consumers, as would make for the economic betterment of the province—would she be better able to guarantee those prices with a bank than without a bank; and if it could be found that she could more equitably manage her price structure and approach more near to price parity with a bank I should certainly be disposed by that consideration to cast my vote in favour of giving Alberta a bank.

There are other questions which I could raise but I believe this is sufficient, Mr. Chairman, to show the lines along which my mind would run and I fancy from the faces of the men who have been sitting before me and so indulgently listening to me apparently that is very much along the lines their minds would run. First of all, is this administration sound? Is the Social Credit movement sound in its attitude, and then, is a provincial bank a sound proposal? Is it sound to decentralize control over financial matters, credit matters, or to centralize them? Having answered those questions I should be in a position to vote upon this bill.

I think, Mr. Chairman, having taxed the indulgence, the kindness and patience of this group thus far, I am going to cut short this little introduction and leave the matter to be developed as the members and Mr. Low see fit.

The CHAIRMAN: Now, Mr. Blackmore, this meeting was called at your request. What procedure do you suggest to follow? Do you want to hear from Mr. Low now or would you like to have an examination on your statements?

Mr. BLACKMORE: I think, if I could so far venture as to suggest, that the best results, the most satisfactory results in every way both from the standpoint of the knowledge we get and the understanding we gain and the goodwill

that would prevail will be obtained by some such proposal as this: that Mr. Low give a little talk now to give an idea of whether he is in sympathy with me or whether I have left something out and give you an idea as to whether he is quite willing to answer all your questions. Then I would propose this, Mr. Chairman, that Mr. Low be asked to turn his attention to the problems which have thus far been raised in this committee—there are plenty of them. For example, Mr. Slaght raised a problem by his final question yesterday. There are, I think, several which have been raised by various men. I have a list of them in my hand and I would suggest that Mr. Low take one of those problems which he considers probably the most important and spend about ten minutes on it—not too long, and then have the members ask questions on that topic until they are satisfied.

The CHAIRMAN: Gentlemen, is it your pleasure to hear Mr. Low make a ten-minute statement?

Mr. CLEAVER: I think perhaps there is quite a little feeling among members of the committee that Alberta has made her presentation and that the members of the committee would like to ask questions, based on the presentation. Now, if the presentation is not complete and they have omitted anything they would like to add to their presentation, why well and good. I know that a number of members of the committee want to ask some questions.

Mr. KINLEY: I thought we were to hear Mr. MacTavish this morning.

The CHAIRMAN: No, Mr. Varcoe is not ready with his statement yet and Mr. MacTavish has asked to be allowed to adjourn his statement until Mr. Varcoe has made his final statement.

Mr. CASSELMAN (*Edmonton East*): Mr. Chairman, I should like to make this suggestion to the committee. We have been patiently listening to the presentations from those representing the social credit government in Alberta. That government was elected at the last parliament with 43 per cent of the votes of Alberta. There are some of us here, members of this committee, who represent the other people in Alberta, and I think it is about time they were heard.

Mr. KINLEY: 43 per cent of the votes, not taking into consideration the alternative vote. How do you figure out the 43 per cent?

Mr. CASSELMAN: The first choice votes; 43 per cent approximately. There are some of us here, members of this committee, who represent the rest of the people of Alberta and who are not at all in favour of this. I think it is about time that this committee heard something of how we, who have been in the midst of this and have had to put up with it for the last five years, view this thing.

Some Hon. MEMBERS: Hear, hear.

Mr. JAQUES: Mr. Chairman, the question I wanted to ask before was this. Since the government of Alberta has been on the spot in this committee since it started, when that phase of the proceedings is over I suggest that our opponents be put on the spot, and that we be allowed to question them—the two members from East Calgary and East Edmonton—as to their conduct of affairs before this administration came into office. I think that is fair.

The CHAIRMAN: We cannot go back too far, gentlemen.

Mr. MARIER: We would go back to 1905.

Mr. MAYHEW: I would suggest this, Mr. Chairman. When a man comes in to sell me an article, I listen to his argument until he is through. If it impresses me, I will say "yes"; if he does not, I will say "no." It is not necessary for me to tell him the reasons I do not wish his article. These gentlemen are down here to sell us the idea of a bank for Alberta. I think they should be allowed to give us their complete argument. When they have given us their complete argument we can say "no" or we can say "yes," as we think fit. But

I do not think that it is necessary for us to tell them all our reasons why. If there is an honest man in the House of Commons—and I think there are a few—Mr. Blackmore is certainly one of them, and he is sincere in telling us what he has told us to-day. But he has certainly left himself open to have this bill talked out if we want to go into all that he has put before us. But it is up to him to say whether we should do it or not.

The CHAIRMAN: Is it your pleasure to hear Mr. Low for ten minutes?

Some Hon. MEMBERS: Yes.

The WITNESS: Mr. Chairman, I am not prepared to speak for ten minutes at all at this moment. All I can say is that I would be happy to try to answer any questions which the members of the committee have for me, in an effort to vindicate our application for this bank charter; and if it is desirable, when any question or any topic is brought up upon which I feel that it would be wise to spend ten minutes, then I would certainly be happy and pleased to take that time, if you desire me to do so.

Mr. CLEAVER: Could you tell us what social credit is, to start with?

The CHAIRMAN: Just a minute, please. Are you through, Mr. Low?

The WITNESS: Yes.

The CHAIRMAN: I have here a statement from the Edmonton Chamber of Commerce. I think at this stage it would be well to have it placed on the record, because it seems to bear on matters we are going to discuss.

Mr. CASSELMAN: I should like to see that done. It is from the chamber of commerce, in my own city, and I support that procedure.

The CHAIRMAN: I shall ask Mr. Tompkins to read the statement. I may say that I received the statement yesterday. I have just shown it to Mr. Low and then I handed it down to Mr. Casselman. Now it will be made public. Mr. Tompkins, would you read it, please?

Mr. TOMPKINS: This communication is dated July 22nd, 1940, and is addressed to Mr. W. H. Moore, Chairman of the Standing Committee on Banking and Commerce, House of Commons, Ottawa. It reads:—

DEAR SIR,—Attached to this letter is a submission by the Edmonton Chamber of Commerce with respect to the application now before parliament to establish a chartered bank in Alberta by the government of the province.

I am also attaching a couple of opinions received from prominent men of the city, and could send you more if I desired.

It is signed by Mr. John Blue, manager-secretary of the Edmonton Chamber of Commerce. The representations are as follows:—

Edmonton business men are becoming somewhat apprehensive over the probability of the issuance of a bank charter to the government of Alberta and the dire consequences that will inevitably follow.

It is apparent from the submissions made to the committee on banking and commerce on behalf of the government of Alberta, the true function and practice of banking is not understood by those who make the said submissions. These submissions are merely a symposium of all the heterogeneous and uneconomic theories propounded by irresponsible and untrained money reformers in Alberta for the past quarter of a century.

They cater to the heresy that a bank can make unlimited supplies of money by merely printing figures on coloured paper. This is the final fiasco of social credit tactics in this province. It is regarded as a good time for the government to obtain this power. Failure to put it into operation will be attributed to the war and not to the members of the government.

The Edmonton Chamber of Commerce urges against granting this charter during the continuance of the war at least. Already the government of Alberta has expended large amounts of public funds in financing abortive experiments. This bank would be a duplication of existing facilities in hands of inexperienced directors. Generous loans continue to be available to all local industries where *moral* and business standing warrants. Destroyed credit position of the province through improvident policies has rendered Alberta incapable of assuming her proper share of Canada's war responsibilities. Probable decline in current revenue, due to adverse prices for agricultural products, will tax all our resources to the maximum in order to maintain normal public services.

The case may be more succinctly summarized as follows:—

1. In order to operate a bank successfully the confidence of the people in its management is needed. It is doubtful if our present government has the confidence of the people when you consider the following facts:—

- (a) That they have defaulted in bond interest to the extent of many millions of dollars;
- (b) The saving certificate deposits are frozen to the extent of over six million dollars;
- (c) The present credit houses, which were recently established in this province are known to be run at a huge loss;
- (d) The recent fiasco of prosperity certificates, issued a few years ago, cost this province several thousand dollars and was proven to be a failure;
- (e) The argument placed before the banking committee by the Hon. Solon Low that this bank was needed in order to assist struggling manufacturing concerns in this province who could not get help from the chartered banks; whereas it is well known that any legitimate manufacturing concern in this province can get support from the present chartered banks if they are worthy of credit, and if they are not, the provincial bank cannot afford to give them credit.

2. At the present time our chief concern—both governmental and individual—should be to conserve our every resource for the purpose of prosecuting and winning the war. The \$500,000 deposit for a charter to start the bank experiment can be more profitably used in our war effort.

3. In view of the serious situation in marketing our wheat crop this fall, we may find ourselves in a very precarious position with regard to future business. Unless the farmer can sell his products and the merchant can do business, they may both find themselves unable to pay taxes. Taxes are the sole source of revenue for the provincial government (not being able to borrow on account of shattered credit), so they may find themselves in a tight place if this revenue is cut down or seriously depreciated.

In the light of this it seems to the chamber of commerce, this would be a very inopportune time to start a banking experiment which would cost, in addition to the \$500,000 to start, many more thousands of dollars to carry on and to become established in the first few years of its operation.

Inasmuch as the cost of this experiment will eventually come out of the taxpayers, it seems only reasonable to us that the taxpayer should have a say at this time.

Respectfully submitted,

EDMONTON CHAMBER OF COMMERCE.

Do you wish me to read the opinions as well?

The CHAIRMAN: There are some opinions. Do you wish to have those on the record?

Mr. BERCOVITCH: Read the whole thing.

Mr. CASSELMAN: I should like to have them. They are mentioned in the letter.

Mr. KINLEY: Is that the Edmonton Chamber of Commerce or the provincial chamber of commerce?

Mr. TOMPKINS: The Edmonton Chamber of Commerce. The two statements enclosed are as follows. "Statement by a banker" is the heading of the first. It reads:—

"Already thousands of dollars of the taxpayers' money . . ."

Mr. CLEAVER: Is that a signed statement?

Mr. TOMPKINS: No.

Mr. CLEAVER: I do not think it should go on the record.

The CHAIRMAN: All right. I agree.

Mr. BERCOVITCH: Suppose it is read without going on the record.

Mr. KINLEY: If the committee want to accept the responsibility.

The CHAIRMAN: We have one that is signed. Would you read that, Mr. Tompkins?

The WITNESS: Does anyone know the name? It might just as well not be signed. Nobody can read it.

Mr. TOMPKINS: I am afraid I cannot decipher the signature.

Mr. KINLEY: That is true of all bankers.

The CHAIRMAN: No. It is a merchant, Mr. Kinley.

Mr. CLEAVER: He must be a top-notch man if you cannot read his signature.

The CHAIRMAN: We will read it and then decide whether it will go on the record. (Letter read.)

The CHAIRMAN: Mr. Casselman, did you recognize the signature?

Mr. CASSELMAN: I did not examine it very closely. I might if I did.

Mr. KINLEY: Where is it dated? What province?

Mr. TOMPKINS: It is dated July 19th, but it is not domiciled.

Mr. KINLEY: It is not domiciled?

Mr. TOMPKINS: No.

Mr. CASSELMAN: Yes. That chap's name is Fraser—C. S. Fraser.

Mr. KINLEY: Where does he live?

Mr. CLEAVER: Edmonton, I presume.

Mr. MACDONALD (*Halifax*): What bank does he belong to?

The CHAIRMAN: He is not a banker; he is a merchant.

Mr. JAQUES: I should like to point out that there is a statement in that letter which is a flat contradiction of a statement of the governor of the Bank of Canada. Either one or the other is telling an untruth. Either the Bank

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of Canada lend their depositors' money or they do not. Mr. Towers says they do not. That man says they do. I think that is very good evidence of the value of the letter.

The CHAIRMAN: Mr. Tompkins is inspector general of banks. We may call on him later. Mr. Ross has the floor now.

Mr. Ross (*Calgary East*): I received a telegram this morning from this Mr. J. J. Sousa. It is addressed to George H. Ross, M.P., Ottawa, and reads:—

Request opportunity to establish on oath before banking committee exact facts concerning bank charter refunding and Alaska road proposals Stop Evidence is not only incomplete in these matters but in numerous instances misleading.

J. J. SOUSA.

The CHAIRMAN: Suppose we give Mr. Casselman the floor.

Some Hon. MEMBERS: Hear, hear.

Mr. CASSELMAN: Mr. Chairman and gentlemen, as I said before, I think you have been listening to one side of the argument presented by a group representing a certain party in Alberta. The opinion they express is not by any means the opinion of all the people of Alberta. I have patiently sat here thinking that I would have the opportunity to make certain statements and answer certain questions that were brought up. Mr. Low has made a very interesting and plausible presentation of his case. I submit that, as is suggested in this telegram that was just read here, he has not given you all the facts. To illustrate that I quote one answer that he made. I cannot find the exact citation in the minutes, but you will remember a question was asked about the promise of the payment of a \$25 dividend.

The WITNESS: I can show you that, Mr. Chairman. The exact quotation is easy to find, I suggest.

Mr. CASSELMAN: I should like to have the exact statement so that I do not misquote; but I could not find it.

Mr. KINLEY: It is on the first day. I think I asked the question.

Mr. CASSELMAN: It is near the first, is it not? However, members of the committee who were present on that occasion will remember sufficiently that he was asked a question and he made an answer substantially to this effect, that no one ever promised that the people of Alberta should get a \$25 dividend.

The WITNESS: Mr. Chairman, I think it would be wise to pause just there to get the exact words.

Mr. CASSELMAN: All right. It is the exact words I want.

The WITNESS: That is right.

Mr. CLEAVER: I hope, Mr. Low, that by that we are not to believe that you are intending to mislead the committee.

The WITNESS: No, sir. I gave you, Mr. Chairman, the exact answer to the question which I am prepared to substantiate.

The CHAIRMAN: Do not interrupt Mr. Low; he is trying to find this quotation. Mr. Casselman, could you proceed with another matter, and then we will come back to this?

Mr. CASSELMAN: I should like to reserve that and when we find it I will speak about it.

The CHAIRMAN: Yes.

Mr. CASSELMAN: The point of view I wish to present to this committee is this. The social credit government, according to Mr. Low's representations, were not able to pay their debts. He claims that they were not able

to pay their debts. I mentioned this once before but I did not have it put on the record. I should like to have this put on the record in regard to that. It is from the appendix J, schedule 4 of the Sirois report. The surplus on current revenue account for March 31, 1937, is the first. I do not blame them for what the previous government may have got them into, but the first complete year of their administration shows a surplus on current account of \$421,000; the next year, March 31, 1938, shows a surplus on current account of \$2,536,000. We have no figures given here for 1938-39, but as far as my general knowledge of the business of the province goes, those two years were very much in the same category as 1936 and 1937.

The point I wish to make there is that I cannot believe the representations that were made that it was impossible for the province to pay at least part or a substantial part of the defaulted interest. I suggest that the general opinion which I represent is that the attitude of the social credit government, and those who supported them, was that they had certain ideas about finance which they thought could be put into effect, and that it was because of those ideas that they could run a financial system along the lines of social credit, whatever that is—Mr. Cleaver wanted to know and I have been trying to find out for five years and I still do not know—they were trying to put into effect their ideas of a financial system different from that which was in operation in the rest of Canada. That was the reason behind their failure to adopt the idea of the loan council refunding plan of the dominion government. Had they done that, a saving would have been possible in lower interest rates, because of the easy money policy which has been in effect practically from that time and for the last five years through the Bank of Canada. The saving in interest in taking part in that, together with the surpluses that are shown, the increased taxes that they collected—because there is no doubt in the world that they collected a lot more taxes, I think I can safely say, in each year of their administration than the previous government did in its last five years.

Politically they try to tell us that they did not increase taxes. I want to spend a minute on that. It is quite definite that they did increase certain taxes. For illustration, I would mention the unearned increment tax which was previously 5 per cent on a transfer of any deed of property in the land titles office was doubled to 10 per cent. That is a specific instance of an increase in taxes. The income tax for the province was increased. I am not sure of the exact figures but I think it was from 2 per cent to 3 per cent. I am not stating that definitely because I have not it before me, but there was a definite increase in income tax. Not only that, but as Mr. Low pointed out—I think it was Mr. Low—the previous government had been very lax in collecting taxes which had been imposed; that is, in getting back seed grain liens and other things of that sort which they had advanced to help the farmers during the difficult years of the depression. It is quite true that that government had been rather lax, and there was piled up a great surplus of unpaid taxes; but it was the policy of the previous government. I am not a supporter of the U.F.A. government, but in fairness to them I want to say that during depressed conditions they felt, as a policy, they could not put undue pressure on the people who owed this money. But when this government came into office, it had no remorse on that ground at all. It was common knowledge throughout the farming community the amount of pressure that was put on to get this money in; and they did get the money in, as is shown by the increased total of taxes collected.

I now come to another item, this question of ability to pay. It is common knowledge in the province of Alberta that a great deal of the government's money—I have never been able to find out how much, but a great deal—or the taxpayers' money was spent on these social credit experiments, if we call them such. Among those, as mentioned in that letter of the chamber of commerce, were the prosperity certificates. I wish to mention the cost of the credit houses, now called treasury branches. There is no doubt that those are costing the

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province and have cost the province of Alberta a great deal of money. Among other things they have taken on a very considerable staff to start those branches, and their salaries alone amount to considerable. Practically the total cost of those treasury branches comes out of the taxpayers' money.

Reference was made to the amount of deposits in those branches. I think, if I remember rightly, it was some one and a half million dollars. I want to call the attention of the committee to this, that under the circumstances there I suggest that a considerable number of those deposits are there in the name of retailers of the province who were practically compelled under the set-up to open accounts in those branches if they were going to do business in their stores with people of the social credit persuasion. They simply had to take out accounts there, and I submit that a substantial part of those deposits is made up of the practically compulsory retailers' accounts. Perhaps you are not quite clear on why that should be. But the idea was that any purchaser going to a merchant to buy—and we will say a social credit man went to a merchant to buy—wants to get the 3 per cent benefit bonus on Alberta produced goods. Here is the way it works. He pays the merchant in these non-transferable vouchers—

The WITNESS: No, not non-transferable, Mr. Chairman. I know the hon. member would like to be correct in his statement.

Mr. CASSELMAN: As far as I can be, yes.

The WITNESS: For that reason I would suggest that it is not non-transferable, but non-negotiable. There is quite a difference between the two.

Mr. CASSELMAN: Well, I do not know what your names are for them, but there is one form which is transferred like an ordinary cheque.

The WITNESS: Yes.

Mr. CASSELMAN: I refer to the other kind. What is the correct name?

Mr. Low: It is non-negotiable.

Mr. CASSELMAN: All right, then—non-negotiable. A great deal of the business in the retail stores was done by social crediters with non-negotiable vouchers. That meant that when the merchant took this in, the only way he could get anything for it was to deposit it in his account in a credit house, in the treasury branch. Now then, he again could transfer that with a similar form on a non-negotiable voucher; but if he wanted to get any cash back, if I understand it correctly, they would return to him in cash, on demand, the cost price of his goods. If he took in \$100 of vouchers, and we will say the cost price of the goods that those represented was \$75, he could get back a payment from the treasury branch of \$75, but the \$25 representing his profit he could only get back in cash if he gave them a discount of 2 per cent.

Mr. KINLEY: How did he pay his help and his rent?

Mr. CASSELMAN: If they had these accounts, they could use these non-negotiable vouchers if they turned that account into the branch; otherwise they would have to pay in cash. But if they wanted to get their profits back on any business they did of this kind, they could only get it back by paying the treasury branch a discount of 2 per cent.

The WITNESS: That is not right, Mr. Chairman. I just want to draw the hon. member's attention to the fact—and I am sure he wants to be correct—

Mr. CASSELMAN: I certainly do.

The WITNESS: That statement is not so. The merchants are allowed to redeem up to 80 per cent of the sale value of their goods without any discount whatever.

Mr. CASSELMAN: All right, 80 per cent. Then on the other 20 per cent they can only get it back with a discount of 2 per cent. Thank you, Mr. Low.

Mr. CLEAVER: So that the whole operation was a tax on business.

Mr. CASSELMAN: Practically any revenue outside of the small revenue that came by transfer of credits from one branch to another, the same as by 15 cents on this cheque and 25 cents on the other one—outside of that, practically the only revenue coming into these branches, I submit, is this 2 per cent discount taken out of the merchant, a tax on business.

Mr. KINLEY: A tax on gross profits.

Mr. CASSELMAN: A tax on the gross profits, yes.

The CHAIRMAN: How do you use that word "profit"?

Mr. CASSELMAN: I beg your pardon, Mr. Chairman. What was that?

The CHAIRMAN: How do you use that word "profit"?

Mr. CASSELMAN: They apparently arbitrarily fixed that they would return him 80 per cent and allow him 20 per cent.

The CHAIRMAN: Assuming he gets 20 per cent over and above all costs including rent and so on.

Mr. KINLEY: Gross.

The CHAIRMAN: What about that, Mr. Low? May we just have that clarified?

The WITNESS: A merchant can do one of two things in that case. He may present his invoices at the treasury branch, if he so desires, and he can redeem in cash without discount the total amount of his invoices, or if he does not care to do that he may take a straight 80 per cent, they have fixed the amount by agreement—and remember it is by agreement; not arbitrarily at all but by agreement—between the treasury branch and the merchant at 80 per cent. They feel that represents a fair percentage of their gross business which should be redeemable without discount.

By Mr. Cleaver:

Q. Who agreed on behalf of the merchant?—A. The merchant himself; each individual merchant reached an agreement in writing with the treasury branch.

Q. Was it not a compulsory agreement?—A. No, it was not compulsory.

By Mr. Kinley:

Q. He did not have to take that amount of money?—A. He does not have to take it.

By Mr. Cleaver:

Q. He could get 100 per cent, you say?—A. No.

By Mr. Cleaver:

Q. You could get 100 per cent?—A. No, I say they agreed, according to this agreement reached between the merchants and the treasury branch, that 80 per cent of his gross sales will be a fair amount to allow him without discount.

Q. Do you know whether it is a voluntary agreement or a compulsory agreement?—A. It was a voluntary agreement. I told you once, sir, it was not forced at all.

Q. And if he did not agree he did not get it.—A. Any merchant who wished to deal in non-negotiable treasury vouchers had the right to sign an agreement between himself and the treasury branch whereby he undertook to accept them in payment for goods. He undertook—

Q. And if he declined to sign the agreement, what happened?—A. He did not need to take them.

Q. He could not participate?—A. Certainly. No man can participate in benefits that will come unless he is ready—

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Q. Will you make that a voluntary agreement—you have a right to your opinions— —A. Mr. Chairman, let me ask the hon. member a question: if a merchant to-day does not care to accept cash he certainly cannot get benefits from doing business. The very fact that we use cash, I submit, as a means of doing business, puts upon that man certain compulsory restrictions.

Q. Is it not true that if he did not sign this agreement which you fixed at 80 per cent he could not participate in that type of business at all?—A. That was up to him entirely.

By Mr. Kinley:

Q. In other words, you do not have to accept it, but if you do not accept it, it is too bad.—A. Certainly not, sir; but it is the same thing, Mr. Chairman, exactly as with the money system of to-day; if a man is going to refuse to take cash he cannot participate in the profits of business.

Q. It is just like the big chain store. They say: we will pay your parking charges if you buy so much goods. It is the same kind of thing.

Mr. McNIVEN: In my opinion, the net result to the merchant, if he did not enter into this agreement, would be that a large number of Social Credit people throughout the country are going to deal in that type of certificate to do their business and the merchant would be prevented from profiting in that business at all.

Mr. CASSELMAN: That is the point I have tried to bring to the attention of the committee. Take as an illustration the case of a small village with, say, four retail stores. Let us say that one of them has pronounced Social Credit views and is catering to Social Credit business and the other three do not like it; if they do not accept that kind of money and open account with the treasury branch they do not get the business. You must remember that around a lot of those country towns and villages in Alberta at one time the Social Crediters were very strong. You can call it non-compulsion or what you like, but the practical effect was that they simply had to do it in order to get a fair share of the business.

The WITNESS: He does at that point. This is a statement which is most important. It bears on the question—thus far the merchants in the province of Alberta have never raised any such question, and it certainly would be done had they not been satisfied with the way this thing was working out. As a matter of fact, there were no sanctions that could be imposed against them.

Mr. DONNELLY: I move that Mr. Casselman be allowed to go on with his statement.

The WITNESS: There is just that final part of my statement. I only ask for the right to finish what I started.

The CHAIRMAN: Go ahead.

The WITNESS: The fact is that the merchants of the province of Alberta have all expressed themselves as being very satisfied, and there are still many merchants in the province who are getting on very well without cooperating, and they have no kick because they are not getting in on this type of business. Those who want it come in; those who do not want it do not come in. There is no kick.

The CHAIRMAN: Has the merchant under the arrangement control of the mark-up of his price?

The WITNESS: Yes, sir, in any way he wishes. He is still in free competition the same as he was before.

Mr. CASSELMAN: Mr. Chairman, I want to go on with the point where I consider that this government wastefully used the province's money. I mentioned the tremendous cost of those treasury branches. Now, remember this

also, the 3 per cent bonus. One member was kind enough to figure out how it was paid and how it was computed, but I am not going into that, it is complicated. But the point that this committee should know is that that bonus wherever paid was paid out of the taxpayer's money of the province. My submission is that if they wanted bonuses the purpose of that may have been all right; the idea was to encourage our Alberta industries, and I do not quarrel with that in the least but surely to goodness there is a much cheaper way of doing it than setting up an elaborate system of treasury branches which are, again politically speaking, a fine place to place unemployed Social Crediters. It was a glorified patronage place.

The WITNESS: Mr. Chairman—

Hon. MEMBERS: Order, order.

The CHAIRMAN: Let Mr. Casselman finish.

Mr. CASSELMAN: That is simply my opinion. Mr. Low can question it if he likes. Another cost that did not need to be paid was the salaries of various so-called experts who were called in, at least one of whom is still in the pay of the province at \$6,000 a year. His confrere was put in jail for certain things he did and went back to England. But they still have experts. In connection with those experts there is also what is called the Social Credit board which consists of five members of the government, appointed by the cabinet, and some people think it is a sort of second cabinet to run the Social Credit programme. But the point I am making is that those people in addition to their special indemnities draw various amounts of salaries for the so-called duties under the Social Credit board. That is another place where money that might have gone to pay bondholders has been spent, and to a lot of us that money was spent uselessly. Another place where a lot of money went was in the cost of court actions and appeals right through to the privy council trying to maintain the constitutionality or legitimacy of the various Social Credit measures and Acts that the Alberta government passed. Now, that must have amounted to a very considerable sum. I think in almost every case it was held that they had not the authority to do the things they were doing. I am simply pointing out where a lot of money has gone that might have gone to reduce interest.

Now, then, to show the fairness of the government, I want to direct the attention of this committee in fairness to the presentations these people are making in my own province. I am just as much an opponent of the general principle of having to pay interest on every dollar of money that is issued in this country whether through the banks or otherwise for government purposes as anybody else. I think that interest on government borrowings should not be necessary, but that is aside from this particular question. I only want to show that I am as sympathetic to the presentations these people are making, perhaps more so, than any other member on my side of the house from Alberta; but I want to say this, that I am an alderman of the city of Edmonton and I was also a member of our school board for some years while this government was in. Our school board and our city council held in our sinking funds various bonds of the province of Alberta, and we suggested to the government when they cut the interest in half that what was sauce for the goose would be sauce for the gander and that we should pay them exactly the same rate on our bonds which they held in their sinking fund, and which I think was a very reasonable proposition; but oh, no, no,—“you have got to come across with the full 5 per cent or 5½ or 6 per cent, and we will only pay you 2 per cent or 2½ per cent.” I ask you what there was that was fair about that? We said, “all right, let us exchange what we can exchange, bond for bond so that we will get out from under the interest burden?” No, sir, we could not get to first base—either the school board or the city council, and I think the members of school boards in other municipalities were in the same position. The government collected their full

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pound of flesh but they would only give us back half. Now, that is the kind of thing we have been up against in Alberta. I do not need to go into details about the legislation. We have all kinds of it. Perhaps members are more familiar with it than I am—legislation to try to put into effect these Social Credit theories. I just want to make this point. I do not think there is any question in the world but that there was an inordinate—I will use that word advisedly—an inordinate rate of taxation placed on the then existing banks in Alberta—I mean that it was out of line with other commercial institutions of a similar nature. Now, the feeling I have—it is only my opinion but I think it is the opinion of thousands and thousands of people in Alberta—the purpose of that legislation and the intention of it was to tax existing banks out of existence in Alberta in order that they could carry out their own theories of finance, and it has resulted in one branch of one bank at least taking all its branches out of Alberta and closing up. That is the Banque Nationale.

The WITNESS: Could the hon. member produce evidence on that statement, because it is important that this committee should have evidence and not just a statement? Could the hon. member produce evidence to this committee to prove that the Banque Nationale Canadienne withdrew from Alberta because of that tax?

Mr. CASSELMAN: I am not saying that; I say it withdrew—

The WITNESS: He said that.

Mr. CASSELMAN: All right, I will withdraw that, and I will say that the bank withdrew since that taxation went on, and I will say that in my opinion it was because—I think this is the way I said it—in my opinion it was because of the taxation because you will understand that that bank was not, in so far as Alberta was concerned, a particularly strong bank; it did not have many branches in Alberta; and you can quite understand that heavy taxation might affect it more adversely than it would some of the other banks. That is my opinion for what it is worth.

Now, somewhere in the evidence previously given there was the suggestion that the present banks in Alberta were not giving an adequate service and that was the excuse given for opening up these treasury branches. I am suggesting that again in my opinion—

The WITNESS: Mr. Chairman, that was never mentioned in this committee, sir.

Mr. CASSELMAN: Well, all right; certainly it was.

The WITNESS: Not that the treasury branches were set up because the banks were not giving service.

Mr. CLEAVER: The statement was made that the district chartered banks were not giving credit.

The WITNESS: That was in connection with our application for a bank, not treasury branches. That is what I say; you want to be correct.

The CHAIRMAN: Now, let Mr. Casselman finish his statement.

Mr. CASSELMAN: I have heard the statement made many times whether in this committee or not that it was general knowledge that one of the reasons given for putting in those branches was that the regular banks were not giving services in certain sections of the province.

Mr. JAQUES: Where I live we have no bank at all.

Mr. CASSELMAN: I am suggesting that a lot of the banks were closed and that amalgamations were made between existing banks. For instance, in a place where the Royal Bank had a branch and the Canadian Bank of Commerce had a branch—there were a lot of cases—and I am satisfied in my own mind, and it is only my own opinion, that because of this extra taxation they had to economize and arrangements were made between those two branches,

and the Commerce branch carried on and the Royal branch went to some other place where the Commerce branch would close up. There was a considerable amount of that sort of thing in my opinion and it was due to this extra heavy taxation; but I cannot accept that as justification for saying that the banks were not giving service and therefore they had to put in treasury branches; because the argument is this, that if those banks, the regular banks could not make a go of it because of the heavy taxation then I say that the treasury branches that went in there could not operate at anything less than a loss, and my submission is that they are already operating at very heavy loss, and the taxpayers of Alberta have to pay that loss.

Now, I am going to leave that and I am going to make this final submission to the committee: In our opinion, and I think in the opinion of thousands of those whose ideas I represent, this is an endeavour on the part of this government to get in some way, if it is possible, part of the prerogative, or whatever you might call it, that goes with banking which is now the prerogative of the dominion government. In other words, they would like to slice off a part of that power as far as it concerns the province of Alberta; because they believe that if they have that power which they think banks have of creating currency out of nothing and creating credit out of a fountain pen they can put the province of Alberta in wonderful shape. That is their idea. I submit that is the purpose of this. I have no confidence personally in any set of directors running a bank among whom there is not one, as far as I know, with any banking experience. Presumably under this set-up, if it were granted, the president of this bank would be the present premier. Well, gentlemen, he is a very versatile gentleman—I am speaking of the premier of Alberta—I will admit. He is a school teacher by profession; he is the Minister of Education for the province; he is the attorney-general for the province, although I do not think he ever took any training in law, and now he wants to become a banker. He is a clergyman, in addition to that. Gentlemen, I think that is rather too much to expect of any one man.

Mr. BLACKMORE: Mr. Chairman, may I interrupt the gentleman for just one moment? Is it not a recognized principle of parliamentary procedure that a member must not impute motives to another man who is not in a position to answer?

Mr. CASSELMAN: I am not imputing motives.

Mr. BLACKMORE: You say he wants to become president of a bank; is not that imputing motives?

Mr. CASSELMAN: The gentleman is a capable man, but I think he is trying to take on too much for any one man. I am opposing the idea of the cabinet being directors of this bank because I am one of the ratepayers of the province of Alberta and I, on behalf of thousands like me, object to my money being put into a bank in which I have no say as to who shall be the directors. That is the point I want to drive home. I have now been handed No. 4 of the Minutes of Evidence of this committee and at page 76 Mr. Low's answer appears where he dealt with the \$25 a month. When I deal with this I am through.

This is how the evidence reads:—

Mr. KINLEY: \$25 a month as dividends.

The WITNESS: Mr. Chairman, there was no promise to pay everybody in the province \$25 a month.

That is absolutely correct as it is stated, but you will notice he used the words "to pay everybody—." Now, what was the promise given? The promise given was to pay everybody over 21 years of age. I just want to call attention to the type of answer we are getting on that question.

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The WITNESS: Just on that same question—

Mr. CASSELMAN: \$25 was only for people over 21 years of age. I have said all I am going to say and I am going to sit down.

The CHAIRMAN: Is it your pleasure to hear Mr. Low in reply?

Mr. MACDONALD: Is there anybody else from Alberta who wants to say anything before Mr. Low replies to that?

The CHAIRMAN: Is it your pleasure to hear Mr. Low?

Mr. MAYHEW: Mr. Blackmore laid down a plan and a number of questions and we gave Mr. Low a chance to answer them, which he did not do. He claimed he was through.

The CHAIRMAN: Oh, no.

Mr. MAYHEW: He did not follow out the programme laid down by the leader, the man who is trying to put this bill through.

Mr. MACDONALD: The sponsor.

Mr. MAYHEW: Now, I maintain that other people who want to speak on this question should have the right to say something.

The WITNESS: Mr. Chairman, in all fairness the members of this committee want to give a person a chance to deal with certain things that are brought up by the speaker who just sat down.

Some Hon. MEMBERS: Go ahead.

Mr. MAYHEW: You had your chance.

The WITNESS: I said quite definitely when that chance was given to me to talk ten minutes on some topic that I would be happy to deal with certain things that Mr. Blackmore brought up.

Mr. THORSON: Go ahead.

The WITNESS: I should like to deal with the questions as they are brought up by the committee. That was definitely said.

The CHAIRMAN: That was my understanding.

Mr. MAYHEW: Stick to the questions.

The WITNESS: I will certainly stick to the questions. In the first place my answer in connection with dividends as found on pages 76 and 77 was prompted by the question asked by Mr. Kinley, and I want you people to notice particularly that he used the exact words that I used in my answer. That was definite and straightforward and was honest, and no attempt was made to mislead. I was answering his question. We were not dealing, Mr. Chairman, with dividends at the time. This was interjected as a question, I do not know why. I won't impute any motives whatever to members.

Mr. KINLEY: I think I gave the motive in the question, did not I?

The WITNESS: This is what you said:—

By Mr. Kinley: Q. Mr. Low, talking politically—and I think you are talking politically—you say, and suppose we admit it for the moment, that the province of Alberta was overloaded with debt to the extent that they could not meet their obligations. How do you connect that with the promise to pay everybody in the province \$20 a month?

An Hon. MEMBER: \$25.

Mr. KINLEY: \$25 a month as dividends.

The WITNESS: Mr. Chairman, there was no promise to pay everybody in the province \$25 a month.

Then Mr. Kinley said, "I accept that answer." I said, "That answer is correct."
Then Mr. Kinley said, "You say there was no promise?" And I replied, "There was no promise to pay everybody in the province \$25 a month."

Mr. THORSON: What was the promise?

The WITNESS: I am quite prepared, if you will just be calm, to tell you exactly what the promise was. When the election campaign was on in 1935 and even prior to the time of the election campaign, the premier and his associates pointed out to the people of the province of Alberta that if certain definite and specific and scientific changes were made in the economy of the province there was no reason why the government of the province through properly organized credit facilities within the bounds of that province, no reason why they should not be able to pay to every bona fide citizen of the province \$25 a month to provide for food, clothing and shelter.

By Mr. Cleaver:

Q. And if elected the government of Mr. Aberhart and his associates promised they would pay?—A. I am sure the honourable member wants me to tell him exactly what was done, and that is what I am trying to do.

Q. I am asking you the question and I should like you to give an answer.—A. The honourable member did not ask the question. The honourable member said that if elected he promised—

Q. I am asking you the question, did not Mr. Aberhart and his associates promise that if they were elected to power they would pay a dividend of \$25 to every person 21 years of age and over?—A. Now I can only say, Mr. Chairman, what I did in my election campaign and what I heard others say, because I did not—

Q. Mr. Low, that is the type of answer we have been having all through these hearings.—A. No, it is not. I will tell you this in answer to that question. I never at any time in my election campaign promised to give anybody \$25 a month.

Q. That was not my question.—A. Furthermore, I never heard Mr. Aberhart promising to give \$25 a month. He did promise to attempt to do his very best to give them what he had said before the election it would be possible to pay.

Q. I am now showing you form (b), issued by the Aberhart government, Trade and Industry Department of that government, and I want you to glance over it before I ask you a few questions about it.—A. Would you like me to read it?

Q. I want you to glance over it and I am going to ask you a few questions.—A. I think perhaps it might be wise, Mr. Chairman, for me to read this to the committee so they will know what we are talking about.

Q. I am content.—A. This is a form published by the government and reads as follows:—

Form B. Trade and Industry Department. This form to be retained by citizens. Alberta Citizens' Registration Covenant I, hereby covenant, promise and agree as follows:—

(1) To co-operate most heartily with the Alberta Government, and with my fellow citizens of the Province of Alberta in providing food, clothing and shelter for every one of us.

(2) To work whenever possible, and to accept my remuneration in Alberta Credit as far as I can reasonably do so. In the event of receiving the whole or the greater part of my income in Canadian Currency, I shall exchange as much of it as is convenient for Alberta Credit.

(3) To make no claim nor demand, at any time, for payment in Canadian Currency of Alberta Credit held by me.

(4) To tender no Alberta Credit in payment of Provincial taxes, licences, royalties, fines, etc., until such time as the Alberta Government shall be able to accept all or part on the taxes, etc.

In return for my agreement I understand that the Alberta Government covenants and agrees as follows:—

(1) To establish, as early as possible, and maintain a just rate of wages with reasonable hours of labour.

(2) To grant interest-free loans in Alberta Credit on such terms and security as shall be mutually agreed upon, not exceeding 2% for administration charges, for the building of a home or the establishment of the Registered Citizen in his own enterprise if conducive to the economic requirements of the Province.

(3) To give monthly dividends to all registered Alberta citizens, and to increase the same as the total production of the Province will allow.

(4) To redeem when possible, Alberta Credit with Canadian Currency for the purpose of allowing the member to take up residence outside the Province or for other essential requirements.

With full understanding of these several declarations, I gladly enter into covenant with the Alberta Government and with my fellow citizens.

In witness whereof I affix my signature in the presence of Witness:

Signed

Q. Now, may I have that, please?—A. Yes.

Mr. KINLEY: May I ask a question, Mr. Chairman?

The CHAIRMAN: Mr. Cleaver has the floor. If we have one question at a time we will make greater progress.

By Mr. Cleaver:

Q. Now, Mr. Low, this document obviously was issued after the Alberta government was returned to power?—A. Yes. That, I think, was issued in 1936, the fall of 1936.

By Mr. Macdonald:

Q. The election was not run on the basis of that?—A. No; this was after the election and after the government had been in power for about a year.

By Mr. Cleaver:

Q. After you were fully aware of your possibilities and of your limitations?—A. No, Mr. Chairman, I cannot say that is true because we had only been in power for just about a year and we did learn a good many things about so-called limitations of power after that, I assure you.

Q. And the gist of this agreement is that the citizens signing it covenant to support the administration 100 per cent?—A. Yes.

Q. That is the covenant on the part of the citizens?—A. That is quite true.

Q. Then, in return for that the Aberhart government covenant with the citizens as to what it will do?—A. That is right.

Q. And among other things it covenants to grant interest-free loans?—A. Yes, with a carrying charge; it explains that.

Q. And under subsection 3 it covenants "To give monthly dividends to all registered Alberta citizens, and to increase the same as the total production of the province will allow."—A. That is right.

Q. Now, does that refer to the \$25 dividend?—A. Mr. Chairman, you know there is no statement of \$25 there.

Q. I am asking you the question.—A. It says, “monthly dividends”, it refers to the dividend, surely.

Q. Does it refer to the \$25 dividend that we have discussed or not?—A. It refers to the dividend but makes no mention of the sum.

Q. Well, now, the Alberta government was either deliberately attempting to mislead its citizens or referring to a dividend which had been promised prior to the election.—A. Mr. Chairman, I am sure the honourable member either wants to be fair or—

Q. All right.—A. —he wants to get information.

Q. Have you got something else to say?—A. Let me finish. If a statement was made that the resources of the province of Alberta were such that a dividend of \$25 a month in Alberta credit could be paid to every bona fide registered citizen of the province of Alberta for food, clothing and shelter—these are the basic requirements—I would say yes. I am here to affirm, Mr. Chairman, that the amount of \$25 per month was used as an illustration, and as a basis for whatever action the Alberta government could take later; now I am sure no one can bring any documents or any letter or any definite statement by anybody that the premier definitely promised that amount \$25 per month would be paid at any specific time.

Q. Are you sure of that? Then I ask you another question. Do you suggest—

Mr. HILL: As a member of the committee may I ask what this has to do with the bill that we are dealing with? As a member of the committee I have sat here for all of its sessions and listened to political talk back and forth, but I should like to know what it has to do with this bill. I for one do not want to listen to any more recriminations politically. I am not interested in Alberta's politics. They just had another election and the Social Credit party was returned to carry on for another five years. They must have threshed out all these things in the election and the people saw fit to elect them again for another five years. Now, why not get down to this bill? I may say as a member of this committee that I do not propose to attend this committee any further unless we deal with the bill.

The CHAIRMAN: Mr. Hill, I think you were not present when the session opened. It was then explained that this particular session was called at the request of the promoter of the bill, Mr. Blackmore, so that he might make certain statements, and after considering the matter I decided to call the committee. The committee was called and Mr. Blackmore made his statement as to why he had made the request. I think probably we did the right thing in allowing a discussion of this kind to proceed to-day. Later on we will take up the bill, but we are awaiting a statement from Mr. Varcoe. I do want to insist that the committee will give every opportunity to the promoters of this bill to make their statement to the committee.

May I just go on to say that the request for a bank charter on behalf of a province is an unusual request. Mr. Blackmore wishes to state to the committee the unusual circumstances under which the request arose and it was it seemed to me a very reasonable request on Mr. Blackmore's part.

Mr. HILL: Let me have one more moment, Mr. Chairman. If Mr. Cleaver is trying to make the point, which I think possibly is a good one, that because of certain things the Aberhart government is not capable of running a bank—

Mr. CLEAVER: That is not my point at all.

Mr. HILL: Then I must say this: as a member I am very busy; have other committees I can attend and I have a lot of other things I can do; if you will notify me in the notice that you send me of the next meeting of this committee when we are going to get down to the consideration of the bill then I will attend the meeting.

[Hon. Solon E. Low.]

The CHAIRMAN: I will be very glad to extend to you that notice. Mr. Cleaver, proceed.

By Mr. Cleaver:

Q. Is it your opinion then that at no time was a definite amount promised by Mr. Aberhart to the citizens of Alberta 21 years of age and over with regard to the payment of dividends?—A. As far as I am informed, yes.

Q. At no time was a definite amount mentioned. Well, then, if that is your belief how do you account for the fact that this covenant entered into by the province of Alberta goes on to say: "and to increase the same as the total production of the province will allow." How can you increase something which has not been definitely ascertained?—A. Mr. Chairman, it states in the clause of the covenant which deals with dividends—and I ask the honourable member to read it now.

Q. I will read it again: "To give monthly dividends to all registered Alberta citizens, and to increase the same as the total production of the province will allow."—A. All right.

Q. Now, my question is this.

Mr. THORSON: Something now and more later.

By Mr. Cleaver:

Q. If there was no definite amount, how could you promise to increase it?—A. Mr. Chairman, surely the honourable member ought to be able to see from that clause that the idea of the government of the province of Alberta was to start where it was thought physically possible to start and to increase that amount as the resources of the province along with the co-operation of the people would make it possible.

Q. Do you state seriously that you did not at any time make any promise to your electors to pay \$25 dividend?—A. Yes, sir.

Q. And you do not know that Mr. Aberhart ever made any such promise?—A. That is right, exactly.

By Mr. Thorson:

Q. Was not there a booklet or pamphlet issued by the government in which that was said?—A. Not by the government—there was a book—

By Mr. Cleaver:

Q. A blue book?—A. Yes.

Q. Which was issued?—A. Yes, as educational material prior to the election of 1935.

Q. Who issued the blue book?—A. It was issued by Mr. Aberhart in co-operation with Mr. Manning and Mr. Hugil and others, I think.

Q. Did not the blue book promise \$25 a month if Mr. Aberhart was elected to office?—A. I am quite sure you will find that blue book explains exactly what I have pointed out to this committee, that it is possible to pay \$25 a month.

Q. The blue book indicated it was possible to pay \$25 a month?—A. That is right; from the resources of Alberta.

Q. And if elected to office, that was your promise?—A. No, not necessarily; not at once, sir. It was an undertaking—

Q. How many citizens have you in the province of Alberta twenty-one years old?

Mr. BLACKMORE: Mr. Chairman, I do not wish to cut off discussion, but may I point out to Mr. Cleaver and the committee just a point or two. Mr. Casselman made a statement of the opposite side, and in that he made four or five statements which Mr. Low ought to have the privilege of answering. Mani-

[Hon. Solon E. Low.]

festly Mr. Cleaver is merely cross-examining Mr. Low with the object of trying to trip him into making some statement which will go on Hansard and which may be used later on. There is no doubt about that, because manifestly his questions have got right off the main topic entirely. The thing that gave rise to this was Mr. Casselman's positive statement that Mr. Low had said that they did not promise to pay \$25 a month. Mr. Low has completely exonerated himself by reference to the wording, and I will put that before anyone in Canada. He has exonerated his statement. There is no doubt about that. If there is any question further, Mr. Chairman, on the \$25—well, it surely is answered, is it not? If there is an intent to trip Mr. Low up, and use the time until we get past one o'clock so that Mr. Low cannot answer these other things that Mr. Casselman charged against him, then it is manifestly unfair, is it not?

MR. CLEAVER: Mr. Blackmore, I am not the least bit interested in exonerating or not exonerating anyone. But I do wish to know what Alberta did promise the electors and what their plan is. I have Mr. Low's answer that in a blue book, issued prior to the election by Mr. Aberhart, a \$25 dividend was indicated.

MR. BLACKMORE: Mr. Chairman, may I ask the honourable member what his purpose is in trying to find that out?

MR. CLEAVER: Yes. I shall be glad to tell you what my purpose is, and you will know it in a few minutes.

MR. BLACKMORE: Is the object to show that the Aberhart government has not tried to keep its promise or that it was not sane in making the statement?

MR. CLEAVER: My primary object is to find out what was promised and what was performed. I have patiently listened in the House of Commons during the past five years, for hours on end, to social credit members in the hope that some member would disclose what social credit is. Now we have one tangible thing—

MR. THORSON: For goodness' sake, let us not get on that.

MR. CLEAVER: —in regard to the dividend, and I want to trace that down and try and find out what the arrangement was, and I think I have that. Now I come to my next question.

MR. THORSON: May I introduce this—

SOME HON. MEMBERS: Order.

THE CHAIRMAN: Order. I think we should let Mr. Low continue.

MR. BLACKMORE: I want to get this cleared up. Mr. Chairman, I am charged with the responsibility of sponsoring one of the most difficult bills ever brought in the House of Commons in Canada, and if I cannot have at least the privileges of an ordinary member of this committee, it is just too bad. That is the way I feel about it.

THE CHAIRMAN: Order, order, please. We must have order or we shall not and cannot make progress. I think, Mr. Blackmore, we have given you every opportunity and we are trying to be fair in the matter. But I think we should not delay, before one o'clock, giving Mr. Low the privilege that you have asked for him of replying to Mr. Casselman's statement.

MR. THORSON: Yes. Should we not go on with that?

MR. BLACKMORE: My object in doing so, Mr. Chairman, is to ask Mr. Cleaver to defer his question on social credit until to-morrow.

MR. THORSON: Should we not go on with Mr. Low and allow him to finish?

MR. CLEAVER: Might I clear up this one point, Mr. Chairman?

THE CHAIRMAN: Yes, one point. Clear it up, please.

[Hon. Solon E. Low.]

By Mr. Cleaver:

Q. I am asking Mr. Low if he would be good enough to supply the committee with a copy of the blue book which he has mentioned?—A. Yes.

The CHAIRMAN: Having asked that question, I suggest we allow Mr. Low to finish.

Mr. CLEAVER: Oh, no.

The CHAIRMAN: Why not?

Mr. CLEAVER: I have not finished with this feature. My next question was: How many—

The CHAIRMAN: Mr. Cleaver, may I just say that Mr. Casselman made his statement lasting some fifteen or twenty minutes without question or reply on Mr. Low's part. It seems to me that Mr. Low's statement should go in the record.

Mr. THORSON: Quite right. It should go into this record.

Mr. CLEAVER: Yes, in this record.

The CHAIRMAN: Without the intervention of these different questions.

Mr. CLEAVER: I can assure you, Mr. Chairman, if I am not interrupted, three minutes will finish this whole feature.

The CHAIRMAN: All right; three minutes.

Mr. CLEAVER: Without interruptions.

The CHAIRMAN: All right; three minutes.

By Mr. Cleaver:

Q. I am reading now from Study Group Bulletin which was issued as bulletin No. 3 headed "Purchasing Power in the Hands of the Consumer". Section (b) of this study group pamphlet, subsection 2, says this: "This will be distributed through credit houses at which monthly a credit pass book will be presented by each citizen and an entry of \$25 will be made."—A. Yes.

Q. Do you recall that pamphlet being issued?—A. Yes.

Mr. THORSON: Who issued it? On what authority was it issued?

Mr. CLEAVER: It was issued by the Aberhart study group, being bulletin No. 3.

Mr. THORSON: Issued by Mr. Aberhart?

Mr. CLEAVER: Well—

The WITNESS: No, Mr. Chairman. It was issued by the Social Credit League.

By Mr. Cleaver:

Q. Thank you. All right. How many citizens are there in Alberta twenty-one years of age and over, approximately?—A. That, Mr. Chairman, I could not answer right off. I would have to find out. It is a good question. I will be happy to get the information.

Mr. THORSON: About 400,000.

Mr. KINLEY: Approximately.

The WITNESS: At the time this was issued there were 778,000 people in the province, but I am not sufficiently familiar with the distribution of the ages.

Mr. THORSON: About 400,000.

Mr. KINLEY: 500,000.

The WITNESS: Maybe.

Mr. LACROIX: It is 50 per cent.

Mr. THORSON: 400,000.

By Mr. Cleaver:

Q. Taking 400,000 as the figure, and subject to correction, in that event it would cost \$130,000,000 annually to service that one undertaking of the social credit group?—A. It was figured, I think, at the time as requiring approximately \$120,000,000.

Mr. THORSON: That is right.

By Mr. Cleaver:

Q. Now you have found that you are unable to fulfil that undertaking to the electorate?—A. Well, right off; surely.

Q. Yes; and you have not up to date issued any of the social credit dividends?—A. No, not yet; except perhaps through the medium of a bonus.

Q. Yes. If the Alberta government should be granted a bank charter, is it your intention to endeavour to issue these social credit dividends through your newly chartered banks?—A. No, Mr. Chairman, not through the newly chartered banks. I say that advisedly for this reason. Until such time as Alberta has obtained the power or the authority by means of legislation to go ahead with this programme of introducing into the province social credit, it will have to carry on the affairs of the bank, if that charter is granted to the province, along present orthodox lines.

Q. So I take it your answer is that the issue of this charter will not permit you to grant the social credit dividends?—A. Through the bank, yes.

Q. What is your plan to accomplish the granting of this social credit dividend?—A. Well, we are attempting, Mr. Chairman, to work out—

Q. I see my time is up.

The CHAIRMAN: Go ahead and finish it.

The WITNESS: May I finish the answer?

The CHAIRMAN: Yes.

The WITNESS: We are attempting to work out ways and means of implementing the pledges made by the government prior to the election of 1935. We have not yet given up hope of being able to accomplish that very thing, because we still say, Mr. Cleaver, that it is physically possible; and according to the words of the governor of the Bank of Canada, Mr. Towers, what is physically possible surely is financially possible. So we are continuing to study this whole question with a view to trying to find the means of doing it.

By Mr. Cleaver:

Q. But you have not found it yet?—A. Not yet.

By Mr. Bercovitch:

Q. But notwithstanding your promises, your government was re-elected?—A. It was re-elected; and we have not given up hope of yet being able to do the thing. We are still working and hoping.

Mr. THORSON: All right, go ahead.

The CHAIRMAN: Order.

Mr. Ross (*Calgary East*): Before he goes on with his statement, I do wish to suggest that in the two hour statement he made before the committee there are a great many inaccuracies. I do not say that they were deliberate inaccuracies, but they were inaccuracies. It is very material for this committee to know what the truth is in these different things. For that reason, I do not want to be shut off in this discussion later on and have no chance to go into these matters.

The CHAIRMAN: No. We will not shut you off, Mr. Ross.

Mr. Ross (*Calgary East*): All right.

[Hon. Solon E. Low.]

The WITNESS: That is exactly what I said, Mr. Chairman, to-day; because I have plenty of work to do at home and I am anxious to get back to work. But I stayed in order to give the people here a chance to ask questions and to test the validity of these answers.

Mr. Casselman made certain statements which obviously would cause misapprehension among the members of this committee if they did not know the whole story. I am not saying that he was entirely wrong in every one, but he certainly gave only part of the picture in many of them.

I shall speak first in connection with the revenues of the province of Alberta. Mr. Casselman pointed out in his submission that this government, the Aberhart government, immediately upon its coming into office increased the revenues of the province out of all precedent. He mentioned that there was a surplus on income account in the years 1936-37 and 1937-38 and so on. That is quite true, but he overlooks the fact that in addition to the necessity for financing the ordinary services of the government, we also have to finance the capital expenditures of the government. We had to have certain surpluses of money for ordinary account in order to be able to make any capital expenditures at all. Up to the time the Aberhart government came into office practically all of the capital expenditure of the government had been provided by borrowing. This government, the Aberhart government, determined to keep the borrowings down to the absolute minimum; in fact, they made it the definite policy from the first year that they were in office to prevent a rise in the debt at all. We had to buy road machinery; we had to build roads. We had to build bridges; we had to build mental institutions. It is quite impossible to get along in any province without providing suitable housing and suitable care for the mental cases. We have not any more in the province of Alberta than you have in any other province. But we are a young province and we have not yet reached the peak of the mental cases. That goes on, according to science, up to a certain percentage of the population, and then it remains fairly stable; that is, the number outgoing from the institutions equals approximately the number going in. We have not quite reached the peak as yet. We still have to make provision in the province of Alberta for an average of about 150 new cases a year over and above those that are going out. That means about \$150,000 a year, because it has proved thus far to be necessary to spend approximately \$1,000 per patient for housing. All of these things had to be provided, and I mentioned them only to put before the committee both sides of this question of the increase in revenues.

I certainly agree that we increased the revenues. We went out after the amounts of money that were owing to the government. We introduced a sane collection policy. We were not too stringent, as witness the fact that the people of the province put the Aberhart government back into office after it had been carrying on that policy for five years. If it had been too stringent, they would not have done that. They would have turned to the liberals or to the conservatives or to some other political party, but they did not do that. They put the Aberhart government back into office.

Mr. KINLEY: With a reduced majority.

The WITNESS: It does not matter what the majority was; they were put back. The majority of the people of the province were satisfied with the policy that they were carrying on or they would not have put them back. We had to provide not only for those things, but I pointed out most definitely and carefully that we also had to provide for the redemption of saving certificates. The hon. member was not correct in the amount that he gave of those saving certificates outstanding nor was the chamber of commerce. They said there was \$6,000,000 outstanding. As a matter of fact, as of June 1st, there was still outstanding \$5,400,000.

By Mr. Thorson:

Q. June 1st of this year?—A. Of this year; \$5,400,000.

Q. Of the original \$10,000,000?—A. Of over ten million, yes. That means that we have been paying well over half a million dollars a year to holders of savings certificates, thus reducing the amount outstanding each year.

Q. Have you been paying those at par?—A. Yes, with accrued interest, at the reduced rate. Certainly that puts a different complexion on this business of revenues; and we did not unduly increase taxation. We certainly did stiffen up one or two taxation measures, as Mr. Casselman pointed out. The social service tax, the old social service tax, against property was increased from two mills to three mills on the assessed valuation. But at the time that we made that increase, we took over from the municipalities two things that Mr. Casselman knows very well we did. We took over from them the complete cost of the care of all tubercular patients throughout the whole province which heretofore had been a charge upon the municipalities themselves. We took that over completely and relieved them of that cost. Furthermore, we also took over from the municipalities a further 25 per cent of the mothers' allowances which had been paid by the municipalities. The amounts of increased social service tax approximately balance the payments taken over but it gave a whole lot better administration because of the fact we did not have such arrears any more on mothers' allowances and tubercular patients' accounts, to have to carry on the books.

Now I should like to mention also the fact that the non-negotiable transfer vouchers are not transferable in the ordinary sense that a cheque is transferable; that in dealing with these the recipient goes to the treasury branch and makes a deposit immediately, and then he transfers by means of one of these vouchers certain credit entries in his account, to a credit entry in somebody else's account when he makes any payment at all.

The employees in the treasury branch system are not all social creditors by any means. I want this committee to know that the statement that Mr. Casselman gave was certainly unfounded in every respect. The employees in that treasury branch set-up, Mr. Chairman, as far as it is possible for us to obtain them, are trained banking men regardless of their political stripe. The head of the treasury branch set-up, the superintendent, is not and never has been a social creditor; and certainly if we were determined to make this a political business, we would have used every care to see that at least the superintendent was a social creditor.

By Mr. Kinley:

Q. Because you wanted a safe man?—A. And that is exactly what we would want under any circumstances, to make sure the business is carried on right.

Q. Or a sound man?—A. That is right; and of the fairly large number of employees, I think I would be safe in saying that the political distribution is just about even all around—just about even. We have not asked any man or any girl who applied for a position there whether he or she was a social creditor. I have handled that myself and I know that any young person—any young lady or any young man who is qualified for work there, whether he is a social creditor or not, if we need a person to carry on a certain type of work, is given an opportunity to go to work.

By Mr. Thorson:

Q. Will you allow me to ask you just one question, Mr. Low?—A. Yes.

Q. It may have been answered when I was not here. Of the deposits that have been made in the treasury branches, I think you said there were about one and a half million dollars altogether?—A. Something like one and a half million of ordinary deposit accounts, outside of government moneys.

[Hon. Solon E. Low.]

Q. Yes. What percentage of that deposit is comprised within these voucher deposits?—A. Well,—I just have not the figures here with me.

Q. I mean, how much of that is withdrawable at any time on ordinary checking privileges and how much of it is held as deposits subject to the voucher system?—A. It is a fairly large percentage in voucher accounts.

Q. What percentage? I should like to know that.—A. I would think about 75 per cent.

Q. 75 per cent of the one and a half million?—A. Would be in voucher accounts.

Q. Is tied up in voucher accounts?—A. Yes.

By Mr. Casselman:

Q. That includes civil servants accounts who have to take part of their salaries in these vouchers.—A. Mr. Chairman, they do not have to take them.

Q. All right,—they take them, then.—A. That is right.

Q. They also have deposit accounts?—A. Yes.

Q. Into which part of their salaries is paid?—A. 25 per cent, yes. They agreed to take 25 per cent, voluntarily.

By Mr. Thorson:

Q. And that 25 per cent goes in subject to the voucher system?—A. Yes. They use vouchers.

Q. That is all I wish to ask at the moment. Go ahead.—A. Further, the hon. member Mr. Casselman mentioned that there was a social credit board of five members appointed by the government. That is not true. There was at one time a social credit board of five members elected by the Legislature but to-day the social credit board consists of two members, only one of whom is active and who is at the buildings for any length of time at all.

By Mr. Thorson:

Q. That is Mr. MacLachlan?—A. No. Mr. Melaughlin is now serving overseas with the Tank Corps.

By Mr. Ross (Calgary East):

Q. What are the names of the two active members?—A. Mr. Floyd Baker and Mr. Alfred Hooke are the two members.

By Mr. Casselman:

Q. They are still drawing a salary?—A. No, they are not drawing salaries and they never did draw salaries.

Q. Well, did they get some extra money for their services?—A. They did receive travelling expenses, yes.

By Mr. Thorson:

Q. And living allowances?—A. That is, a per diem allowance while they were on the business of the board and away from their domicile.

Q. What was the per diem allowance?—A. In all cases except that of the chairman, \$8.00 per day, covering all their expenses.

Mr. KINLEY: They are reasonable.

The WITNESS: Now, in the exchange of bonds which Mr. Casselman mentioned, it is true that, at the time the interest on the bonded indebtedness of the province was reduced by 50 per cent, the cities in whose sinking funds there are and were considerable numbers of Alberta bonds, came to the government and asked that the interest be continued to them in full. Here is the position that that request placed the government of the province in. We had no

right, under any circumstances, to treat any one class of bondholders different from any other class, as you would quite understand, that would have been rank discrimination, regardless of the fact that they were perhaps our children, in that they were municipalities of the province. But how could you say to them, "We will make fish of you and fowl of the other"? It was just a straight question of the cut being made on all, and to avoid discrimination we simply had to continue it that way.

By Mr. Ross (Calgary East):

Q. Why did you not exchange them?—A. That brings up the next point. The suggestion for exchange happened to come after I took office in the month of February, 1937, so I happen to know just exactly how these things came along. I am speaking from actual experience. The two cities, particularly Calgary and Edmonton, came to me and asked that some arrangement be made for an exchange of bond for bond or some such thing as that. I took them before the executive council and they took the whole matter up there and we tried to find some equitable and fair basis on which that exchange could be made, but because of the various things that had to be considered, up to the present time no fair and equitable method or basis of exchange has been worked out. Those bonds were all of different issue with different terms. Secondly, they bore different rates of interest. Thirdly they had different dates of maturity; and fourthly they were issued at different prices; and in attempting to find an equitable method of exchange all of these things would have to be taken into consideration; and furthermore it would be the most difficult thing to do because of the danger of having a book loss either for one party or the other. That was pointed out to the cities very definitely and I tried in the best possible way that I could to get a committee formed for the purpose of going right down to the bottom of the matter in an effort to arrive at an equitable basis for exchange. I was not able to get any suggestion from the cities as to just what means should be used to arrive at that basis, and thus far exchange has not been made because we have not been able to find an equitable and fair basis for so doing.

Mr. KINLEY: Do you think you would be justified in making this change; that is, giving a preference to anybody?

The WITNESS: I do not think we would. It is a most difficult thing to work out. Now, then, we come to the question of taxing the banks and I am going to close now because it is one o'clock.

Mr. THORSON: Before you deal with that, and it may take some time, there is one thing I should like to say, if I may interrupt you. There was one line of questioning used yesterday by Mr. Slaght that I thought was very important, relating to whether it would be wise to set up a provincial government agency, that is a provincially run bank, which would lend money to individual citizens of the province; and it occurred to me that it might be desirable to have before the committee the experience of the province of Manitoba in respect to the various lending associations that have been set up in that province, which have lent money out of public funds to private persons, such as farm loan associations, rural credit societies and other organizations of that sort which have lent money out of public purse to individual persons either directly or through intermediate organizations. I thought that perhaps Mr. Low might come equipped to deal with the experience of a province in the lending of public money to private citizens of the province.

Mr. BLACKMORE: Do you mean Alberta?

Mr. THORSON: Yes.

The CHAIRMAN: You heard Mr. Hill's criticism on the conduct of the proceedings, and you also heard Mr. Ross's (*Calgary East*) statement that he

desired to be heard further in regard to the general nature of the matter. What do you suggest as to the conduct of the proceedings from now on? You also open up a new angle, Mr. Thorson.

Mr. THORSON: I can appreciate that. Yesterday we were dealing with the constitutional position of publicly-owned banks versus privately chartered banks. Mr. Slaght raised a very important point yesterday as to the desirability of setting up another publicly-owned body that would lend to citizens, but that publicly-owned body was a politically-controlled body. I cannot think of any public ownership that would not be to a certain extent politically-controlled, but he raised that question and it is one of the important questions that we will have to discuss in this committee as to whether we should go another step in the direction of setting up an agency of that sort. It seemed to me pertinent to have the experience of the province as a lending body. It seemed to me pertinent to that inquiry instituted by Mr. Slaght.

The CHAIRMAN: What do you think of it, Mr. Bercovitch?

Mr. BERCOVITCH: I am in accord with what Mr. Thorson has just said. I think it would be very important to have the experience of the province of Alberta as well as some of the other provinces, if it were possible to obtain them.

Mr. THORSON: I know Manitoba's experience has been most unsatisfactory.

Mr. BERCOVITCH: I should like to get the experience of as many provinces as we can get before this committee, because I think the matter is a very important one.

The CHAIRMAN: I think it is fair to say we cannot really discuss this bank bill without getting behind what is behind it.

Mr. THORSON: The fundamentals.

Mr. ROSS (*St. Paul's*): I should like to know if we have the power to set up this bank.

The CHAIRMAN: We are waiting for that opinion.

Mr. ROSS (*St. Paul's*): What is the use of having that discussion if we cannot do it. All this discussion is very interesting and very illuminating but let us confine our discussions to whether we are going to allow the province to have a bank or not. I think we are here to pass on this bill.

The CHAIRMAN: I agree with that. We put that question to Mr. Varcoe the other day and Mr. Varcoe required time, as I understand it, to give us a definite opinion. Mr. Low is present here at some sacrifice to his public duties—I presume considerable sacrifice—and it seemed to us that we ought to hold a meeting while Mr. Low is here and have a frank and full discussion on the matters that have been raised as to why the province should take this rather unusual procedure of asking to establish a bank. Now, is it your wish to hold a meeting to-morrow?

Some Hon. MEMBERS: Yes.

Mr. ROSS (*Calgary East*): Before you adjourn, may I say there are some figures I should like to put in the record so that Mr. Low can see them before our next meeting and be prepared to deal with them when we come back again.

Mr. BLACKMORE: Are they going to be required to be answered?

Mr. ROSS (*Calgary East*): I think they require an answer.

Mr. BLACKMORE: Why not wait until we meet to-morrow?

Mr. ROSS (*Calgary East*): I will give them to Mr. Low and we will put them on to-morrow.

The CHAIRMAN: We shall adjourn until to-morrow morning?

Mr. ROSS (*Calgary East*): Could we not meet this afternoon?

The meeting adjourned at 1.05 p.m. to meet again Thursday, July 25th, at 11 a.m.

SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 7

THURSDAY, JULY 25, 1940

WITNESSES:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta
Mr. C. S. Tompkins, Inspector-General of Banks, Department of Finance

MINUTES OF PROCEEDINGS

THURSDAY, July 25, 1940.

The Standing Committee on Banking and Commerce met at 11 o'clock a.m., the Chairman, Mr. Moore presiding.

Members present: Messrs. Black (*Cumberland*), Blackmore, Bercovitch, Blair, Casselman (*Edmonton East*), Cleaver, Donnelly, Dubuc, Fontaine, Fraser (*Peterborough West*), Graham, Gray, Jaques, Kinley, Laflamme, Macdonald (*Halifax*), McNevin, Mayhew, Moore, Thorson, Ross (*Calgary East*), Tucker, Ward.

In attendance: Hon. Solon E. Low, Provincial Treasurer, Province of Alberta, Mr. C. S. Tompkins, Inspector-General of Banks, Department of Finance, and Mr. D. K. MacTavish, K.C., Counsel for the Government of Alberta.

Hon. Mr. Low continued his reply to Mr. Casselman's statement of the previous sitting, and was examined.

Mr. Tompkins made a brief statement and submitted a summary with respect to the chartered banks, showing the disposition of the 74 charters granted since Confederation.

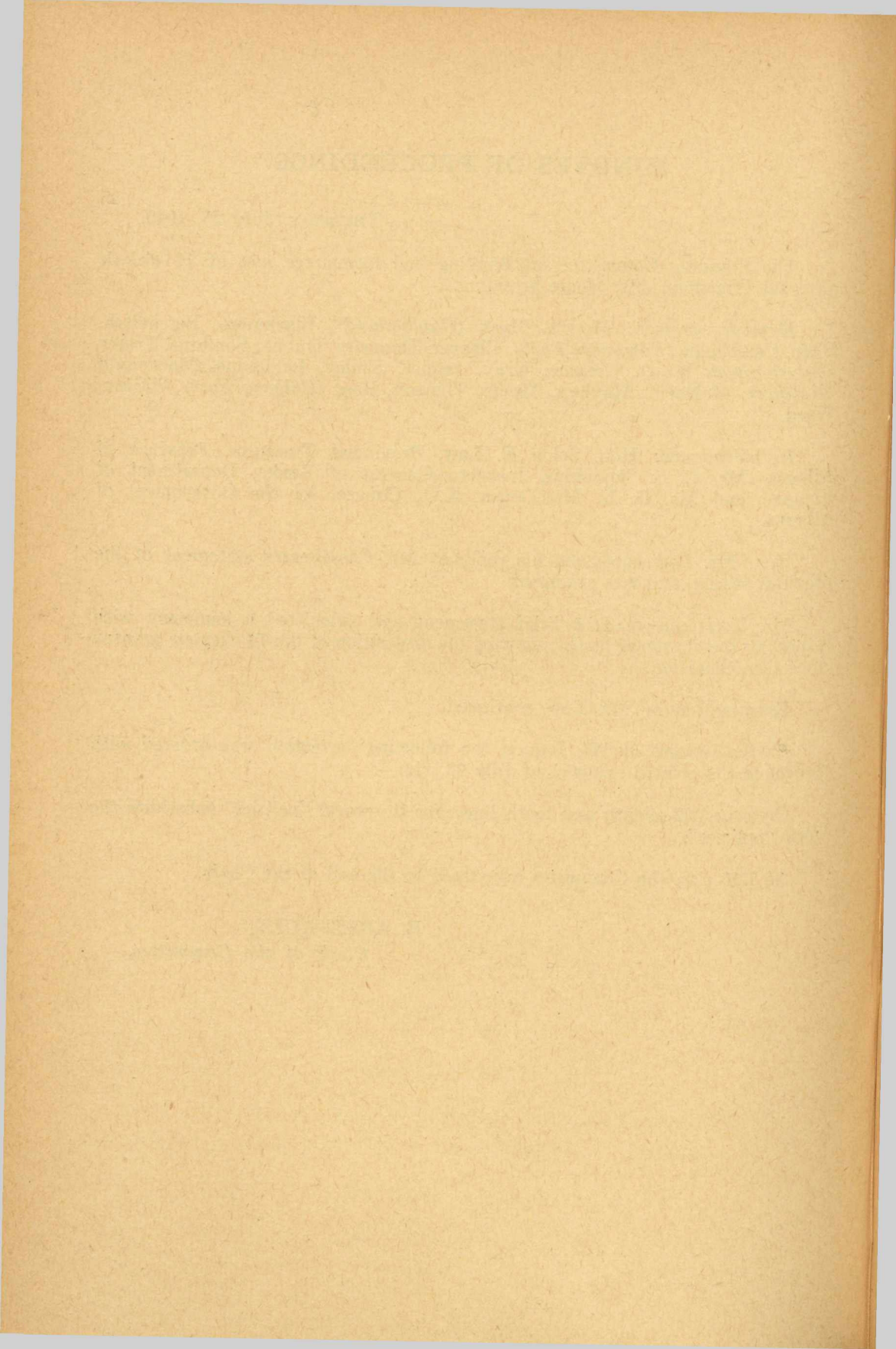
Examination of Mr. Low continued.

At the request of Mr. Jaques, the following correction was ordered with respect to the printed evidence of July 23, viz:—

On page 122, eighth and tenth lines, for the word "politics" substitute the word "policies".

At 1.15 p.m. the Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

July 25, 1940.

The Standing Committee on Banking and Commerce met at 11.15 a.m., the Chairman, Mr. W. H. Moore, presided.

Appearances:

Mr. D. K. MacTavish, K.C., appeared as Counsel for the government of Alberta.

Hon. Solon Low, Provincial Treasurer, province of Alberta, recalled.

The CHAIRMAN: Gentlemen, I see a quorum. Mr. Low, you have the floor.

The WITNESS: Mr. Chairman, I had not quite finished dealing with the statement which Mr. Casselman made yesterday and I felt that it would be most important to place before this committee something more definite about the treasury branch programme in answer to Mr. Casselman's complaint that the government of the province of Alberta was making use of taxpayers' money to bonus the consumers of goods in the province of Alberta. He also complained of the cost, and I think exclaimed in such words as these: "Surely to goodness there is a cheaper way of encouraging Alberta's industries than by the bonus."

Mr. CASSELMAN: May I just interrupt you? My complaint is not only about paying the bonus, but setting up the cost of these branches.

The WITNESS: I am only quoting exactly the words you used from the evidence.

Mr. CASSELMAN: All right.

The WITNESS: Now, surely the honourable member knows that the principle of bonusing production and consumption has already gone a considerable distance in Canada. This is seen in the first place in enhanced prices to consumers due to the incidence of the tariff. Mr. Norman McLeod Rogers, the late Minister of Defence, compiled a splendid royal commission report on Nova Scotia, and on page 97 of that report points out the actual cost to the people of the province of Alberta. The net cost to the province of Alberta, when he took into consideration the increased prices to the consumers in Alberta due to the incidence of the tariff, less the amount of good which the tariff did to manufacturers in Alberta, was \$19,000,000 as shown in the report. I have it here with me if you wish to see it.

Mr. CASSELMAN: Whose report?

The WITNESS: The late Norman McLeod Rogers. It is found on page 97. I have a copy of it here with me if any of you gentlemen would like to see it.

The CHAIRMAN: May the chairman interrupt and say to you he made an analysis of the figures and does not agree with the conclusion.

The WITNESS: All right.

Mr. ROSS (*Calgary East*): The figures are too modest, I presume.

The WITNESS: Very likely. He also points out that the net result of the incidence of the tariff in Canada to the province of Ontario is \$51,000,000 to the good.

Now, I point out that there is another evidence of the distance to which we have gone in Canada in bonusing producers and consumers, and that is seen in the enhanced prices due to price fixing by secondary producers. There is ample evidence of that, Mr. Chairman, and I need not bring up authorities for it. I ask the honourable member, Mr. Casselman, particularly what are these but the bonusing of producers, and the amount of the cost certainly must come out of the taxpayers. The first of them is done by the government of Canada, and the second of them is permitted by the government of Canada, and the amount of bonus comes out of the taxpayers. Thus far I have not heard the honourable member, Mr. Casselman, raising his voice against that in the parliament of Canada. Let it be borne in mind. Mr. Chairman, that the people of Alberta are, in the main, primary producers.

The honourable member, Mr. Casselman, seems to feel much aggrieved because the government of the province of Alberta is bonusing consumers through the treasury branch set-up. The hon. member is inclined to study economics, and I am sure he will discover that he is living in an age of bonusing, an age when governments everywhere, I submit, Mr. Chairman, are thinking of bonusing. He will discover in his studies, doubtless, that the United States of America is using a stamp plan, under which they are giving to consumers \$1.50 worth of goods for \$1, and they are doing it with taxpayers' money. The Social Crediters do not believe that it should be done out of the taxpayers' money; they believe most sincerely and honestly that the United States government should be creating the money much as Guernsey island created its money during the period following the Napoleonic war from 1816 to 1835; much as Great Britain created the Bradburys, much as Canada created the \$26,000,000 during the last war. If the United States of America were so creating the money it is idle, I submit, to think that such created money would produce inflationary results there—that is, a rise in the prices resulting from scarcity of goods and services—is absurd; for certainly, Mr. Chairman, is the United States of America not now struggling against a so-called over-production, which is nothing more than a surplus of goods which the consumers are not able to buy?

Mr. WARD: I do not like to interrupt you, Mr. Low, but that is a very interesting statement with regard to the policy in the United States. Where did you get that information, and how widespread is it in the United States?

The WITNESS: Mr. Chairman, I should like to give the details in connection with that following these remarks, but I should like to finish my statement if the honourable member does not mind, because it is all linked together. If I finish my statement it will make one comprehensive whole. I should be very glad to furnish the honourable member with that information, or at least to help him to obtain that and tell him how widespread it is.

The CHAIRMAN: After you finish that statement will you go on and trace the economic breakdown we had in 1929 and 1930 as a result largely of bonusing?

Mr. BLAIR: Right you are.

The WITNESS: Now, Mr. Chairman, Alberta has a surplus of goods and services which her people are not able to buy. Nobody denies that who knows anything about the facts. Furthermore Alberta has such industrial equipment ready to process these resources that she could easily put on the market a well-nigh inestimable surplus of goods and services. Let me here repeat, in a situation like this, to talk of inflation is certainly to manifest ignorance of the principles of economics. I reaffirm with confidence that the Social Crediters believe that the United States of America should be creating the fifty cents with which they supply the \$1.50 worth of goods for a dollar. I ask you, is the plan succeeding? From all the reports I am able to get, from press reports and magazine statement, from all the information I can obtain, it is

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rapidly spreading. I am speaking, of course, of the United States plan. From all reports that I get this scheme of bonusing is spreading, in order to reduce the so-called surplus.

May I repeat this for Mr. Casselman's benefit? He certainly is living in an age of bonusing. His own party government right here in Ottawa has commenced to bonus the producers of wheat through guaranteeing a price of seventy cents a bushel. Can anyone in this committee—

Mr. GRAHAM: A very regrettable necessity, I should say.

The WITNESS: Well, it is being done; that is the important thing.

The CHAIRMAN: May I just interrupt while you are being interrupted. The parliament of Canada and the provinces of Canada started by bonusing farm credit with which to grow wheat; and now, of course, they have to take the surplus off the hands of the farmer.

The WITNESS: Perhaps that it true, but it was born of necessity, surely.

The CHAIRMAN: They now have to take the relative surplus off the hands of the farmer.

The WITNESS: I ask the committee, can anyone here give a satisfactory reason why the price, we will say, of the coarse grains, and of meats and eggs and so on should not likewise be guaranteed? I ask too, what money did Mr. Casselman's party government here in Ottawa propose to use last year just before war broke out to bonus the producer of wheat in the form of a guaranteed wheat price? Was it not, Mr. Chairman, taxpayers' money? If the Social Credit administration of Alberta uses some of the taxpayers' money to bonus both its producers and its consumers, as the treasury branch undoubtedly does, I ask wherein that was grievously culpable. What my honourable friend Mr. Casselman should have been concerning himself with is whether or not the treasury branch system was managing the matter successfully. I submit that had he condescended to study the matter he would have discovered that the treasury branch scheme of the province of Alberta is carrying on in this respect very well. It is apparent to me from a number of the questions that were asked yesterday and that have been asked heretofore in this committee that some of the honourable members of the committee are trying to insinuate or to bring evidence to prove that the Aberhart government has not fulfilled its promises to the people. I want you to remember that the second fundamental principle of Social Credit is a just price, which means nothing more nor less than parity prices. The treasury branch system in Alberta, Mr. Chairman, is a sincere and vigorous attempt to bring about under this clumsy orthodox system some measure of price parity. It is a genuine attempt, Mr. Chairman, to implement the promises of the Social Credit people. The Social Credit just price means a subsidy, of course, to the producer, to give him a fair return on the goods which he produces, and the bonus to the consumer is for the purpose of giving him a fair chance to buy the goods which the producer has produced. I presume that Mr. Casselman, judging from his remarks yesterday, would rather see us use the money that is being used for bonusing producers and consumers in some such way as putting it through the dole; but I want you to notice particularly that unemployment was reduced some degree by the use of the treasury branch system in the province of Alberta.

Mr. CASSELMAN: No doubt about that.

The WITNESS: One of the first provinces in Canada to show improvement in unemployment was Alberta; and this was because of the fact that under the treasury branch system there was stimulation given to business to the point where more employees were taken on, and furthermore new industries were started—seven, I think, as a matter of fact, during the first two years—which naturally took up some of the slack in employment in the province of Alberta. I refer to one particularly. I had an analysis during the election

campaign in March supplied me by the manager of the Magrath Woollen Mills Incorporated; and this analysis shows that of the 52 employees in that little factory, almost 30 of them would have been on relief had it not been for the industry in that little town of Magrath. These figures can be verified by obtaining the actual analysis which Mr. Tanner, the general manager of that concern, supplied me with during the campaign.

By Mr. Cleaver:

Q. Have you the total figures in the province?—A. No, I have not them here, Mr. Cleaver. Just one other point before I conclude in connection with what Mr. Casselman has said. I would ask you in all sincerity what kind of economics that would be if we resorted to the thing which, apparently, Mr. Casselman would want us to do—take this money that is being supplied out of the taxpayers' money to bonus consumers and producers and put it out through the dole.

I got the distinct impression, Mr. Chairman, from what some of the hon. members of the committee said, that they thought we were quibbling about the dividend.

By Mr. Blair:

Q. Have you the blue book?—A. No. I have not been able to get the blue book yet. You must remember that I am three thousand miles from my base, and it takes time to get these things.

Q. I thought you had it with you.

Mr. CLEAVER: I have a copy.

The WITNESS: I want to point out one or two things about the dividend, and make it absolutely and abundantly clear to the members of the committee. I am not trying to evade any responsibility, but I certainly do want you to keep in mind, as a responsible committee, that the question of the dividend, particularly the problem of the \$25 a month promise, was a thing which was forced upon the premier, particularly, in an effort to try to discredit him in this view, that he had not fulfilled his promise to the people. In the first place, the dividend was not to come from taxation or from borrowing; and in the second place the dividend in social credit is a scientific method of distribution of goods and services. I think the hon. Mr. Manning, the present provincial secretary, pointed out on numerous occasions and emphasized to the people that that was exactly what the dividend was—a scientific method of distribution of goods and services.

By Mr. Cleaver:

Q. Would you indicate the method?—A. Yes, sir. That is fine.

Q. You say it is scientific?—A. Yes.

Q. We have not heard it.—A. That is coming along, and we hope to go into that this morning. I want to finish this little statement about the dividend because, as I said, I do not want any hon. member to get the idea that I am trying to evade any responsibility in connection with a definite amount. The premier did not promise in his campaign to any person in the province of Alberta, "If you will support this government, I will give you \$25 a month." I want that definitely understood. It is certainly abundantly true that in his educational material, in his written lesson material and study material prior to the election, Mr. Aberhart did point out in no uncertain terms that a \$25 a month dividend was possible—and not only possible but desirable. Furthermore, he pointed out that it represented the basic necessities of life—food, clothing and shelter, and that should a government be set up in Alberta sponsoring social credit, it undoubtedly would take

measures to bring about that very result, the guaranteeing to the citizens of the province of food, clothing and shelter in the amount of \$25 a month, if that was the amount required at the time.

Q. And the payment of this monthly dividend not only of \$25 to grown people but of \$5 a month for the younger children, \$10 a month for children 18 years of age, \$15 a month to children 19 years of age and \$20 a month to those over 20.—A. Those amounts were used in that blue book as illustrative, yes.

Q. All those dividends were promised as a free gift, in addition to the wages which the citizens would earn. It is all put in the blue book?—A. Yes, definitely.

Mr. JAQUES: Mr. Chairman, I should like to say this—

The WITNESS: But please keep in mind what I said further about it, that not only did they say that these amounts could be paid and would be paid if—and I want you to keep this in mind—the credit resources of the province could be organized by a government elected by the people, and that credit organization—confined, as I said, to the bounds of the province of Alberta—could be effected with the co-operation of the people.

Mr. CLEAVER: No.

The CHAIRMAN: Just a minute, Mr. Low. Mr. Jaques wants to interject something.

The WITNESS: All right.

Mr. JAQUES: It was just in connection with a remark of Mr. Cleaver's.

An Hon. MEMBER: Louder.

Mr. JAQUES: It was in connection with a remark of Mr. Cleaver's about a free gift.

Mr. CLEAVER: Let him go on.

Mr. JAQUES: The dividend is just the same as a dividend that is paid to shareholders. We regard the citizens of a country as shareholders in that country, and as such they are entitled to share in the national profits of that country.

The CHAIRMAN: If any.

Mr. JAQUES: Yes, if any.

Mr. ROSS (*Calgary East*): Mr. Aberhart suggested, a day or so before the election, that it might be increased to \$75. He said it could be increased to \$75.

The WITNESS: That is quite true; he did.

Mr. JAQUES: Mr. Chairman, just one more remark.

The CHAIRMAN: Order.

The WITNESS: I just want to finish.

Mr. CLEAVER: I believe Mr. Low should be allowed to finish.

The CHAIRMAN: All right, finish.

Mr. JAQUES: No. I was interrupted.

The CHAIRMAN: If you will stand, they will know when you are speaking.

An Hon. MEMBER: Speak louder.

Mr. JAQUES: This amount astonishes people, and I should like to point out that at the present time Great Britain is paying a national dividend to Germany at the rate of £50,000,000 a week. It is making a present to Germany, and hoping and praying that it will get nothing in exchange. It is costing Great Britain £50,000,000 a week, and Great Britain is doing it.

The CHAIRMAN: You do not intimate that you propose to do the same thing to the people of Alberta, do you?

Mr. JAQUES: No.

The CHAIRMAN: That would be disastrous.

Mr. JAQUES: Mr. Douglas told this very committee here five or six years ago that if we did not pay a national dividend, we should pay an international dividend through warfare. We say the same thing.

Mr. CLEAVER: You do not suggest that that should be a permanent, steady diet, as your dividend was?

The CHAIRMAN: Mr. Graham has the floor.

By Mr. Graham:

Q. The important thing from my standpoint is this. Does your government still believe that it is possible?—A. Yes, undoubtedly, Mr. Chairman.

Q. And do you intend to carry it out as soon as you can?—A. Yes.

Q. Is this bank which you are asking for a part of the scheme that you propose to use to carry out that scheme?—A. I believe, Mr. Chairman, I pointed out that the main objective in asking for the bank charter was to enable us to increase production.

Q. Yes, I know that.—A. Which will be undoubtedly one of the important factors in enabling the introduction of a scheme of social credit.

Q. But the bank you ask for is part of the machinery you think you need in order to carry that out, among other policies?—A. Yes.

By Mr. Cleaver:

Q. Mr. Low, you intimated a moment ago, if I heard you correctly, that these dividends were only to be paid if your government could realize on the national resources of the province?—A. Well, I said if they could organize the credit resources of the province within its boundaries for that purpose.

Q. If they could organize the credit resources?—A. Yes.

Q. You infer by that if they could borrow on the resources?—A. No, sir. If they could control and organize the credit resources within the province, completely control—it is given to it by the British North America Act—to control the property and civil rights of the people; and to do this effectively they must have the right to organize and control the policy of credit issue within the province.

Q. Well, I am reading from page 20 of the blue book.—A. Yes?

Q. Which to me indicates that the intention was to borrow on the natural resources from which to pay the dividends. I will just read the quotation, if I may?—A. Yes.

Q. "Where will all the credit come from—"

The CHAIRMAN: By the way, who issued the blue book?

Mr. CLEAVER: It was issued by William Aberhart, B.A., and copyrighted in 1935.

The CHAIRMAN: All right.

Mr. CLEAVER: And the blue book is the social credit manual.

The CHAIRMAN: All right.

Mr. CLEAVER: It is at page 207 and reads:

Q. Where will all the credit come from to pay the basic dividends?
—A. The credit issue will be a charge against the national resources of the province much in the same way as the present government bonds are.

That is borrowing.—A. No. It would not be necessary, Mr. Chairman, to borrow, if the bank of Alberta had the right of organization of the credit facilities in the province, because they would then be able to issue book entries, just as is done in the banks, against which checking can be carried out the

[Hon. Solon E. Low.]

same as in bank credit facilities to-day; and that alone would be the thing that would stand against the productive capacity of the resources of the province.

Q. How would you tie these book entries, which you say you would make, into the production of the province?—A. Well, keeping in mind that the credit of any—

Q. Was it the intention of the government—

Mr. BLACKMORE: Mr. Chairman—

The WITNESS: Let me answer.

Mr. BLACKMORE: Let him make his statement. We have this everlasting cross-examination instead of letting him make his statement. Mr. Low knows what social credit is and will explain it. He also knows what the Aberhart government advocated and will explain that, if he is allowed to.

Mr. CLEAVER: It is right here in the book.

The WITNESS: You asked me a question.

Mr. CLEAVER: This interpretation of what the government promised is hardly what the book says.

Mr. BLACKMORE: There is no discrepancy if the hon. member will allow Mr. Low to make his statement, which he seems determined not to do.

Mr. McNEVIN: Who is the chairman of this committee?

The WITNESS: I have lost the question.

Mr. MAYHEW: I should very much like to hear Mr. Low through and follow the sequence of his argument until he is finished. Then when he is finished we can question him.

The CHAIRMAN: Is that the pleasure of the committee?

Mr. CLEAVER: I accept the suggestion.

Mr. MAYHEW: I think we should follow the sequence until we finish, and give each one a chance to say what he wants to say. I do not think this is a court where we need clever questions asked by this one and that one.

Mr. GRAHAM: In the light of the remark by Mr. Jaques, we are going to get into a range of subjects here which are not germane to this bill. I want to be absolved from any suggestion by Mr. Jaques that I am the one who is going to smother this bill in committee. I am prepared to deal with the bill on its merits.

The CHAIRMAN: May I add to what Mr. Mayhew has said that Mr. Low is answering a statement made by Mr. Casselman. When Mr. Low is finished, I suggest that Mr. Casselman be allowed to place on record some material that he says he has in hand. Then I understand that Mr. Ross has asked to make a statement. I suggest that should be our order of procedure. Mr. Low, will you finish your statement?

The WITNESS: I just want to answer the question that Mr. Cleaver left dangling in the air and which I was trying to answer when I was interrupted. There is just this one point, and then I will go on with Mr. Casselman's statement, Mr. Chairman. He asked what the credit resources of the people would be, in effect, in the province of Alberta. I say that in making the organization that I suggested for the purpose of being able to implement its promises, the Aberhart study groups took into consideration in Alberta that the credit of any people is its ability to deliver goods and services. It is simply the monetization of these goods and services within the province by the government and not by private enterprise that constitutes the basic and fundamental factor in the ability of the government to implement its promises to pay a dividend.

By Mr. Cleaver:

Q. If you give anybody a \$25 dividend, which is the equivalent of giving him \$25 worth of goods, either the government must pay for those goods by taxation or by borrowing?—A. Not necessarily. We will make that perfectly clear when we come to the discussion of social credit.

Mr. WARD: Finish your statement, Mr. Low.

The WITNESS: Now, to continue with the statement made by Mr. Casselman. I want to finish that. I had not quite finished with the statement which was made yesterday. I want to deal for just one moment with the letter that was placed on file by the Edmonton Chamber of Commerce. There were evidently a number of statements made in there which were gross exaggerations of fact, which I shall be pleased to point out to you, if you have that letter here.

I also want to point out that this chamber of commerce letter purporting to be representations of the Edmonton Chamber of Commerce on the matter of the Alberta bank charter, was written by Mr. Blue, who has shown himself to be an unremitting foe of the government of Alberta. In every single instance where Mr. Blue, the secretary of the Chamber of Commerce, has made any statements about the government of the province of Alberta, he has shown one of two things: an ignorance of the facts, or gross exaggeration of the facts. This letter is full of them. In the first place, Mr. Blue says:—

They cater to the heresy that a bank can make unlimited supplies of money by merely printing figures on coloured paper.

That, Mr. Chairman, is a gross exaggeration of the facts. We have never at any time given any indication that we believed such a thing, or that we thought such a thing could be done. We have consistently said that in the managing and organizing of the credit resources of the province of Alberta, or of any country, the credit commission would have to be very careful about the amounts of purchasing power issued, and about the way in which they were issued.

Mr. WARD: You should take some of your federal Social Credit members into your confidence and tell them the facts, then.

The WITNESS: I do not know, Mr. Chairman, all that the federal members have said, but I do not believe there could have been a single instance of federal Social Credit members stating that they believed the banks could create unlimited supplies of money by merely printing coloured bits of paper.

Mr. WARD: You had better stay in Ottawa a while longer.

The WITNESS: So far as that is concerned, I think perhaps I will let that phase of the matter rest and submit to the questions which Mr. Ross raised in order that we might get through quickly and then come back to this Social Credit business which Mr. Cleaver and others of the committee would like to go into most carefully, I am sure.

The CHAIRMAN: We will now hear from Mr. Casselman.

Mr. CASSELMAN: Mr. Chairman and members of the committee, I just wish to make two or three references.

Mr. Low has taken an awful lot of time to explain things that he thought were in my mind but which apparently were not there at all. What I endeavoured to point out was that in my opinion it was a very costly method of granting a 3 per cent dividend to the producers of Alberta goods.

To explain that a little more clearly to the committee, you understand what is commonly called the 3 per cent bonus. It works this way: If I go into a store and buy sixty dollars' worth of goods, of which at least one-third or \$20 of that bill can be certified by the merchant to be Alberta made goods, then the purchaser of that bill gets 3 per cent on the total amount of the bill. If only \$20 out of the \$60, or one-third, is Alberta made goods, that is equivalent to

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a 9 per cent dividend. It varies from 3 per cent to 9 per cent. If the whole \$60 is made up of Alberta goods, then it is only 3 per cent. If it is only one-third of the bill, or \$20, then it is a 9 per cent dividend. But it is the purchaser of these goods who gets the dividend.

The WITNESS: It is a bonus to consumers; that is right.

Mr. CASSELMAN: I want the members of the committee to be clear on that. Furthermore, it is only those people who have these accounts in the treasury branches who get that dividend; it is not all of the consumers of that particular product the production of which they are trying to increase.

The WITNESS: Any consumer may get the bonus—any.

Mr. CASSELMAN: If he opens an account in the bank, but, as it is working out, only those people who have accounts participate. And I tried to make clear to the committee that the great bulk of the depositors in those accounts were retail merchants who were practically forced into it. No compulsion, says Mr. Low; no, except a set of circumstances that makes it necessary in order to get this business to open an account.

Secondly, the civil servants of the province, again voluntarily it was said, have to take 25 per cent of their salaries in these non-negotiable vouchers. They do not have to do it, but if they don't, you can figure out for yourself, if you were a civil servant, where you would be under that set-up.

That is what I wanted to make clear.

The WITNESS: That, Mr. Chairman, is an insinuation which is very serious.

Mr. CASSELMAN: I am sticking by what I say.

The WITNESS: It is all wrong.

Mr. CASSELMAN: I do not quarrel personally with Mr. Low's suggestion to this committee that bonusing may be necessary; in fact, I subscribe to the thing as far as Canada as a whole is concerned, not only the province of Alberta. As long as you have a discrepancy or irrelevancy in prices between the primary producer and the secondary producer, you must have some system of bonusing to close the gap between those two. I do not quarrel with that at all.

Mr. BLACKMORE: Hear, hear.

The CHAIRMAN: By bonusing do you not widen the gap unless you control production?

Mr. CASSELMAN: I will agree with you there that it must be covered. Take wheat as an illustration, which is our big white elephant, if I may use the term in that sense, there is no use bonusing, or, at least, getting a certain price that will encourage greater production of a commodity that we cannot find a market for, either domestic or foreign.

Mr. BLACKMORE: Hear, hear.

Mr. CASSELMAN: Therefore I would say the proper principle would be to lessen that price somewhat and probably increase it on some other products that we can find a market for, with, as the chairman says, careful regulation of those prices which might be termed a bonus of some sort.

Mr. BLACKMORE: Hear, hear.

Mr. CASSELMAN: I do not wish to spend more time on that; I am expressing my own personal opinion on this matter.

I should like to say one word about the criticism of Mr. Blue as secretary of the Edmonton Chamber of Commerce. Mr. Blue is merely the mouthpiece of the executive council of that Chamber, which I know personally to consist of six or eight of the ablest and brightest minds among the business men of Alberta. He is only transmitting what he is paid to do as secretary of that organization, and it should not be attributed to him personally.

Yesterday Mr. Low questioned my statement that the withdrawal of the branches of the Banque Canadienne Nationale from Alberta was due to excessive taxation.

I have here the annual report of that bank dated November 30, 1939, and from page 9 of the report I quote these words:—

It closed its offices at Bonnyville, Legal, St. Paul, Falher, and Edmonton in Alberta.

The excessive burden of taxes imposed upon the banks by the Alberta government nullified all prospects of securing satisfactory results from our operations in that province. In consequence, the bank decided to withdraw from Alberta.

That is their own report. That is all I have to say.

The WITNESS: Just on that same point, Mr. Chairman, would you allow me to put a statement in?

The CHAIRMAN: Yes.

The WITNESS: This is in connection with banks.

In a letter from Mr. C. S. Tompkins, inspector general of banks, to Mr. Blackmore, under date of July 2, 1940, upon request, this information was given:—

As arranged by telephone to-day, I enclose a record taken from the monthly bank directory of Canada (published by Houston's Standard Publications, Toronto) of the number of bank branches in operation on December 31, 1929, 31st July, 1935 and 31st December 1939. While the accuracy of these figures have not been fully verified, I believe them to be substantially correct. It will be apparent from the enclosed that the net reductions in branches of the chartered banks in the following provinces between the dates indicated were—

The first column is headed "Between December 31, 1929, and July 31, 1935." The second column is headed "Between December 31, 1929, and December 31, 1939."

In the first column Alberta is shown to have closed 92 branches between December 31, 1929, and July 31, 1935; British Columbia closed 24; Manitoba 29 and Saskatchewan 160.

Between December 31, 1929, and December 31, 1939, Alberta is shown to have closed 130; British Columbia 29; Manitoba 75 and Saskatchewan 222.

This is just for the information of the members of the committee. It indicates quite clearly that there were fewer branches closed in Alberta during the Social Credit regime than prior to the Social Credit regime. It further shows that there were more branches closed in the province of Saskatchewan than in Alberta in a similar period.

The CHAIRMAN: I am going to ask if Mr. Tompkins wishes to say anything in reply.

Mr. TOMPKINS: The figures which Mr. Low has just quoted are merely figures of record which I passed on to Mr. Blackmore. I should perhaps make it clear, I think, that these figures take no account of the situation where branches closed were "saw-offs," so to speak. Reference was made yesterday to numerous points at which a certain bank or two banks might be represented, and by mutual arrangement one bank would close in one place and the other bank in the other place. This takes no consideration of those situations and while, as a matter of fact, I have not any actual figures to give as to what that would involve in total, undoubtedly it is a real feature in the situation.

The CHAIRMAN: Now we shall hear from Mr. Ross.

Mr. ROSS (*Calgary East*): Mr. Chairman, I wish in the first place to point out that these figures quoted by Mr. Low can have no real value, for this reason. You must bear in mind that the five years following 1929, which he is

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emphasizing, were years in which we were passing through the greatest depression that the world has ever seen. All during those five years banks closed throughout the entire country, by reason of the depression.

Mr. TOMPKINS: That is right.

Mr. ROSS: There were fewer banks closed during the following five years, and the figures which Mr. Low gave, I submit, are of no real value here.

Mr. JAMES: They got out while the getting was good and left the people to hold the bag.

Mr. MAYHEW: Give somebody else a chance.

The CHAIRMAN: Yes; allow Mr. Ross to proceed.

Mr. ROSS: I have a telegram here from the Calgary Board of Trade which I would like to read. It is as follows:—

The Council of Calgary Board of Trade heartily endorses your opposition to granting the application of the Alberta government for a bank charter stop in the Council's opinion such an additional bank is wholly unnecessary and is not in the public interest.

Calgary Board of Trade, Fred Stapells, President.

Now, Mr. Chairman, I have a big pile of papers here but I am not going to take up very much of your time, and I do not propose to ask questions of Mr. Low; because if we ask questions he seems to treat it as an invitation to make a speech.

The WITNESS: I am entitled to make an answer that is comprehensive.

Mr. ROSS: Where the answer might very well be yes or no he gives us a lengthy speech.

The WITNESS: Where a question cannot be answered by a plain yes or no then one has to make a statement.

Mr. ROSS: In the first place, Mr. Chairman, Mr. Low has put into the record a number of figures showing the revenue for the province of Alberta. He places the revenue for the province of Alberta for March of 1936 at \$30,000,000, and in 1939 he places it at \$26,000,000. There is a greatly decreased revenue. I wish to put on the record figures taken from the public account of the province of Alberta showing that the revenues have not decreased \$4,000,000 odd but rather that they have increased \$8,552,000.

The WITNESS: Ordinary or total?

Mr. ROSS: I am talking about ordinary revenue of the province made up of Dominion of Canada subsidies, taxes, licences, fees, fines and penalties, profits on trading activities, miscellaneous revenue received from miscellaneous sources and other revenue producing assets. I am talking about the general revenue of the province.

The WITNESS: But I say, is that the ordinary revenue or the total gross revenue?

Mr. ROSS: You were speaking of the gross revenues.

The WITNESS: That is right.

Mr. ROSS: But you left a very confusing idea with this committee and I am not satisfied with it.

The WITNESS: It may have been confusing to you.

The CHAIRMAN: Order.

Mr. ROSS: I would like to put these figures on the record without having to read them to the committee. I do not want to bore the committee with the reading of them.

The CHAIRMAN: That is your privilege, with the consent of the committee.

Some Hon. MEMBERS: Agreed.

THE FOLLOWING TABULATION IS A COMPARATIVE RECORD OF REVENUE ON
"INCOME ACCOUNT" FOR THE FISCAL YEARS 1935 TO 1939 INCLUSIVE

Particulars Dominion of Canada	1935	1936	1937	1938	1939
subsidies	\$ 1,771,475 00	\$ 1,771,475 00	\$ 1,776,071 00	\$ 1,776,130 20	\$ 1,781,787 80
Taxes	4,956,956 93	5,432,527 33	7,400,266 66	8,694,404 86	8,245,797 60
Licences	1,883,814 88	1,686,965 12	1,426,171 02	2,265,023 83	2,544,531 92
Fees	1,933,791 81	2,004,145 61	2,339,856 40	2,495,397 10	2,785,111 16
Fines and penalties..	46,605 22	43,743 11	59,604 95	61,474 24	68,742 49
Profits from trading activities	1,527,133 54	1,848,868 48	2,404,275 39	2,595,820 01	2,780,771 92
Miscellaneous	86,749 03	107,519 75	50,559 69	50,625 33	59,216 08
Refund of expenditure	1,986,379 52	2,171,507 35	3,895,673 84	5,059,521 10	4,798,159 20
From revenue produc- ing assets	1,504,864 55	1,508,399 87	1,390,566 77	1,129,408 87	1,205,699 23
Total	\$15,697,770 48	\$16,575,151 62	\$20,743,045 72	\$24,127,805 54	\$24,269,817 40
Per capita	\$20 47	\$21 61	\$26 84	\$30 82	\$31 22

INCREASES IN REVENUE IN 1939 OVER 1935 ARE AS FOLLOWS

Subsidies	\$ 10,312 80	
Taxes	3,288,840 67	
Licences	660,717 04	
Fees	851,319 35	
Fines and penalties	22,137 27	
Profits and trading activities	1,253,638 38	
Refund of expenditure	2,811,779 68	
		\$8,898,745 19
<i>Decreases</i>		
Miscellaneous	\$ 27,532 95	
Revenue producing assets	299,165 32	
		326,698 27
Net increase in revenue		\$8,572,046 92

Mr. Ross: Now, in the next place, Mr. Chairman, Mr. Low has been pointing out how well governed the province was and how high the credit rating of the province is, and matters of that kind. I have received some quotations since this committee first sat on bonds of different places that I wish to quote. In each case they are all 4½ per cent bonds:—

Alberta	1956 bonds	quoted at	52
B.C.	1953 bonds	" "	92
Manitoba	1956 bonds	" "	86
Sask.	1951 bonds	" "	81
Calgary	1962 bonds	" "	78
Toronto	1945 bonds	" "	104

I have indicated the maturity dates in each case, and I got these quotations just a few days ago. Apparently bond investors are not particularly satisfied with the province of Alberta.

The next point I wish to make, Mr. Chairman, is with respect to Civil Service employees. Up to the 31st of March, 1939, approximately 400 government employees who were employees of the government when the Aberhart government took office are no longer with that service. They have either been discharged or they have retired.

The WITNESS: The source of your information, please?

Mr. Ross: You will find it in the blue book, in the public accounts of the province. And 900 new employees have been taken on by the new government to replace them.

The WITNESS: Is that right in the publication?

Mr. Ross: You will find that in the public accounts.

The WITNESS: I do not remember making those up, sir.

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Mr. ROSS: In the case of each one man who was experienced and who was discharged by this government two Social Crediters were secured and put in his place to do the business that he had been doing.

The WITNESS: Will the hon. gentleman put the names on the record? I challenge him to put the names on the record. I challenge him to do that.

Mr. ROSS: This was taken from the public accounts.

The WITNESS: I challenge that statement.

Mr. ROSS: I haven't got the names with me. When you are asking me for names you are asking me to do something which you know is impossible for me to do.

The WITNESS: I am just asking for the three names you gave.

Mr. ROSS: Mr. Low said a few days ago that he would produce Mayor Davison's letter to which reference was made.

The WITNESS: Yes sir, I submitted it to this committee. I put it in a few days ago.

Mr. ROSS: Thank you.

The CHAIRMAN: It is in the record.

Mr. ROSS: Is that the letter dated November 22, 1935?

The WITNESS: I believe that is the letter, yes, sir.

Mr. JACQUES: It is in our proceedings No. 5.

Mr. ROSS: That is all right. I have a copy of it here. As you are probably aware, Mr. Davison writes me, "until recently the American Consulate in Calgary required all our citizens going to the United States on business or pleasure for a period of less than six months, to secure a letter from the mayor certifying to their good character, which had to be presented to the American immigration officer at the U.S. port of entry." This letter of November 22, 1935, which Mr. Low has produced is a general letter over the signature of Mayor Davison for immigration purposes; it was not a letter given to the government at all with regard to these matters, it dealt merely with his character.

The WITNESS: That is just what I said. I did not say he was recommended to us as a banker.

Mr. ROSS: I am not accusing you of saying that.

Some Hon. MEMBERS: Order.

Mr. ROSS: But you did say he was negotiating with the government for the building of a road from Alberta to the Yukon.

The WITNESS: No.

Mr. ROSS: Well, the record says you did.

The WITNESS: No, what I said was through Alberta to Alaska.

Mr. ROSS: Well, from Alberta to Alaska.

Some Hon. MEMBERS: It is the same thing.

The WITNESS: No, it is much different.

Mr. ROSS: And for the establishment of a bank to operate in connection with refunding the debt of the province. When a man goes to you to consult you with regard to these matters I submit it would be misleading to say that he was recommended by Mayor Davison and that he recommended that he was satisfactory. Your evidence suggests that he was recommended as a financial expert to you.

The WITNESS: As to his character.

The CHAIRMAN: The record says that.

Mr. ROSS: You say he vouched personally for the man, those are your words.

The WITNESS: Read further, as to what?

Mr. Ross: It says, "he vouched personally for this man and his character."

The WITNESS: All right.

Mr. Ross: That is what it was; and his character, vouched personally for him on that. I suggest to you that when you stated here that he was recommended to you that he was not recommended to you at all as a financial expert.

The WITNESS: I made that clear. I wish the hon. member would read the letter so that all the members of the committee would know just what it said.

Mr. Ross: I do not want to waste the time of the committee. We have got to rush this thing through. I will read the letter over again:—

This is to certify that the bearer of this letter, Mr. J. J. Sousa, is a bona fide citizen of Calgary, where he has resided for the past fourteen years and is well and favourably known. He is leaving Calgary on a business trip to Los Angeles, California, for about three months, and will afterwards return to Calgary. I have no hesitation in recommending him as a fit and proper person to be admitted to the U.S.A.

Any courtesies extended to Mr. Sousa will be much appreciated by the undersigned.

The WITNESS: That is a favourable opinion. He was a fit and proper person to be admitted to the United States.

Mr. Ross: Now, Major Douglas laid down a plan and his first objective in that plan was the incorporation of a bank; and now the Social Crediters in Alberta are coming here for authority to establish such a bank.

Mr. JAQUES: I would not agree with that.

Mr. Ross: This is what he says:—

The organization of some credit institutions, either under the Dominion Bank Act, or otherwise, which will give access to the creation of effective demand through the credit system, on principles already well recognized and established.

The CHAIRMAN: What are you reading from?

Mr. Ross: I am reading from the book published by Major C. H. Douglas entitled "The Alberta Experiment," at page 118.

Douglas then wrote Mr. Aberhart—

The CHAIRMAN: Is this Major Douglas?

Mr. Ross: Major Douglas.

The CHAIRMAN: He was before the committee some years ago.

Some Hon. MEMBERS: Yes.

Mr. Ross: Major Douglas wrote Mr. Aberhart to pillory the government, the people and the press; all those who refused to assist in carrying out this Alberta experiment. I want to read what he says about that, because these people have been pillorying every since, and I want to get this on the record.

At page 128:—

It is, of course, difficult at this distance to know the exact alignment of forces in the province. I should suggest that every advantage be taken of the coming visit of the Dean of Canterbury to place the moral obligation of supporting you squarely on the shoulders of the well-to-do and more conservative section of the population. I feel sure that he will have considerable success in this direction, but after making every effort of this description, I should not hesitate to pillory by name, either through the press or through the agency of radio, in every possible way those who refuse to assist.

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Then at page 95 I wish you to note this closely because this is important at this stage:—

The province has the power to make it impossible for any bank to operate within its borders, to prevent it enforcing its claims for debt, to make the business of money-lending illegal and impossible, to publicise banking practice, and in many other ways to inflict severe penalties upon the financial interests.

Then Major Douglas would have Mr. Aberhart—he has so many titles—

Some Hon. MEMBERS: Hear, hear.

Mr. ROSS: Mr. Douglas would have Mr. Aberhart go to the banks and have them make a gratuitous gift of \$5,000,000 to the government. At page 129 he says:—

That the bank should credit the account of the provincial government with a sum of, say, five million dollars, such credit to be free of interest and non-callable, i.e. the property of the government, and that the bank should be paid for its services one sum of, say $1\frac{1}{2}$ per cent. The bank should be paid further sums to cover cost of bookkeeping.

Mr. BLACKMORE: Is that a gift? Is credit a gift?

Mr. ROSS: You can't consider it anything else. It is non-callable, it becomes the property of the government. A bank should be paid for its services the sum of, say, $1\frac{1}{2}$ per cent to cover the cost of bookkeeping.

Mr. JAKUES: Is not that exactly what Roosevelt is doing?

Mr. ROSS: I am not interested in what Roosevelt is doing. You cannot draw me away.

The CHAIRMAN: Proceed, Mr. Ross.

Mr. JAKUES: They do not loan their own money to the people.

Mr. ROSS: Now, along the same line I wish to read from page 144.

Mr. JAKUES: It is just bookkeeping.

Mr. ROSS: It says:—

I just refer to this because of the paragraph on page 2 of one of your letters of September 24th, which suggests that my suggestion to you in my letter of September 5th—that the banks should credit the provincial government with five million dollars, is a matter of detail. So far from this being the case, although the figure itself has no special significance, the nature of the transaction which is involved is quite fundamental and vital, and is in a line with the second recommendation on the last page of my first interim report.

Then further on he says:—

No sound formulation of any scheme, can be made until the method by which access to the public credit in the same sense that the banks now have access to the public credit, has been decided upon.

Can you make an arrangement with any existing banking institution by which it will hand over to you, not as a loan but as a creation on your behalf and subject only to the disposition of your government, sums of financial credit as may be required from time to time, being merely paid one sum for the bookkeeping transaction of creating such credits . . .

The essential difference between this transaction and a loan based upon present principles is, of course, that the banks would have no right to recall, and would be paid no interest as such during the existence of the credits, but would be merely paid for actual services performed.

If you cannot arrange that existing banks will carry out such functions on these principles you must organize either a bank under the Dominion Bank Charter Act, or devise, with the aid of your local legal advisors, some method by which an institution can be organized outside the Dominion Bank Charter Act, not issuing notes, but creating and granting credits to the government as may be required . . .

I am skipping a few lines:—

May I repeat that action along these lines, or lines having the same objectives, is quite fundamental.

And a little later on:—

. . . existing data is quite sufficient for the purpose of inaugurating a sound Social Credit system once the province has mechanism to enable it to create its own credit upon its own terms.

Mr. GRAHAM: The committee will not be surprised to note Mr. Aberhart's reply that he could not find a bank that could do that.

Mr. ROSS: Apparently not, because he is coming here to look for a bank charter.

The WITNESS: He tried to find one.

Mr. GRAHAM: Did you say he tried?

The WITNESS: Yes.

Mr. GRAHAM: And what happened to the bank?

The WITNESS: It did not work out. He did not find any bank that would do it.

Mr. GRAHAM: Did you expect it to work out?

The WITNESS: Surely.

Mr. DONNELLY: There are a lot of members in this committee who have tried to borrow money in the same way.

Mr. JAQUES: We just joined the flying corps in this country and we are now paying the price.

Mr. ROSS: This book sets forth the principles of Social Credit insofar as Mr. Douglas can set forth those principles, and then that is followed in the book by the correspondence which passed between Mr. Aberhart and Mr. Douglas. What I have been reading from now is a letter written by Mr. Douglas to Mr. Aberhart. This is the instruction given by Mr. Douglas to Mr. Aberhart as to how he is to finance the province. He was the advisor of the province.

Mr. JAQUES: It is a pity he is not ours.

Mr. ROSS: Now, the province has since been pillorying with a view to get this bank. Mr. Aberhart goes on the air practically every Sunday afternoon with a political address pillorying the "fifty bigshots," as he calls them—

The WITNESS: That is false.

The CHAIRMAN: That is not parliamentary language.

The WITNESS: Not now.

Mr. ROSS: I have heard him myself.

The WITNESS: Not now.

The CHAIRMAN: Go ahead.

Mr. ROSS: He has been delivering political addresses over the air in sympathy with social credit and in favour of social credit—

Mr. JAQUES: They are economic addresses.

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Mr. ROSS: Economic addresses? Oh.

Mr. JAUQUES: There is a big difference.

Mr. ROSS: A rose by any other name will smell as sweet.

Then they brought two alleged experts from England to assist in the pillorying, namely, Mr. Power and Mr. Byrne—

Mr. JAUQUES: Why alleged?

Mr. ROSS: Very well, call them experts if you like. Mr. Douglas urged Mr. Aberhart that news circulation should be under the unchallengeable control of the province. At page 118 Mr. Douglas is making his recommendation to Mr. Aberhart as follows:—

The systematic provision of a news circulating system under the unchallengeable control of the province, particularly in regard to radio facilities of sufficient power to cover a wide geographical area.

Now, the government attempted, pursuant to those instructions to muzzle the press by a statute purporting to control what was published as well as the personnel of the staffs—

The WITNESS: That is wrong.

Mr. ROSS: Go and get the statute and study it for yourself if you do not wish to accept my word for it.

The privy council has since held that that statute was ultra vires.

In its pillorying operations the government used many pamphlets published at the public's expense. In one they made the mistake of naming Senator Griesbach as one of a group of bankers' toadies, and referred to them as creep-crawly things and advocated their extermination. I have a copy of that pamphlet which I wish to read to you.

BANKER'S TOADIES

My child, you should never say hard or unkind things about Bankers' Toadies. God made Bankers' Toadies, just as He made snakes, slugs, snails and other creepy-crawly, treacherous and poisonous things. Never, therefore, abuse them—just exterminate them.

And to prevent all evasion—Demand the *Result* you want. \$25 a Month and a lower cost to live.

On the opposite side it says:—

BANKERS' TOADIES

- S. W. Field, K.C., Lawyer for the Mortgage and Loan companies of Canada, President of the People's (!) League.
- H. H. Parlee, K.C., Lawyer, Canadian Bank of Commerce, President, Edmonton Liberal Association.
- H. H. Milner, K.C., Lawyer, Royal Bank of Canada and Canadian Bankers' Association. President, Edmonton Conservative Association.
- J. F. Lymburn, K.C., Lawyer, Bank of Montreal. People's (!) League.
- G. D. Hunt, Investment Broker, United Canada Association.
- L. Y. Cairns, K.C., Lawyer, Dominion Bank of Canada. Member Conservative Executive.
- G. W. Auxier, Lawyer, National Trust Company. Secretary, People's (!) League.
- W. A. Griesbach, K.C., Lawyer. Represents several Trust companies.
- D. M. Duggan, Investment Broker. People's (!) League. Provincial Leader, Conservative Party.

EXTERMINATE THEM

And to prevent all evasion, demand the result you want, \$25 a month and a lower cost to live.

The CHAIRMAN: Who made that statement?

Mr. ROSS: The government of the province of Alberta.

The CHAIRMAN: Oh, no.

The WITNESS: That is not right; that is false.

Mr. ROSS: One of the experts brought up by Mr. Aberhart and who was paid a salary by him—

The WITNESS: He was not paid a salary by Mr. Aberhart nor the government.

The CHAIRMAN: Who paid for the issue of this pamphlet?

The WITNESS: I don't know. The government certainly did not.

Mr. ROSS: Perhaps we need not call it a salary, it may be a bonus or have some other fancy name; but the treasury of the province of Alberta suffered to a considerable extent—\$4,000 in one sum—and further sums as the result of his presence in Alberta—sums they paid out to him—he was in the pay of the government of province of Alberta, I can say that, and he was the one who is responsible for getting out a lot of circulars.

Mr. THORSON: The publisher of the pamphlet went to jail, did he not?

Mr. ROSS: Yes, he went to jail.

Mr. KINLEY: For publishing the pamphlet?

Mr. ROSS: Yes, for libel.

Mr. JAQUES: On \$20,000 bail.

Mr. MACDONALD (*Halifax*): How long ago was this?

Mr. ROSS: I have forgotten.

The WITNESS: 1937.

Mr. KINLEY: Who went to jail?

Mr. JAQUES: Powell and Mr. Unwin.

Mr. ROSS: Mr. Unwin was a Social Credit M.L.A., the whip of the party.

Mr. KINLEY: And the other man was the advisor?

Mr. ROSS: Yes. These pamphlets were published and distributed throughout the legislative building.

Mr. KINLEY: I suppose that was at election time.

Mr. ROSS: No, when the house was in session this was done.

Mr. DONNELLY: Just an every day proceeding.

Mr. BLACKMORE: An every day proceeding, did you say?

Mr. DONNELLY: I said it.

Mr. ROSS: You remember I read from Mr. Douglas' book where he advocated that the Aberhart government should make it impossible for any bank to operate in Alberta. I have already read that from page 95. Now, in carrying out that programme Alberta enacted a \$2,000,000 supertax—that is a tax in addition to other taxes—it was more than that, but let us say 2,000,000 in round figures—on the banks of the province.

Mr. JAQUES: We have plenty of taxes here.

Mr. ROSS: I believe that was disallowed by the government.

Mr. BERCOVITCH: Do you mean by the dominion government?

Mr. ROSS: Yes. They also passed an Act for the licensing of bankers and all of their employees and imposed a penalty for those who carried on with-

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out that licence. This legislation was declared ultra vires by the privy council. I suggest, Mr. Chairman, and I contend that they are now contemptuous of our courts, and in support of that I wish to read a headnote over a decision that went to the privy council, and Mr. Low's comment on that headnote. This is a case which has already been mentioned before this committee, the Lethbridge Northern Irrigation District v. Independent Order of Foresters in 40 Appeal Cases at page 513. The headnote reads:—

The Provincial Guaranteed Securities Interest Act, c. 12 of the 1937 Statutes of Alberta, which purported to reduce by one-half the interest on certain securities guaranteed by the province of Alberta, and the Provincial Securities Interest Act, c. 13 of the Statutes of Alberta, 1937, which purported to reduce the interest payable on securities issued by the province to, in general, half the agreed rates, were in pith and substance Acts dealing with "interest" within the meaning of head 19 of s. 91 of the British North America Act, 1867, a subject-matter within the exclusive legislative competence of the Dominion parliament, and the Acts were therefore ultra vires of the provincial legislature.

That is sufficient for my purpose.

Mr. BLACKMORE: You have already made a statement that Mr. Low made some comment.

Mr. ROSS: I am coming to that now. The decision was delivered on the 4th of March, 1940. Mr. Low gave apparently a prepared statement to the Edmonton Bulletin on the 5th of March, 1940. The Edmonton Bulletin carried that statement in quotation marks; so it evidently was a prepared statement. This is what Mr. Low is reported as having said:—

The ruling of the Privy Council will make absolutely no difference to the policy of this government, which has consistently held the position that the half interest rates paid on the public debt since 1937 is in equity a fair return to the bondholder and is the limit of the province's ability to pay having cognizance of the essential social services which have been maintained.

Therefore the government will continue to pay half contractual rates on the public debt and maintain in full its essential social services.

This government has already assured the people and now reaffirms that so long as it holds office the people will never be called upon to pay more. Meantime it will proceed with the negotiations in hand for the refunding of the entire public debt on terms consistent with the present interest rates which it is paying.

Concurrently it proposes to proceed with the development of its interim program, with its application for a provincial bank charter and its other carefully laid plans for rapidly developing the economy of the province and for relieving the people of the burden of unpayable interest rates—plans which already have yielded such encouraging results.

It is indeed fortunate that the Privy Council judgment has been handed down at this time for it will enable the government to seek and obtain a definite mandate from the people of the province in support of its policy.

That is what I referred to as being rather in the nature of contempt of the courts of the land.

The WITNESS: May I ask how that could be construed as contempt?

Mr. ROSS: I am suggesting it is contempt, and we will leave it with the members of the committee to form their own conclusions in regard to it.

The WITNESS: May I be granted the privilege of making a statement in respect to that when Mr. Ross is finished, Mr. Chairman?

The CHAIRMAN: I think so.

The WITNESS: I think I should.

Mr. ROSS: Mr. Low has referred to the Golden Fleece Woollen Mills, for example, and the way they have helped the companies. The mills have a contract with the provincial marketing board to manufacture blankets for the army. That was the evidence he gave. The government charged the mills 7 per cent interest on their money, according to their contract. The loans were repayable in six months and the government also made a 2 per cent brokerage charge for that six months. That would make 11 per cent interest on the money; so that the government takes 11 per cent from the mills, which is more than four times the 2½ per cent the government is paying on Alberta bonds.

I am not sure of my point here, but I think the government only guarantees this company to the extent of 25 per cent. Mr. Low made a statement with regard to the guaranteed—

The WITNESS: In which company is that, sir?

Mr. ROSS: I am speaking of the Golden Fleece Woollen Mills.

The WITNESS: I did not say they guaranteed anything.

Mr. ROSS: That is why I was not sure about that. Your evidence does not refer to that mill?

The WITNESS: No.

Mr. ROSS: It is a general statement you are making with regard to the guarantees?

The WITNESS: Yes.

Mr. ROSS: I will not follow that up, then. Your evidence is not clear on that point.

Mr. Low in a letter to the Alberta bankers in July, 1937, made this statement: "The people of Alberta have demanded that this government get them a secure sufficiency in freedom. It is to start in the form of a monthly dividend of \$25 with a lower cost to live."

Now, Mr. Chairman, I wish to refer to the fact that this is a very speculative enterprise that this government proposes to enter upon. A bankrupt province, I submit, should not be encouraged to enter upon so speculative an enterprise. I have pointed out that at confederation there were twenty-eight different banks in the four provinces that entered confederation in 1867; that many other banks have since been formed and carried on business throughout Canada and that many banks have—

Mr. GRAHAM: That is a matter of argument. Is not the practice of committees the reverse? Is it not the practice to wait until the taking of evidence is completed before argument is made? I do not see much sense in all the members of the committee arguing a point until the committee has heard all the evidence.

The CHAIRMAN: I think I will give Mr. Ross a certain amount of latitude.

Mr. ROSS: I am sorry if I am violating the rules; this is new to me.

Mr. BERCOVITCH: It is all right; we are violating the rules all the time.

The CHAIRMAN: We are giving everybody latitude and I am going to suggest while we are on that subject that it might be the desire of the committee when we adjourn at one o'clock that we adjourn until we have a report from Mr. Varcoe and then try to complete the session. We have now had over seven sessions, and it seems to me we ought to pretty well finish with the general sessions and be prepared after having heard Mr. Varcoe and Mr. Tompkins, if necessary, to pass judgment on the substance of the bill. Is that your pleasure?

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Mr. BLACKMORE: May I just say a word or two on that?

The CHAIRMAN: Yes.

Mr. BLACKMORE: Mr. Cleaver, it will be remembered, asked that an accurate discussion on social credit be given so that he could understand it. Now, no such accurate and detailed explanation can be given in twenty minutes. Mr. Thorson also raised a most valuable question, I think yesterday, bearing on the success with which loans had been advanced to producers in Alberta. I would think that probably five or ten minutes would be required to give that. So that it seems to me, Mr. Chairman, it would be rather difficult to finish the business which the committee has outlined for itself without another meeting, anyway.

The CHAIRMAN: The only thing, Mr. Blackmore, is that we might be faced with the accusation of talking the bill out. I should like to get a decision as soon as we can; but you are the promoter of the bill and the responsibility is yours.

Mr. BLACKMORE: Mr. Chairman, my stand is this: there are great and vital issues at stake in the presentation and the defence of this bill. There is great misunderstanding throughout the Dominion of Canada regarding the social credit administration, its aims, and its proposed methods. It seems to me that it is to the greatest degree essential that these differences and misunderstandings should be cleared up as far as that is humanly possible. Therefore, even at the expense of talking the bill out, I should be in favour of allowing the opposition to the bill and the opposition to the government to present their case with as great detail as they see fit, and allowing the witness to answer in as great detail as he sees fit.

Mr. BERCOVITCH: Mr. Blackmore, would you make an entry into the record to the effect that you will not accuse the committee of talking your bill out?

Mr. BLACKMORE: I will gladly make that entry right now in the presence of all the members of the committee here assembled, sir, and I wish the reasons to be given. I am anxious to have the bank bill passed but I do not believe, as I indicated yesterday in the little speech I gave, that the members of this committee can satisfy themselves on the two great considerations upon which a sound decision regarding this bank bill can be based, in the time at our disposal. Therefore, I would be quite ready to grant that the inability to arrive at a decision is owing to a combination of circumstances over which nobody has any control; I would be ready to grant that the government has done its best to give every consideration, that the chairman has done his best, that the Alberta government have done their best and also the social credit members.

Mr. BERCOVITCH: And so have the committee.

Mr. BLACKMORE: Yes, the committee have also; and so have the social credit members of parliament. Since the question has been raised, may I put here on the record, so it will be there indelibly, that Mr. Low and I both thank the committee for the indulgent, earnest and sincere way in which they have listened to this evidence and have endeavoured to weigh it, and for the fine opportunity we have had of presenting our case. The opportunity has been a good one in the main. There have been times, occasionally, when the enthusiasm of members probably caused them to overstep the rules of complete decorum; but in the main, Mr. Chairman, your committee has been conducted with the utmost impartiality, indulgence, fair-mindedness and consideration.

Some HON. MEMBERS: Hear, hear.

The CHAIRMAN: Thank you, Mr. Blackmore.

Mr. BERCOVITCH: Mr. Chairman, may I ask a question. Have you heard from Mr. Varcoe as to whether he will be ready with his opinion by to-morrow?

The CHAIRMAN: We doubt if it will be ready by to-morrow. All right, Mr. Ross.

Mr. ROSS: Mr. Chairman, I was pointing out the large number of banks that we have had throughout Canada in the past. To-day we have only ten banks in Canada. All the others have either gone to the wall or been merged.

Mr. JAUQUES: Did you say "murdered"? I could not quite hear.

Mr. ROSS: I also pointed out that the existing banks are having a hard struggle at the present time. Now I wish to read what Mr. Graham Towers has to say with regard to a new bank starting up.

The CHAIRMAN: Mr. Ross, may I interrupt you for a moment? Mr. Tompkins has here a statement which it might be very useful to put on the record. It is as to the number of banks that have been incorporated since confederation and the fate that has befallen them. Would it be your pleasure to have that statement put on the record?

Some HON. MEMBERS: Yes.

Mr. ROSS: That would be very interesting.

The CHAIRMAN: We could ask Mr. Tompkins to outline the statement.

Mr. ROSS: Yes. I think now would be a very appropriate time.

The CHAIRMAN: Very well.

Mr. TOMPKINS: Mr. Chairman, I had this information prepared with a view to giving it to the committee with possibly some small amount of other material, but it can be taken from my material very readily. Since confederation a total of 74 bank charters have been granted by parliament, or at an average rate of practically one per year. Since the beginning of 1910 only nine charters have been placed on the statute books, of which six were not used and therefore lapsed, and two, the Weyburn Security Bank and La Banque Internationale du Canada, disappeared by merger, the latter taken over by the Home Bank of Canada which in turn passed into liquidation in 1923. The remaining institution, Barclays Bank (Canada), opened its doors in September, 1929, and of course, as hon. members know, it is still in business.

The summary that I have to give of the disposition of the 74 charters that have been granted since confederation shows briefly this: Charters not used and therefore lapsed, 38; banks which commenced operations but were subsequently merged with other banks, 12; banks operated but subsequently placed in liquidation, 19; still in business, 5. That is a total of 74. I have added to my memorandum the names of the banks which were merged, giving the name of the merged bank and the purchasing bank; I have also a list of the various institutions which went into liquidation and make up the total I have just mentioned.

Mr. GRAHAM: Will you place those on the record?

The CHAIRMAN: Would you like it on the record?

Mr. BERCOVITCH: I think it would be very useful.

The CHAIRMAN: I think so too. Is it the pleasure of the committee that the statement should be put on the record?

Some HON. MEMBERS: Yes.

The summary referred to by Mr. Tompkins is as follows:—

The following is a summary of the disposition of the 74 charters granted since confederation:—

1. Charters not used—lapsed	38
Banks which commenced operations but were subsequently merged with other banks	12 (A)
2. Banks operated but subsequently placed in liquidation	19 (B)
Still in business	5
	—
	74
	—

1. This total includes Eastern Bank of Canada, incorporated in 1928 and granted authority by Treasury Board to commence business; it did not however operate and was wound up with return of capital to shareholders.

2. This total includes Sovereign Bank of Canada, which did not suspend payment and whose liabilities were assumed by certain other banks, the bank itself being subsequently placed in liquidation for the purpose of proceedings against the shareholders.

(A) *Banks Merged:—*

<i>Year</i>	<i>Bank Absorbed</i>	<i>Purchasing Bank</i>
1903	Halifax Banking Company	The Canadian Bank of Commerce
1908	Crown Bank of Canada	Northern Bank (under name of Northern Crown Bank)
1909	Western Bank of Canada	Standard Bank of Canada
1911	United Empire Bank	Union Bank of Canada
1912	Traders Bank of Canada	The Royal Bank of Canada
1913	La Banque Internationale du Canada	Home Bank of Canada
1914	The Metropolitan Bank	The Bank of Nova Scotia
1918	Northern Crown Bank	The Royal Bank of Canada
1919	The Bank of Ottawa	The Bank of Nova Scotia
1923	Bank of Hamilton	The Canadian Bank of Commerce
1924	Sterling Bank of Canada	Standard Bank of Canada
1931	The Weyburn Security Bank ...	Imperial Bank of Canada

(B) *Liquidations:—*

Bank of Acadia, Liverpool, N.S.
 Metropolitan Bank of Montreal
 Bank of Liverpool, Liverpool, N.S.
 Consolidated Bank of Canada (City Bank and Royal Can. amalgamated 1879)
 Stadacona Bank, Quebec
 Exchange Bank of Canada, Montreal
 Maritime Bank of Dominion of Canada, St. John, N.B.
 Pictou Bank, Pictou, N.S.
 Bank of London in Canada, London, Ont.
 Central Bank of Canada, Toronto, Ont.
 Federal Bank, Toronto, Ont. (name changed from Superior Bank)
 Commercial Bank of Manitoba, Winnipeg
 Banque Ville Marie, Montreal
 Sovereign Bank of Canada, Toronto
 Banque de St. Jean, St. Jean, P.Q.
 Banque de St. Hyacinthe, St. Hyacinthe, P.Q.
 Farmers Bank of Canada, Toronto
 Bank of Vancouver, Vancouver
 Home Bank of Canada, Toronto

Mr. GRAHAM: May I ask, Mr. Chairman, if Mr. Low is going to stay in Ottawa until the committee completes its work?

The WITNESS: My work at home is very pressing, but I feel that I want to give the members of this committee every opportunity that it is possible to give to ask questions and to get information; and I want to stay just as long as I am useful in that respect.

Mr. MAYHEW: I, for one, feel that I want to hear everything that Mr. Low wants to say. I should like him to be allowed to say it so that when he goes home from here he will feel that there has not been anything missed which he wanted to say. I should like to hear it in the sequence of his own choice and at the time of his own choosing.

An Hon. MEMBER: He has finished.

The CHAIRMAN: Mr. Ross has the floor now.

Mr. ROSS: I was just going to quote what Mr. Towers has to say with regard to the likelihood of more banks.

The CHAIRMAN: When and where was the statement made?

Mr. ROSS: It was made before this committee a year ago, in answer to a question by Mr. Kinley.

The CHAIRMAN: What was the page number of our record?

Mr. Ross: Page 686. He says:—

If you think of the question of other banks being able to start—as we know, the provisions for that are laid down in the Bank Act—I think it is most unlikely in the visible future that any other banks will get into operation in Canada.

By Mr. Deachman:

Q. Why?—A. I do not think the game is worth the candle for a new organization. I think that the long period of years during which they would have to suffer losses before they could hope to break even would discourage most people from trying to do it.

On page 690, again in answer to Mr. Kinley, he says:—

Canada is an expensive country in which to conduct a banking business because of our geographical situation. If you can concentrate a tremendous amount of business under one roof your overhead charges per dollar of deposits will be less. That is the situation in respect to the very large banks in the United States and in England. But in Canada, with a chain of branches, many of them very small and scattered across the country, you will find, naturally, as any business man would find, that your overhead per dollar of deposits is higher than in countries of more concentrated population.

I wish to point out, of course, that Alberta has a very sparsely settled population, and it would be more expensive operating a bank there than in Ontario or Quebec.

This projected bank wants to make marginal loans, loans that other banks will not touch.

Mr. KINLEY: Is that right?

Mr. Ross: That is what Mr. Low stated the first day.

The WITNESS: No; that is not right.

Mr. THORSON: Get the exact words.

Mr. Ross: Perhaps I misunderstood him, but that was my understanding. He said that a number of concerns, woollen mills and other concerns could not borrow money from the banks without their guarantee.

The WITNESS: That is right.

Mr. Ross: If they cannot do that, I take it that it is a marginal loan. That is the theory I am working on; that it is a loan that the other banks will not accept, if they will not take it without his guarantee. Surely that is sound. I submit I am correct in suggesting that they are marginal loans that this bank wants to be incorporated to make.

The WITNESS: That was one type that I mentioned more particularly to indicate that it was our desire to use the bank to increase production.

Mr. Ross: When Mr. Low was asked what functions this bank would discharge that existing banks do not discharge, this is the illustration that he gave. If there are other functions or purposes, you have not told the committee what they are, or I have not got what they are.

The CHAIRMAN: I would suggest that you finish your statement and that we then allow Mr. Low five minutes in which to reply.

Mr. Ross: Very well. I submit that the province should not be risking millions of dollars in a banking system when it is unable to pay its interest. If we grant this charter and the bank goes broke the parliament of Canada

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will be as much to blame as the people of Alberta, and they will be called upon to share the risk because they are making it possible by granting this charter. I want to give you warning in time.

Mr. GRAHAM: It was my understanding that they wanted it in order to help pay the debt.

Mr. MACDONALD (*Halifax*): What is your view as to the ability of Alberta to pay in full all their bonded indebtedness?

Mr. ROSS: If they had a government in whom the people had confidence they could refund.

Mr. MACDONALD: But can they actually pay the indebtedness or borrow money from some place else to pay it?

Mr. ROSS: I think they undoubtedly can.

Mr. BLACKMORE: Why have not the other provinces refunded? There is not a province that has refunded.

Mr. ROSS: The other provinces are handling their indebtedness all right; they are not defaulting. We are borrowing money to pay our debts. We are not going to pay them off in one year.

I should like now to deal with another matter. Mr. Low stated in his evidence that payment on savings certificates was suspended on the 28th of July, 1935. According to the Edmonton Bulletin, which is to be found in the library, a story was published there as to when the payment was suspended.

The CHAIRMAN: What is the date of the paper?

Mr. ROSS: That is the 27th or the 28th August. I am not sure.

The CHAIRMAN: Of what year?

Mr. ROSS: It is open in the library and any person can see it.

The CHAIRMAN: Of what year?

Mr. ROSS: 1935. It says that payment was suspended on the 27th of August, five days after the election. Mr. Low referred to a great demand for payment of the savings certificates. There was a slight rush before the election from a number of people who feared that Social Credit was going to be elected, but the big rush occurred after election day; that is when the real rush was made for the payment of these certificates.

Mr. THORSON: You are making a very serious statement.

The WITNESS: Very serious is right.

Mr. THORSON: Mr. Low made the statement that suspension took place on the 28th of July, before the election.

The WITNESS: That is right.

Mr. THORSON: You are making the statement now that the suspension took place after.

Mr. ROSS: Five days after election day.

The CHAIRMAN: According to the Edmonton Bulletin.

Mr. ROSS: The article in the Bulletin is down in the library. It is in a bound volume and it is open down there on the desk where anybody can read it for himself if he wishes to.

Mr. THORSON: You say that suspension was made by order-in-council?

The WITNESS: Yes, I believe so.

Mr. ROSS: Yes, by order-in-council after a conference between Mr. Aberhart who was the incoming premier and Mr. Reid the outgoing premier. Mr. Reid put up to Mr. Aberhart what the position was and Mr. Aberhart requested that suspension be made.

Mr. THORSON: That is the report in the *Bulletin*?

Mr. ROSS: I am not sure whether you get it in that particular article of that particular date, but that was published in the papers.

Mr. THORSON: There is an order-in-council.

Mr. ROSS: There is an order-in-council dealing with suspension.

Mr. BLACKMORE: Just a minute, did Mr. Aberhart ask that a suspension be made? Have you seen the minutes of the council to that effect?

Mr. ROSS: I have not seen the minutes of council, so I could not tell you if it is referred to in the minutes.

Mr. THORSON: Mr. Low will know.

Mr. ROSS: Mr. Low was not a member of the government at that time.

The WITNESS: I could not tell you the exact date without looking it up in the order-in-council, but I do know that the suspension of savings certificates did come prior to the election because of the cash position; as pointed out by the Bank of Canada, it was completely exhausted.

Mr. THORSON: You stated as a fact that it took place on the 28th of July.

The WITNESS: Yes, sir.

Mr. THORSON: It must have taken place as a result of the order-in-council that you mentioned.

The WITNESS: Not necessarily, sir. The government could simply advise that no further payments could be made because there was no cash and the order-in-council might have been several days later; but the Bank of Canada report very specifically points out the great run that had taken place on this date.

Mr. THORSON: Quite so, but coming to the formal suspension—

The WITNESS: I will have to get that definite date for you.

Mr. THORSON: There may have been an inability to pay on the 28th of July.

The WITNESS: And therefore an effective suspension of payments.

Mr. THORSON: I understood from you when you spoke on this subject earlier that there was a formal suspension of payments put into effect?

The WITNESS: Not necessarily formal.

Mr. THORSON: On the 28th of July.

The WITNESS: And I still believe that that is correct; but I am not maintaining that it was done on that date by order-in-council. Announcement was made and no further payments were made.

Mr. BERCOVITCH: The order-in-council was not necessarily passed on that date.

The WITNESS: I have never said so, but an announcement was made on that date that no further payments could be made because of the cash position.

Mr. ROSS: An announcement was made to whom?

The WITNESS: To the people of the province.

Mr. ROSS: I do not think the papers carried any announcement of that kind.

The WITNESS: I believe it is so just the same.

Mr. ROSS: I do not think the papers carried it and I think they would have carried it if any such announcement had been made.

Mr. KINLEY: An order went out to the officials of the treasury in different parts of the province probably.

Mr. THORSON: The formal repudiation—if we wish to call it such—or the formal declaration that there would be no more payments, whether that took place before the election or after the election.

Mr. ROSS: The next point I wish to speak of is this: Mr. Low stated in his evidence that there were no cases pending against the province. He also stated, if I mistake not, and if I am wrong in this he can correct me, he also stated there were no outstanding applications for fiats.

The WITNESS: That is right.

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Mr. Ross: Well now, since that meeting was held that story was carried in the papers in Calgary and I have a letter, or rather I have some correspondence here that passed between Taylor and Taylor, barristers and solicitors of Calgary and the Department of the Attorney General in Edmonton which I wish to read. These are not very lengthy. They are as follows:—

May 15, 1937.

The Honourable ATTORNEY GENERAL,
Edmonton, Alberta.
DEAR SIR,—

Re: Interest on Provincial Securities

The estate of the late F. A. Kilburn, of which the Trusts and Guarantee Company Limited and the writer are trustees, has \$62,000 invested in provincial bonds and \$10,000 invested in provincial savings certificates. On these bonds, coupons are due and interest is also due on the Alberta savings certificates. The trustees, being trustees, cannot accept payment of interest at the reduced rates provided for in provincial legislation, and we have advised that proceedings be taken by the trustees to realize the proper amount of interest payable on each of the securities, so that court will not find fault with the trustees for not having attempted to realize the interest justly due to the trustees.

We should like to have from you, if you will be so kind, a statement whether or not, if a petition of right is presented, a fiat will or will not be granted so that the petition may be proceeded with. It would seem a waste of time and money perhaps, for the trustees to file a petition of right if the government will not permit the proceedings to be carried on.

It may of course be that the statutes passed by the legislature purporting to reduce the interest are within the legislative competence of the legislature, and that would be decided in a trial on the petition of right, and we cannot, unless you say so, conceive that the government would want to prevent the court considering the question.

Kindly advise and oblige,

Yours truly,

TAYLOR & TAYLOR.

In reply to that letter he received this letter:—

GOVERNMENT OF THE PROVINCE OF ALBERTA

DEPARTMENT OF THE ATTORNEY GENERAL

EDMONTON, ALBERTA, May 20th, 1937,

Attention W. P. TAYLOR, Esq., K.C.,

Re: Interest on Provincial Securities—F. A. Kilbourn estate.

DEAR SIR,—In the absence of the Clerk of the Executive Council I have been requested to reply to your letter of the 15th instant.

The request for fiat contained in your communication was referred to the Executive Council and I am directed to advise you that the Council has decided that the fiat cannot be granted in this case.

Yours truly,

(signed) H. J. WILSON,

Assistant Deputy Attorney General.

MESSRS. TAYLOR AND TAYLOR,
Barrister, etc.,
277A Eighth Avenue West,
Calgary, Alberta.

The WITNESS: What was the date of that again?

Mr. Ross: That was May 20th, 1937.

Then Mr. Taylor in his letter written to me says:—

Subsequently in the month of August 1937 you will remember there was some controversy between the provincial government and the federal government with regard to banking legislation which had been passed, and the newspapers quoted a telegram which had been sent by the Honourable Mr. Aberhart to Right Honourable Mackenzie King, and in that telegram Mr. Aberhart was quoted as assuring Mr. King that the policy of the provincial government was then and at all times would be to grant fiats to any individual or institution genuinely and openly seeking redress for any injustice.

Having read the newspaper report, I naturally assumed that the government would now grant me a fiat which previously they had definitely refused to grant.

So he wrote another letter which reads as follows:—

August 19, 1937.

The Honourable the ATTORNEY GENERAL,
Edmonton, Alberta.

DEAR SIR,—

Re: *Estate of Frederick Aubrey Kilbourn, deceased.*

A short time ago we wrote you on behalf of the executors of this estate requesting a fiat to enable us to bring action to recover the agreed rate of interest on Alberta provincial bonds held by the executors to which we had a reply refusing the fiat without giving us any reason for your refusal.

We are assuming now that the government has changed its policy in this regard. We make this assumption from the wording of paragraph ten of The Honourable Mr. Aberhart's telegram of the 16th of August instant to the Prime Minister of Canada, which paragraph ten reads as follows:—

Now and at all times rest assured that it is the policy of our government to grant fiats to any individual or institution genuinely and openly seeking redress for any injustices.

We represent in this request individuals "genuinely and openly seeking redress" for an injustice.

Of course, if you grant the fiat as we expect you to now, the court will determine whether or not there is an injustice and we may say in this connection that our clients are financially able to pay costs if it should be determined in the proposed action that we are wrong in our opinion that there is an injustice.

Yours truly,

Per: W. P. TAYLOR,

TAYLOR AND TAYLOR.

The reply to that is as follows:—

GOVERNMENT OF THE PROVINCE OF ALBERTA

DEPARTMENT OF THE ATTORNEY GENERAL

EDMONTON, August 25th, 1937.

DEAR SIRS,—

Re: *Estate of Frederick Aubrey Kilbourn, deceased.*

Your letter of the 19th instant addressed to the Honourable the Attorney General has been referred to me for reply.

I am directed to advise you that the Executive Council has not altered the decision previously made, and that no fiat will be granted in this case.

Yours truly,

(Signed) H. J. WILSON,

Assistant Deputy Attorney General.

Messrs. TAYLOR & TAYLOR.
Barristers, etc.,
277A 8th Ave. W.,
Calgary, Alta.

By Mr. Thorson:

Q. There is one question relating to savings certificates.—A. Yes.

Q. Were any savings certificates paid for after July 28th?—A. You mean, July of 1935?

Q. Yes.—A. Between that time and the time the new government took office I believe the only amounts that were paid at all were those that were redeemed for taxes.

Q. Well then, that is an admission that there were payments made after July 28th, 1935?—A. You see, there would have to be some slack there because municipalities and others had already accepted these certificates in payment of taxes and they would have to be accepted by the government.

Q. I understood from you the other day that no further payments from this account had been made.—A. I said that.

Q. That there was a suspension of payments with effect as of the 28th of July, 1935?—A. That is right.

Q. Now I understand from you that some payments were made after the 28th of July?—A. Please keep in mind that if a municipality in the interim had received them for taxes, or prior to the 28th, we would have to accept them.

Q. Then they were not suspended?—A. Yes, to all practical purposes; suspended for the general public, yes.

Q. They were not completely suspended on the 28th of July, 1935?—A. Yes, except, as I said for those that had been accepted by municipalities which we were in duty bound to protect.

Q. I did not understand that the other day.—A. Not require cash to pay. Those that had been accepted by the municipalities. There would be a tapering off.

Q. I did not understand there was any tapering off; I understood there was not a flat suspension of payments?—A. There was not as far as the public was concerned.

Mr. BERCOVITCH: A suspension in cash.

The WITNESS: Yes.

The CHAIRMAN: Gentlemen, shall we adjourn to the call of the chair?

By Mr. Thorson:

Q. There is one other question relating to Mr. Varcoe's statement that I should like to ask.

Is this bank going to operate only in the province of Alberta, or will it operate all over Canada?—A. Well, it is the intention of the government to operate the bank entirely within the province of Alberta.

Mr. KINLEY: The bill does not say so.

The WITNESS: No, the bill does not say so.

By Mr. Thorson:

Q. The province has taken power to operate this bank elsewhere. There is the question which I just put on the record, and perhaps the attention of Mr. Varcoe will be directed to it, that that would enlarge the provincial powers to a certain extent and enable the province to operate outside of its own boundaries. Now, is it competent for the dominion parliament to pass legislation that will enlarge the operative powers of the province beyond its own boundaries? I would like that question to appear on the record, and perhaps someone will direct Mr. Varcoe's attention to it so that he will give an expression of opinion on it.

The CHAIRMAN: Mr. Tompkins will attend to it.

The WITNESS: I wanted to make one point clear. My evidence in connection with the fiats was based upon this information from the attorney general's department which I have here and which I attempted to enter before. I have this wire addressed to me from William Aberhart as follows:—

No fiat re debt or interest on debt has been refused. That is all that I can say because I am not the attorney general and I do not deal with the attorney general's matters. That was my information.

Mr. KINLEY: Evidently you were wrong.

Mr. ROSS: Who is that signed by?

The WITNESS: Signed by the premier.

Mr. THORSON: Who is the attorney general?

The WITNESS: Mr. Aberhart.

Mr. THORSON: The premier is the attorney general.

The WITNESS: Yes. Now, one point in connection with the suggestion that I showed contempt of the privy council. I just want to make this one thing clear and we can adjourn so far as I am personally concerned. The action that has been referred to by Mr. Ross was taken by the Independent Order of Foresters against the Lethbridge Northern Irrigation District and the province was interested because of the fact that it had guaranteed their debentures. Now, when the matter went before the privy council, after having been passed through the various stages of the Supreme Court of Alberta and the Supreme Court of Canada, the privy council did give a judgment against the Lethbridge Northern Irrigation District. They also included in their judgment that in their opinion the Interest Reduction Act passed by the Province of Alberta was ultra vires. Now, then, there was no judgment given against the province of Alberta. They did assess costs of the action against Lethbridge Northern Irrigation District which costs were immediately paid by the Lethbridge Northern Irrigation District at our advice, the government's advice. Now, when the announcement was made, naturally the press and the people all over Canada were anxious to know what effect that would have upon our policy; whether we would continue the reduced interest rate, or revert to the original rate of interest. It came just before the election. I was asked on that morning—I think you said the 5th

[Hon. Solon E. Low.]

of March, was it not—by not only the papers of the city of Edmonton but papers in Toronto and other cities, to make a statement on behalf of the government, which I did, and in that I indicated that this decision could hardly make any difference whatever to the policy because we were then paying to the limit of our ability to pay, and we proposed to continue to pay to the limit of our ability to pay. That was not contempt; it was a straight statement of fact, and I submit, Mr. Chairman, that had the judgment been handed down against the province of Alberta for that interest that certainly I would have thought quite a long time before making a statement like that; because I am sure it might have been contempt. But under these circumstances I submit there certainly was no contempt and no thought of it. I hold the institutions of Britain in the highest esteem and I do not propose here or anywhere else to run them down.

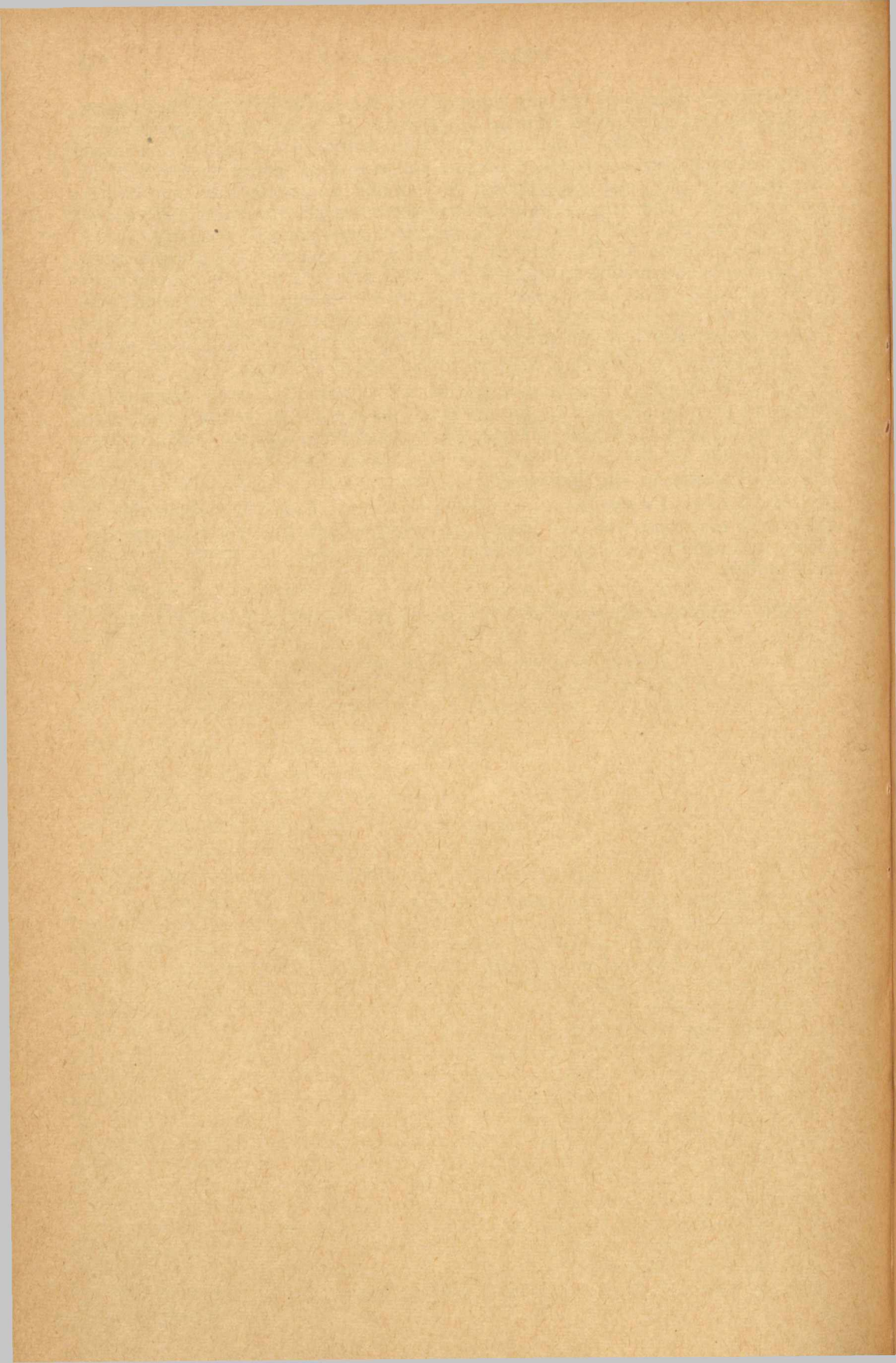
The CHAIRMAN: We shall adjourn to the call of the chair.

Mr. JAQUES: May I make a correction in the record? I could not make it yesterday because the copy of the evidence was not in our hands. I refer to No. 5, on the date of July 23. At page 122 I am quoted as saying: "Mr. Jaques: Do the banks not control politics?" Now, I meant "policies."

The CHAIRMAN: Oh, "policies."

Mr. JAQUES: I make that clear further on because I say: "I will put this on the record, that those who hold ideas of monetary reform most certainly are discriminated against; and every business man knows that." I meant "policies" not "politics."

The committee adjourned at 1.15 p.m. to meet at the call of the chair.



SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 8

FRIDAY, JULY 26, 1940

WITNESSES:

Hon. Solon E. Low, Provincial Treasurer, Province of Alberta.
Mr. C. S. Tompkins, Inspector-General of Banks, Department of Finance.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940

MINUTES OF PROCEEDINGS

FRIDAY, July 26, 1940.

The Standing Committee on Banking and Commerce met at 11.30 a.m., the Chairman, Mr. Moore, presiding.

Members present: Messrs. Black (*Cumberland*), Blackmore, Blair, Cleaver, Donnelly, Dubuc, Fontaine, Graham, Gray, Hill, Jaques, Kinley, Laflamme, Macdonald (*Halifax*), Macmillan, McNevin, Marier, Mayhew, Moore, Thorson, Ross (*Calgary East*), Tucker.

In attendance: Hon. Solon E. Low, Provincial Treasurer, Province of Alberta, Mr. C. S. Tompkins, Inspector-General of Banks, Department of Finance, and Mr. J. C. Osborne, representing Mr. D. K. MacTavish, Counsel for the Government of Alberta.

As requested by the Committee at a previous sitting, Mr. Low made a statement on the experience of the Alberta Government in connection with farm loan associations, cooperative credit, rural credit societies and other similar associations, and was questioned thereon.

Mr. Tompkins was also briefly questioned on the experience of Manitoba and Saskatchewan with respect to similar associations.

In reply to a request by Mr. Cleaver, Mr. Low made a statement on Social Credit, and was further examined.

At 1.20 p.m., the Committee adjourned to the call of the Chair.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

OF THE BOARD OF DIRECTORS OF THE

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN

HELD AT THE UNIVERSITY OF CHICAGO

CHICAGO, ILLINOIS, ON

DECEMBER 15, 1911

AT THE HOTEL MONTELEONE

CHICAGO, ILLINOIS

AT THE HOTEL MONTELEONE

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AT THE HOTEL MONTELEONE

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277,

July 26, 1940

The Standing Committee on Banking and Commerce met at 11 a.m. The Chairman, Mr. W. H. Moore, presided.

Hon. Mr. Solon Low, Provincial Treasurer, Province of Alberta, recalled.

The CHAIRMAN: Gentlemen, I am told that we now have a quorum.

Mr. KINLEY: Mr. Chairman, we have been coming to this committee now for some days. I do not know what you have in mind as to your procedure, but the inspector of banks has been here listening to the discussions. He is a man with technical knowledge and is an expert on banking. Some of us may not be able to be here again, and I, for one, should like to hear his statement, if he has one to make, at this session, so that we would have it when it comes up in the house, if it is going to come up in the house.

The CHAIRMAN: I think the matter can be arranged. However, Mr. Low has said that he desires to leave for Edmonton to-night, if possible; and I think we should give him as much time as he requires to complete his statement, particularly in view of certain questions that have been asked at previous sessions to which he desires to make his reply.

Mr. KINLEY: I hope he can make his statement without getting into that cross-fire discussion which takes up so much time.

The WITNESS: That would be fine.

The CHAIRMAN: Of course, it takes two to make a bargain.

Mr. GRAHAM: Mr. Chairman, there were two items on the evidence already submitted that I wish to ask two very brief questions on. Perhaps Mr. Low could deal with them. Would it be all right for me to ask those now?

The CHAIRMAN: I think so.

The WITNESS: Yes.

By Mr. Graham:

Q. Mr. Low, you will recall my asking you—I think at the first sitting of this committee—if the government of the province of Alberta intended that the bank should loan money to the government. You recall that?—A. Yes.

Q. You indicated it was not the intention?—A. Yes.

Q. I notice that is at variance with section 3 of the bill that is before us, because that section particularly specifies that the lieutenant-governor in council shall determine the amount that may be loaned by the bank to the province of Alberta. Surely the drafters of that bill must have had that in mind. Would you not agree with that?—A. Well, it is probable that when the drafters of the bill were busy getting this ready, they wanted to make it as broad as it was possible to make it; undoubtedly that was their aim. I know, however, from the discussions that have taken place in the executive council in the province of Alberta that their intention certainly was not to make use of the bank for making loans to the government. We realize that that would be rather—

Q. Dangerous?—A. Yes, dangerous.

Q. The inference is so plain in section 3 that one could hardly escape it, namely, that one of the intentions of the drafters of the bill was to provide for loans to the government.—A. It is like almost every other bill; it goes far beyond what they expect to practice.

Q. I agree with you generally. However, the committee will have to draw its own inferences from that section.—A. Surely.

Q. The other question which I should like to ask, with the committee's permission, is this. I have in mind that next year will be the year for the revision of the Bank Act, will it not?

The CHAIRMAN: No.

Mr. GRAHAM: What year is that?

Mr. TOMPKINS: 1944.

By Mr. Graham:

Q. There was one statement you made which, of course, raises an important question, generally speaking; that is to say, as to whether Canadian banks are or are not properly performing the functions that are expected of them under the provisions of the Bank Act. You will recall you quoted the specific case of a dairy man?—A. Yes.

Q. I think it is on page 6 or page 8 of the evidence.—A. Yes.

Q. Who, in your opinion, was an outstanding case of a man in a liquid position—of good character, I presume—and who was refused proper credit? Would you agree either to put on the records of the committee or give to the chairman in confidence the specific name of the individual and the time at which that application for a loan was made to a bank, whose name you could also either put on the record or give to the chairman?—A. Well, Mr. Chairman, I would not care to give his name to the committee until at least I have had a chance to ask his permission to do so.

Q. I see.—A. Now, Mr. Chairman, the night before last I did give to Mr. Tompkins, as inspector general of the banks, another specific instance, with name and time—not by way of complaint but by way of illustration of the point that I was making. I am prepared to follow that one through with him in order to establish my point.

Q. The only trouble is that you, like myself, will know that you could get a great number of people who vaguely suggest that the banks will not loan?—A. Yes.

Q. You have given the specific case of an individual whom you designated as a dairy farmer, I think you said?—A. Yes.

Q. And it lacks weight unless we have those particulars.—A. True. As I told you, of course, at the time, Mr. Chairman—and made it quite clear, I thought—so far as the evidence that he gave me was concerned, it appeared that they had restricted him. But this other one I should not like to bring in, because it comes pretty close to home. I gave it, however, to Mr. Tompkins, and he advised me as to the best way to handle it. I am sure of this one—I am positively sure—but I was not using it as an illustration before the committee.

Q. Perhaps you might ask for that permission at your pleasure?—A. I will; and if he does not mind, I would not mind doing so.

Mr. THORSON: Does anything turn on it?

Mr. GRAHAM: Yes, a very important matter turns on it. Sooner or later this committee will likely have the duty of revising the Bank Act. We should like to know the specific cases that he mentioned where the banks are not performing their duties.

Mr. THORSON: Well, yes, when that comes up.

Mr. GRAHAM: But these are specific cases which we have an opportunity of getting. However, we will let it rest there.

[Hon. Solon E. Low.]

The WITNESS: In that connection, I might say that an important point is this. I wanted to throw this out definitely to the committee at the time—and I believe I did mention it somewhere in the evidence: the banks as now constituted dare not make loans for productive purposes in branches of production where there are now large surpluses which apparently cannot be purchased. They dare not.

By Mr. Thorson:

Q. You mean surpluses which cannot be sold?—A. Yes, that is right; which cannot be sold or cannot be purchased.

By Mr. Graham:

Q. They may make them, but you mean they cannot safely make them?—A. Well, they dare not make them.

Q. Why?—A. Because as they are now constituted they have to make earnings or profits to pay shareholders and so on. Their shareholders hold them responsible.

Q. But they have the power?—A. Well, perhaps they do. There is another thing I do want to point out in fairness to the banks and everyone else concerned. We know that an isolated manager, or even a fairly large number of managers may use their own judgment to the detriment of someone who requires credit and who is a good risk. That is often the case, and many cases have been checked up by the head offices of the banks. We know that is possible, and I think I have never heard of one single case yet of such a nature that has been reported to the head office of the bank which has not been checked up properly. I must say that in fairness.

The CHAIRMAN: Will you now proceed with your statement, Mr. Low?

The WITNESS: Yes. I think it was Mr. Thorson who, the other day, brought up the question of the experience of the Alberta government in connection with the loaning of moneys. He asked especially for information on the co-operative credit societies and things of that sort. I should like to supply that information to the committee.

By Mr. Thorson:

Q. And farm loan associations, rural credit societies and the like.—A. Yes. That is fine. In the province of Alberta we have two particular types of associations to which I should like to refer—and two only, so far as I can ascertain through carefully studying the whole set-up. The one is that of co-operative rural credit societies and the other feeder associations. Those are the only two of that type that we have. The co-operative credit societies were set up, I think, in 1920, although the actual year is not quite clear in my mind. However, it was about that year. They were set up by act of the legislature. This act provided for the setting up of co-operative credit societies in various centres all over the province. They were to be composed of not less than 15 members. These societies were empowered to borrow from the banks certain sums, guaranteed by the province. During the period from approximately 1920, when they were set up, until 1931, a great many individual societies were organized, which functioned in the province in the matter of obtaining for their members medium and short term credits on various bases. Those credits were used to finance the farming operations of the members of the societies. They were carried on under the supervision of a supervisor of co-operative credits who was attached to the treasury of the province of Alberta. All the loans were guaranteed, as I said, by the province and security was taken on the chattels of the farmers to whom the credits were given. The society itself was a sort of bulwark, as it were; that is, they

were made responsible for the granting of the loans to the members of the society, because they were closer to them; and they were responsible, more or less, for the collections—putting pressure upon them for collection. By 1931 it was found that the individual societies, in a large measure, had failed to put sufficient pressure upon their people or had advanced too much money to these people, and therefore were in a bad position. In order to correct that—

By Mr. Thorson:

Q. How bad was the rural credit position? That is really rural credit?—
A. Yes. It was a co-operative organization.

Q. How bad was the position?—A. They had liabilities of well over a million dollars at that time which they could not collect, apparently. In 1931, then, as a means of trying to better the situation, the old Co-operative Credit Act of 1920 was repealed, and a new act called the Alberta Co-operative Rural Credit Society Act was put through, a copy of which I have here. Since that time two or three amendments, some of rather inconsequential importance, were put through. The big change that was made in that year was one providing for the setting up of a central co-operative credit corporation which would have membership composed of all the co-operative societies of the province. It provided for a capital structure supplied jointly by these associations to the amount of \$2,250 each; and, of course, they were to get the subscriptions from the members equally by selling shares to them, and the government was to put up 50 per cent of the capital structure of the corporation.

They were to set up a reserve fund, according to the Act, an adequate fund to take care of any possible losses under the set-up of the corporation.

They began to improve somewhat until about 1936, and here was the position. I am giving you the last three years in order to indicate the improved position and how they are being carried on at the present time.

By 1936 the balance outstanding under the old Act and the new, of 1931, was \$1,574,625.12, of loans guaranteed by the government which we were liable to have to implement.

In that year, however, a new policy was introduced. The supervisor of cooperative credits was made to work more closely with the treasury and its new program of collections which I have already mentioned. In that year loans were granted and supervised by this supervisor of co-operative credits, Mr. Hawkins, totalling \$83,408.54 to approximately thirty-seven or thirty-eight societies scattered throughout the province.

They received in payments at the end of that year \$145,000 approximately, which shows that they pushed their collections and got back at the end of the year more by a considerable amount than they had loaned. That position was maintained right through to 1939, the last year for which I have figures.

In 1937, \$33,060 was loaned, and \$99,364 recovered.

In 1938, \$39,827.38 was loaned and \$121,031 recovered.

In 1939, the last year, the loans totalled \$80,264.85 and \$87,521.30 was recovered.

The position of the credit societies of the corporation itself has come to the point where we are not recovering, as I pointed out, more each year than we are loaning, and we are liquidating a number of the societies that have asked for liquidation and have become inactive. But it looks now, Mr. Chairman, as if, when we have the whole thing wound up, the province will stand to lose something between \$600,000 and \$800,000 on the old loans.

I must point out that during the past few years, since the policy has been seriously pushed to see that collections are made promptly, the position has improved; and it certainly is assisting a large number of farmers to finance their production who otherwise perhaps could not do so.

[Hon. Solon E. Low.]

Q. Have there been any write-offs in Alberta by way of commissions established for that purpose?—A. Yes; as a matter of fact, a great number. I will not say a great number, but I will say a fairly large number of these accounts have been taken before the Farmers' Creditors Arrangement Board, and they have been quite free, Mr. Chairman, to slash this sort of debt.

We have protested, Mr. Chairman, on several occasions to the commissioners and have shown reason why these should not be put in a secondary position to other secured loans, and they have given us a little better deal these last few months.

Q. I suppose a good many of the chattel mortgage securities have really disappeared?—A. Yes, they have. As these chattel mortgage securities disappeared or became more and more valueless as the days went on, we tried to transfer our security to land itself.

Q. I suppose you have made compositions with the—A. Oh, yes, we are making those every few days, as a matter of fact. A man who borrowed from his society a large sum of money, we will say, back in those rather opulent days in 1928 and 1929, and comes to us with an honest, straightforward story and shows us what he is capable of doing, we certainly would help him by reducing his indebtedness and accepting whatever he is able to offer.

Q. Are you including in your loss of some \$600,000 to \$800,000 these compositions that were made from time to time?—A. That is right, because we must keep this in mind, that when the loans were made at the bank by the society itself we had to guarantee them, and whenever a composition is arranged with any creditors we have to implement his loan immediately to the bank.

Q. So that you are discharging your guarantees year by year?—A. That is right.

Q. And those are losses?—A. That is right.

Q. And the total of those losses—A. Will be somewhere between—

Q. \$600,000 and \$800,000?—A. Yes.

Q. Have there been any write-offs by provincial commissions apart from the write-offs that have resulted from hearings before the Farmers' Creditors Arrangement Boards of Review?—A. No, except the composition of the debt in individual cases.

Q. In individual compositions?—A. That is right.

By Mr. Graham:

Q. Mr. MacTavish indicated to the committee that you would be willing to have the directors changed from the members of the government to other individuals?—A. That is right.

Q. As a corollary to that, would you be willing then to take out of the bill the sections that exempt the application of other sections of the Bank Act?—A. I do not quite follow the last part of your statement.

Q. As it stands, of course, you have asked for these exemptions because it is a government bank?—A. Yes.

Q. That is correct?—A. That is right.

Q. But if you were putting in merely individuals as directors, then it would be the ordinary type of bank?—A. Hardly, because even with a board of directors appointed by the Lieutenant Governor in Council outside of the present executive council members surely the shares would have to be vested in the provincial treasury still.

Q. I see your point. You would mean the directors to be a board of trustees, as it were, for the government?—A. That is right.

By Mr. Thorson:

Q. I take it that Mr. MacTavish made the point that it was quite in order to eliminate the specified sections of the Bank Act from this particular bill in view of the fact that this was to be a publicly-owned bank?—A. That is right.

Q. With public ownership in the name of the province?—A. That is true. May I continue with the statement which I was making?

Mr. THORSON: Yes.

The WITNESS: In addition to the ordinary co-operative credit societies, we introduced by this same bill of 1931 what are known as sugar beet societies. There were only two of these organizations, the Sugar City and the Taber Societies. Each year loans have been made guaranteed by the province and supervised by the supervisor of a co-operative credits attached to the treasury, and this proved to be rather a happy experience. In every single year since they were organized we have been able to bring about full collections of all the advances made during the year. This statement which I now present to you takes in the last three years, the same as it did in the case of the co-operative credit societies. The loans made to these sugar beet societies were as follows:—

In 1936 the loans granted totalled \$59,010.29. Payments received amounted to \$59,731.63.

In 1937 the loans granted totalled \$56,795.72. All were collected with interest at the end of the season.

In 1938 loans granted totalled \$61,468.20, and all were collected at the end of the season.

In 1939 the loans granted totalled \$63,612.04. All were collected at the end of the season.

It has been managed very well and now seems to be on pretty even keel.

By Mr. Graham:

Q. What rate of interest do you charge on those loans?—A. The banks set the rate of interest at 7 per cent originally. We have been negotiating with them constantly, and I think just recently they reduced the rate of interest to 6 per cent.

Q. To 6 per cent?—A. Yes. We must not forget, of course, that these were guaranteed loans, but they had to be managed by the co-operative credit corporation and the supervisor in close association with the treasury of the province, just the same as if they had been loans of public moneys. The banks, of course, made the loans and set the conditions.

By Mr. Thorson:

Q. Have you had anything in the nature of provincial mortgage loans?—A. No, we have not yet.

Q. Alberta did not start them?—A. No; we had not anything of that kind.

Q. Some of the other western provinces did?—A. Yes, some of the other western provinces did.

Q. Manitoba, for instance?—A. Yes. We did introduce, during the life of this present administration, the Feeder Associations Act. As a matter of fact, in 1937, I had the responsibility of putting through that Act providing for government guaranteed loans to feeder associations in the province. The Act was so arranged that the moneys were borrowed by the associations for farmers who had, we will say, an abundance of feed, but who had not the working capital to buy stock to use up this feed. It was obviously a good move to place in their hands in some manner stock that could use it up. Through this process the stock could be fattened and put on the market in a finished condition. Alberta had for many years a large quantity of stock that was not finished, and, for that reason, there was not a stable market for it or a stable demand. We felt that it would be wise to stabilize that demand and give them a constant supply of that finished type of beef.

We arranged, then, that loans might be made by the banks to these associations, the loans to be guaranteed by the province, and the amount was to be limited to not more than \$100,000 to each feeder association. Then the

[Hon. Solon E. Low.]

association apportioned them out among their own members as they required them and as they had feed to supply the need. We did not supply money at all through this method for the purchase of feed, it was for the purchase of cattle. It was predicted on the belief that each of the members of the society had his own feed. That has been a happy experience as well.

We have very carefully supervised that through the Department of Agriculture and the treasury, and since the formation of these societies every single loan has been repaid to the bank with interest. The government has not yet had to implement one dollar. And I just received information this morning that last year we guaranteed these loans for feeder uses to a total of \$735,684 during the past season. In that time 15,390 cattle and 20,594 sheep were handled by the association. The full amount of the loans, with the exception of two small loans, had been paid up by the end of June which is the cut off date, and we are advised by the bank that the amount outstanding had been adjusted by the bank and that they had full expectation of collecting them. They were simply two small lots of cattle that were not ready for marketing at the time of the cut off date and an extension of time to accommodate the circumstances was made.

Mr. GRAHAM: Years ago the Canadian chartered banks did likewise in Saskatchewan but they took a terrific trimming when they ran into a year in which there was no feed and no feed or cattle put on the market.

The WITNESS: Yes.

Mr. GRAHAM: You might get that experience.

The WITNESS: Of course, we are watching that most carefully to see that the amount advanced to each member of the society is strictly limited to his ability to handle, and we watch to see that he has sufficient feed to take care of the number of cattle that he buys. We also have organized the purchasing of these cattle and shipping, particularly of lambs that are to be fattened, by having supervisors of these associations appointed by the government, and the supervisor tries to eliminate as far as possible competition in the buying; because where we have a number of associations all over the province, twelve or fifteen, each bidding to get these cattle, up go prices; so we are trying to eliminate that by having purchases made pretty much by one supervisor.

Mr. GRAHAM: Yes.

By Mr. Ross:

Q. You say all these loans have been repaid; how have they been repaid in cash or by renewal notes?—A. Cash, in every case; subject however to this qualification which I mentioned, the two outstanding loans which are just two small loans.

Q. What would be the amount of those small loans?—A. They would be for just a few hundred dollars.

Q. Just for a few hundred dollars?—A. Yes.

Q. Well, you were speaking of guaranteed loans, you also lend direct in some cases, do you not?—A. To the feeder association.

Q. No, I am not speaking of feeder associations—but of industries; you make loans direct?—A. No, we do not.

Q. Nothing at all?—A. I presume you are speaking of the practice under the treasury branch scheme.

Mr. THORSON: And the purchase of materials.

The WITNESS: We purchase materials for resale. I might just explain in this connection that we did succeed in handling two feeder associations last year through the treasury branch set up, by paying for the cattle and placing them in the hands of the association, holding them responsible for the feeding

and so on, under careful supervision though, and then when the cattle were sold we reimbursed the treasury branch the amount of the advances, and the profit went back to the association less the carrying charges.

By Mr. Thorson:

Q. That is, you used the treasury offices not only for the promotion of industry of industrial enterprises but also for live stock?—A. That is right; and we have recovered the total advances made that way.

By Mr. Ross:

Q. It is through the treasury branches that you do advance money direct?—A. Not a direct advance of money there, it is a purchase for resale.

Q. You do not advance money direct in any case except through the—
—A. Purchase of goods.

Q. Is that correct?—A. That is correct, sir.

By Mr. Graham:

Q. Incidentally you gave a couple of examples, you will recall, where it actually did help?—A. Yes.

Q. Where it did help?—A. That is right.

Q. And you had, I suppose, some adverse experiences?—A. Not yet.

Q. Not yet?—A. We have not had one single adverse experience yet.

By Mr. Thorson:

Q. What have been the experiences of the other western provinces in the lending of money?—A. Well, I am not completely familiar with the experience of Saskatchewan and Manitoba in that respect. I would not feel competent to give any description of that here this morning.

Q. You would have a general idea?—A. I think I would rather have someone from Saskatchewan or Manitoba who is familiar with the whole thing give that, rather than to try to give that myself, but I have a general idea, yes, sir; but if I start to give my impression of it it will simply be an opinion and I would not like to do that. Now, is that covered?

Q. That covers it as far as your province is concerned. I wonder whether Mr. Tompkins has any knowledge of the situation in Manitoba and Saskatchewan, and the experience of those two provinces in respect to lending schemes that may have been initiated from time to time such as the Farm Loan Associations, the Rural Credit Societies, the sow schemes, the cattle schemes, and generally the lending of public funds to individual persons?

Mr. TOMPKINS: The only occasion that I had to give that any close study was in 1930-1931 when there were hearings before the Banking and Commerce Committee of the house, the order of reference having to do with interim credits for agriculture.

Mr. THORSON: Yes.

Mr. TOMPKINS: At that time I collected some information from Manitoba, Alberta, and Ontario, and I believe I secured some information from one or two of the other provinces and also from the institutions known as the Caisses Populaires in Quebec. This, of course, is very much out of date now and it doesn't include any information concerning the mortgage schemes conducted for example by Saskatchewan—that is the land mortgage.

Mr. GRAHAM: You refer to the Saskatchewan Farm Loan Board.

Mr. TOMPKINS: Exactly.

Mr. THORSON: And they have something to do with farm loans.

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Mr. TOMPKINS: Yes. At that particular time we were endeavouring to concentrate on the question of short term credits, and at that time the Manitoba situation was disclosed in a brief way and included the well known fact that they had sustained substantial losses in connection with that particular scheme, but, as I say, this information is very much out of date, and when it comes to attempting to give the committee anything up to date or any up-to-date figures in connection with the matter I am not in a position to do so. I have a fairly general knowledge of the experience of some of those provinces, but it is too sketchy to be of any real value and it would not be quite fair to put it on the record.

Mr. THORSON: I do appreciate, of course, that it would be general, unless you had your information up to date, but for what it is worth you could give us the general experience, not confined perhaps to any one province, but the general experience in this country regarding the loaning of money by provinces to individual citizens.

Mr. TOMPKINS: All I could say would be—and I think I would be within the mark in saying—that their experience has been an unfavourable one, but beyond that I simply could not attempt to express an opinion.

Mr. THORSON: I appreciate that you could not give particulars.

Mr. TOMPKINS: I think that is a perfectly fair and proper statement, but I would not care to go beyond that.

Mr. THORSON: But the general experience has been unfavourable?

Mr. TOMPKINS: Unfavourable. Certainly in 1931, when the question of intermediate credits was discussed, Manitoba, which Mr. Thorson has specifically mentioned, came up, and that was the experience noted. Figures were placed on the record in connection with that situation and they will be found in the record of proceedings and evidence of the committee of that year in regard to the particular reference on intermediate credits for agriculture. I do not imagine it would be of any particular value to place anything from that record on the record here.

Mr. GRAHAM: Obviously, since that would only take into account up until the end of 1930.

Mr. TOMPKINS: 1930, yes.

Mr. GRAHAM: It would be rather favourable as compared with the present on account of conditions that have existed.

Mr. TOMPKINS: It might be so regarded; although, as I say again, Manitoba had a particularly unfortunate experience in the short term credit scheme.

Mr. THORSON: Had the Manitoba commission at that time made its report in which they recommended the writing off of a very large amount?

Mr. TOMPKINS: I think the proceedings that I mentioned—

Mr. THORSON:—refer to the write-offs made by the commission. Perhaps it is not necessary to go further into that.

The WITNESS (Mr. Low): Now, Mr. Chairman, the success that has attended the efforts of the Alberta government, and I suppose of other governments as well, in connection with the loans under societies of the type that I have mentioned since 1935 or 1936, surely is evidence of what might be accomplished if we had far greater credit resources at our disposal. They could be managed in much the same way and with much the same success. We have in our province great and varied resources; and I want to stress the latter, varied resources; of which the members of this committee are certainly aware. Now so many more things could be done by organization, carefully, within the province, in a manner similar to the organization of these societies. I want to just point out one or two very quickly that could be, and which may be as we develop.

I refer first to the egg situation in the province. You know there were produced last year in Alberta about 30,000,000 dozen eggs of which about 85 per cent are consumed within the province; which means that we have to seek a market outside of Alberta for only about 15 per cent and all these eggs we sent in the form of cracked, frozen, storage and so on to England and other parts of Canada. The price is fixed in the Montreal market on that 15 per cent but the market price for the other 85 per cent is pretty well fixed within the province itself because of the consumption there. Now, during the high production season from February to about June the great volume of this 30,000,000 dozen comes flowing in from the rural centres to the urban centres for storage and they are bought up through the usual channels; the little merchant takes them in in exchange for goods and so on; they are collected there and graded and stored and they come into the cities for storage; then during the low production season they flow back from the urban centres to the rural centres through almost the same channels and are sold to almost the same people who produced them but at an enhanced price. The spread last year in Alberta between the producer and the consumer price was 13 cents a dozen with the result that the producer realized an average of about 9 cents a dozen for his eggs and the consumer paid an average of 22 cents a dozen for those same eggs during the low production season. Now, that obviously is an unfair spread. Surely the producer is entitled to a larger percentage of the consumer price.

By Mr. McNevin:

Q. Which grade would that be for? Are they sold ungraded?—A. They are sold graded, they are graded carefully in Alberta under the Act.

Q. That is the average?—A. Oh yes, I had to give averages prices here, sir, surely. Now, what might be done. The Marketing Act put through by the present administration provides that the Department of Trade and Industry can designate the channel through which the marketing of any of these natural products should be done; must be done. It also provides that producer boards may be organized and set up for the purpose of orderly marketing of those natural products.

Q. Those producer boards sit in with dealer boards?—A. With which?

Q. Those producer boards sit in with dealer boards?—A. They may; they would have to, I suppose, in working out their problems; they do, at any rate with the supervisors of the various departments of government, particularly agriculture and trade and industry. It would be quite possible, would it not, to organize or to assist the producers of eggs in the province to organize as a producer board; and if they were completely organized it would be quite possible too, to invoke the second part of the Marketing Act in their favour, designating the channels through which the marketing of eggs must go, similarly to marketing legislation, particularly in British Columbia, that was held *intra vires* of the province of British Columbia.

Now, having done that, then it would be possible if the credit resources are there to assist these producer's boards to finance the purchase of the eggs in the high production season and store them until they were needed back in the country in the low production season in some such manner as this. Perhaps the treasury branch scheme which is a great cooperative arrangement of the people, perhaps the surplus of funds on deposit, after providing for a safe reserve to meet the needs of withdrawals from day to day, could be used to assist the producers of the eggs to purchase those and store them and market them back to the consumers in the low production season.

Q. Do not the marketing boards that are operating in British Columbia operate under existing banking facilities?—A. I believe they do.

Q. And operate without any monetary assistance from the province of British Columbia?—A. I am not sure, of course, just how their internal arrange-

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ments are made; but I want to carry on, at least, to show what can be done.

Q. They operate under their own power through the existing facilities?—A. As far as I am aware.

Q. Through the existing credit facilities?—A. Yes; but I am now referring to what could be done by the people themselves through their own set-up.

Q. They did not need any provincial bank, did they?—A. They may use it. That is all I am pointing out. It could be used at a saving to them. Now, on the days that the eggs come in through those designated channels the market price perhaps could be paid to the producers on the basis of the grade and so on and a participating certificate could be given to them on the basis of the same quantity and grade and when the year's work is over and the cut-off day has been reached and with no carryover—that must be kept in mind, no carryover into another year—then the profit could easily be distributed back among the producers according to those participating certificates.

Q. Mr. Low, my suggestion to you is that if you worked out a proper marketing scheme you could finance that scheme under the existing bank facilities.—A. Perhaps you could.

Q. You do not need a new provincial bank.—A. Perhaps you could.

Q. The experience of British Columbia proves that.

The CHAIRMAN: Finance it on its merits.

The WITNESS: That is all probably true.

By Mr. Thorson:

Q. On the soundness of the marketing scheme?—A. That is all I am suggesting could be done. The people then would do the financing and the benefits if any would accrue to the people and not to the bank. That is what I am trying to point out; and by the method I have outlined the people could actually help themselves, and not only help themselves by any profit that would accrue from the financing of this project but they could also return to the producers of eggs we think as much as five cents a dozen more than the average price.

Mr. McNIVEN: I would say, Mr. Low, that in a similar—

The CHAIRMAN: May I explain to Mr. Low that Mr. McNiven is an expert in co-operative movements in the province of Ontario.

Mr. McNIVEN: I do not want to proceed under that role at all. In the province of Ontario in connection with purely farmer-owned co-operative companies the egg business has been handled co-operatively for a number of years. The joint stock in that company has been practically all owned by the farmers. Egg circles were organized and set up in many different parts of the province. The eggs came into the grading stations which were opened and operated by this company. Receiving stations were established, and there was not the slightest difficulty in financing it in the period in which it was operated. The company received the eggs and paid an interim payment to the producers of the eggs. It took them in and stored them in Toronto for a period. Then they were resold and the producers were repaid at the close of the season what was left. The peculiar part of it was that after a number of years' experiment nearly all the producers went back on the basis that they wanted to sell outright. There was never any difficulty in securing adequate finances to carry on that scheme as far as the banks were concerned.

The CHAIRMAN: You will observe that Mr. McNiven has justified my certificate of character.

The WITNESS: That is all right. I appreciate that and his information is surely valuable.

The CHAIRMAN: May I ask you if the farmers of Alberta have not learned how to store any of their eggs in the off season?

The WITNESS: Well, they know, perhaps, but facilities for storing seem to be concentrated in the cities.

Mr. THORSON: It must be.

The CHAIRMAN: We store our eggs.

By Mr. Graham:

Q. You told us your co-operatives are able to get their money from the bank at seven per cent.—A. That is right.

Q. We all agree that is a pretty high rate with a government guarantee behind it.—A. Yes.

Q. You point out to us that the last scheme would have the chief purpose of returning profits to the people.—A. That is right.

Q. From the information you have given to this committee I would take it that you have not been able to operate these treasury branches at seven per cent.—A. Well, now, that is exactly what I was coming to. This suggestion that I make would be one way of accomplishing that very thing.

Q. No. This is my point. Take your treasury branches and compare them with the method that you have set up there of assisting the people. Do not you agree with me that the record of the results of your treasury branches show that you would impose on somebody a charge greater than seven per cent? —A. No, not necessarily.

By Mr. Cleaver:

Q. Have you a statement yet on the operation of the treasury branches? —A. Not of the individual ones, no.

Q. Have you any general statement?—A. I am waiting for the statement of the operation of the individual ones and the whole set-up. I have not yet received that. As a matter of fact, it contains considerable information and would require some time to compile.

Mr. BLACKMORE: May I just interrupt. What Mr. Low is proceeding to do and working up to is giving a talk on social credit. Now, we have used up fifteen minutes of his precious time on this question—a valuable question—but he is not discussing treasury branches at the moment; he is working up to the question which Mr. Cleaver asked.

By Mr. Hill:

Q. The success of the treasury branches depends on the gross amount of business?—A. That is right. I was only using this as an illustration of what could be done, using the present credit resources of the people of the province in a co-operative way; that is all. I did not say that they could not finance it at the banks, nor did I intimate that.

Mr. GRAHAM: I am only suggesting to you that that will be the ultimate result.

The WITNESS: Yes, and by using the means such as I have just mentioned in connection with the marketing of eggs, I pointed out another channel through which we might move in assisting the treasury branch system to pay its own way.

By Mr. Graham:

Q. I agree that as the scheme expands the cost is lessened per unit but from 1938 to 1940 I would suggest the information that this committee has received is that you are proceeding on a more costly method of achieving the purpose than the use of the bank even at seven per cent.—A. I would not admit that at all until such time as we are—

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Mr. THORSON: With due deference to what Mr. Blackmore has said I think it would be more pertinent to a discussion of the present bill if we directed attention to the desirability of setting up another provincial institution for short term credit in view of the fact that the general experience of Canada has been unfavourable in the operation of provincial short term credit experiments. Would it be desirable to start upon another large scale venture of provincial short term credits, in view of the general unfavourable experience that this country has had of provincial short term credits?

The WITNESS: Well, now, Mr. Chairman—

Mr. THORSON: I really think that is perhaps quite pertinent, and I appreciate Mr. Blackmore's desire that you could give us a lecture on social credit.

The WITNESS: Just in that connection I would like to say this—

Mr. THORSON: I do not mean that offensively. I think it is more pertinent to explore that question.

The WITNESS: I do not want to take the time of the committee on anything that they do not want to hear; I want to serve you in any way I can while I am here; but I did prepare in answer to the questions that Mr. Cleaver asked a short illustration and it is an illustration of exactly what social credit is, and I am prepared to give that if you will allow me the time.

Mr. THORSON: Perhaps we had better have it, in view of the fact you have prepared it.

The CHAIRMAN: It is the wish of the committee that you make that statement.

The WITNESS: Now, in order to be able to do that and to get a comprehensive picture before the committee I will just rush through as fast as I possibly can so not to waste any time. I should like to carry through the illustration without too many interruptions so that we may follow it.

Mr. HILL: Without any interruption.

The WITNESS: Any questions you ask I shall be happy to try to answer. I may not be able to answer every one of them but I shall try my best. I should like to commence with a number of references to the story of the Guernsey island experiment. That little book (holding it up) is available in the library here. It was written by J. Theodore Harris and is called "An Example of Communal Currency." The Guernsey island people were quite few in number, comparatively speaking, only 32,000, and they lived in a country that did not have a great variety of resources such as we might have in one of the provinces of Canada. They were not wealthy people, comparatively speaking. Each one of you may examine the record for himself and make up his mind on the whole thing after the book is read. I shall repeat the name of the book again. It is "An Example of Communal Currency," by J. Theodore Harris. It is to be found in alcove A of the library. It was published in 1911. The book was published after a careful examination of the archives of the government of Guernsey island. The book does not try to justify, nor does it try to reason; it simply gives the straightforward facts of the case as taken from the archives. After the Napoleonic wars these people came to a point in their history where they required a new market house where the people could gather and carry on their marketing. When they examined into the cost of providing this market house they found that there were three sources from which they could obtain the money. It happens that the three sources which they discovered were exactly the three sources which were mentioned by Mr. Towers when he testified before the committee on banking and commerce in 1939; that is, the government could have obtained the money through taxes or through borrowing or they could have created it. They had the power to create it. If they had followed the first means, quite obviously it would have destroyed or would have decreased the amount of purchasing power which the people had and they wanted to get

away from that. If they had followed the second method, that of borrowing, it would have increased their debt and, naturally, the amount of interest which they had to pay on it; and they did not want that. So the third alternative of creating money presented itself.

After a good deal of careful consideration the government of the island decided to create—print—three thousand one-pound notes for the purpose of building the market house. With respect to this third method, as I said, there was considerable discussion, considerable cogitation and study. Finally, Daniel De Lisle Brock, who was the leader of the group favouring the creation of the bills, came forward and argued the thing out pretty clearly before his colleagues. He contended that to create this money would not cause inflation. Doubtless he had discovered a certain truth, which has since been discovered and expounded by a great number of different economists; but he doubtless urged that inflation is a rise in price which results from a relative scarcity of goods. In so contending, he doubtless had discovered the truth which was later expounded quite well by the Right Hon. Reginald McKenna early in 1940. I refer particularly, Mr. Chairman, to the Supplement to Bank of Montreal Business Summary of February, 1940, in which the Right Hon. Reginald McKenna says this about inflation:—

Inflation, if it comes, will be due to the growth of consumption, civil and military together, beyond our capacity to produce. The military demand must be satisfied, and in the long run, if no other means can be found to bring the total demand for goods within the limit of production, inflation, with its accompaniment of rising prices, sets in as an automatic check on civilian consumption.

The same truth was expressed in this very House of Commons by my colleague, Mr. Blackmore, as reported in Hansard, 1939, at page 1661. Mr. Blackmore states this:—

The minute you get more money in circulation, let me repeat, than enough to do the work of distributing goods and services which are abroad in a country to be distributed, then you have inflation, and not a minute before.

Mr. DUNNING: That is correct.

An eminent authority of the standing of Mr. Dunning certainly would not agree that that was correct unless it was correct.

Mr. THORSON: Oh, that was a flash statement.

The WITNESS: Daniel De Lisle Brock, who was the bailiff of the government of the day in Guernsey, being so well informed, was able to win over his opponents; of the island legislature—which I might point out, Mr. Chairman, was a pure democracy—so that they voted to permit the printing of the bills—three thousand one-pound notes—with which to build the market house.

They appointed at the time a commission of three members, one of whom later came to be a director in one of the banks organized on the island. They proceeded then to print the notes and supply the money, creating it under their prerogative or authority. By 1829 I might point out that there were in circulation in the island of Guernsey 48,000 of these £1 notes or, at least, £48,000 of state created money. It was later determined by the commissioner, after very careful study of the affairs of the island, that there could have been created and circulated £90,000 of this type of money without any disturbing or ill effects. The question naturally arises: Why were there no ill effects? As I said, in 1816 they had created the three thousand £1 notes for the purpose of building the market house, and put them into circulation. Why were there no disturbing

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or ill effects? In the first place, to help us to understand and to simplify the whole matter, I would suggest that we take a £1 note and follow it through.

In the first place, that £1 may have gone to purchase stones from the quarries; and there was an abundance of stone on the island of the type that they wished for building the market house. When the £1 note was used to purchase the stone, it did not increase the price of stone, because there was plenty of stone on the island. The workman to whom the £1 note was paid for getting out the stone very likely took that £1 note and purchased butter with it. In receiving the £1 note for his wages, it did not help to cause any ill effect or increase in wages because there happened to be plenty of employable people, just as there are to-day; there was unemployment, and as long as you have unemployment you do not cause a rise in wages by simply employing some of those people. The workman then took the £1 note and perhaps he might have bought butter. But the purchase of the butter with the £1 note did not cause an increase in the price of butter, because there was plenty of butter. The merchant was able to buy butter from the farmers and everybody was happy. The merchant perhaps may have decided to buy one of those fine Guernsey Island heifers. There were plenty of Guernsey Island heifers, and therefore the supply was not limited and the price did not increase. The farmer who sold the heifer may have decided to buy some grain, but because there was plenty of grain there was not an increase in price; and so on add infinitum. That was the internal situation.

The next thing, of course, would be the external situation, the exchanges,—going back to the man who received the £1 note in return for getting out the stone to build the market house. Suppose he wanted to buy a hammer which was not made on the island. Obviously he would have to go to a merchant who had hammers, who may have had to buy those hammers in England. Obviously the merchant who received the £1 note in return for the hammer could not send the £1 note to England, because that type of currency was not acceptable or may not have been acceptable in England, just the same as Canadian currency may not be acceptable somewhere else, say in Holland.

By Mr. Graham:

Q. No country ever does accept the currency of another.—A. Surely. So that quite obviously he would have to buy foreign exchange to obtain those hammers. This foreign exchange simply means that he would buy English pounds, English currency; but in buying that, it would be exactly the same process as buying butter or cucumbers or some other product of the island of Guernsey, of which there was an abundance and trading it to Britain for the hammer. That is all there would be to that.

By Mr. Dubuc:

Q. With what will he pay; he cannot use his £1 note?—A. He paid for the hammer with his £1 note; the merchant had to replace the hammer so he bought foreign exchange.

Q. With what did he buy the foreign exchange?—A. The £1 note.

Mr. GRAHAM: He bought it with goods. You have to buy it with goods.

The WITNESS: Well, that is what he did, he bought butter or eggs or anything else you like, which they had in abundance in Guernsey Island. It was the same thing as buying butter in the island and trading it. Now, this butter, or whatever he did buy, was traded for the hammer in effect, and the transaction would not cause inflation within the island nor disturb the exchange, quite obviously because there was plenty of that type of material.

Now let us assume that England, we will say, would not or could not accept the butter. Let me say that to-day we are passing through something like such a situation in respect to our own wheat surplus. In those days I might

point out that they were living in an age of scarcity generally and not an age of great surpluses, such as we have to-day. That is the chief reason why they did not run up against the sort of problem we confront. We to-day would have to take copper, zinc or some other of our products that our neighbour nations would accept, and trade them for imports.

Now, suppose that Guernsey Island had not had enough production of various things which they thought were essential to the people and their welfare. Well, the government might have made production loans to bona fide farmers who had equipment and who were trustworthy. They might have taken some of the created £1 notes and loaned them to those farmers to assist them in increasing production. For instance, they might have said, "Here, we lack an adequate supply of the better type of wool, so we will take some of our created money and loan it to these people over here who have plenty of pasture and help them to obtain a better quality of sheep." By so doing they would assist in the increase in production. Naturally, they would have to choose dependable people, ones who were worthy of credit.

Suppose a farmer may have wanted to feed and finish some of the choice Guernsey Island stock; the government could have made a production loan of created money to that farmer for that very purpose and thus could have increased production and the government would then have the loan paid back, and in addition the country would benefit by the increased value of the products that were produced from the sale.

By Mr. Thorson:

Q. How would the creation of this money in Canada, for example, help us to sell wheat?—A. I will just come to that in a moment, if you do not mind; that is part of what I have here.

"But what about Social Credit?", someone will ask. I think that is about what your question is. What about Social Credit? Well, in describing the Guernsey experiment thus far I am actually describing Social Credit. I pointed out yesterday, Mr. Chairman, that a people's real credit is its ability to deliver goods and services as, when and where required.

By Mr. Graham:

Q. We are now speaking of the people of Guernsey collectively; were the people of Guernsey in any different position under that scheme when it was all wound up and the notes redeemed than if you had proceeded by taxation or loans?—A. Yes.

Q. Collectively?—A. Yes, they were. But I wonder if you would mind leaving that until I have finished with this point?

Mr. THORSON: I wish you would deal with it.

The WITNESS: I just want to quickly finish. The people's real credit is its ability to deliver goods and services as, when and where required; that is, its capacity to produce more goods and services, which simply means its resources and its industrial and commercial equipment.

By Mr. Thorson:

Q. Usable goods?—A. Yes. Now, Guernsey Island printed the one pound note—

By Mr. Tucker:

Q. But you do not take into account their willingness in doing it. You say it depends on ability to do this and that. Supposing you had a bunch of loafers as they have, for instance, down in the South Sea Islands; they may have the

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ability to do it but they may not be willing to do it. That definition of it seems to leave out of account the most vital part of it.—A. Admitted, surely, on what inducements can be given.

Mr. BLACKMORE: May I say something, Mr. Chairman?

The CHAIRMAN: You will delay Mr. Low.

Mr. THORSON: You are delaying him now.

Mr. BLACKMORE: No, I just want to say—

Mr. THORSON: Let us get on with this.

The WITNESS: I am more than half way through now. Referring again to the Guernsey islanders, when they printed that £1 note all they did was to create a credit instrument; that is, a pair of tongs, if you want to look at it that way, with which to move five dollars' worth of butter or five dollars' worth of any other product that they were producing on the island. Putting it another way a person might say that they created a paper claim to the five dollars' worth of butter or the five dollars' worth of any other products which we might name. You can put it in still another way: that they converted the five dollars' worth of butter into money. It might be said that the Guernsey Island government represented five dollars' worth of real wealth by a corresponding five dollars' worth of financial wealth or credit; or that they monetized five dollars' worth of their own real wealth or of their own credit.

Now, when Guernsey Island therefore printed the 3,000 £1 notes they were monetizing their real credit or wealth, the real wealth of their whole Guernsey Island society. That is, they were using their social credit.

Now, again, when and if the Islanders used that state created debt-free money to increase production, as I have pointed out, they would be simply using their social credit; they would be wielding what we call a monetary technique. Having plenty of production, we will say, having come to that point where there was plenty of production, the government's next task, it seems to me, would be to obtain price parity. One of Canada's most pressing problems to-day, Mr. Chairman, as I pointed out, is that very problem. If Guernsey Island had to arrange a fair price on wheat, such as we strive for to-day, they would create new money to bonus the price; they might even buy the wheat themselves at a fair price. Similarly they could provide fair prices for all their primary products. Now consider fair prices for consumers.

Suppose that in the island of Guernsey a suit of clothes was selling for \$25.

Mr. CLEAVER: May I interrupt just a moment?

Some hon. MEMBERS: No.

Mr. CLEAVER: I just want to say that if it is, Mr. Low's contention that the Guernsey island experiment is the same as the social credit system in Alberta, I am quite content to listen to it. But I think every member of the committee is fairly familiar with the Guernsey experiment, and if the social credit experiment in Alberta is just that, why can't we simply say so and leave it at that?

The WITNESS: Might I be permitted to complete my statement?

Some hon. MEMBERS: Let him go on.

Mr. CLEAVER: This is my right and the reason I am getting up now is that I did not ask for this; I simply asked for a brief exposition by the Provincial Treasurer of Alberta of the Alberta Social Credit theory. Now, in place of that what have I had?

The WITNESS: I am nearly finished; and I may say, Mr. Chairman, that I am using the Island experiment as an illustration of the various principles involved in Social Credit, and it will not take me long to complete my exposition.

Mr. CLEAVER: I wonder if it would be asking too much if you would just tell us what the Social Credit theory is and don't attempt to prove whether it is right or wrong. Leave that for us of the committee to decide.

The WITNESS: I am doing just that very thing. I am trying to show you how it is working out to-day.

Mr. CLEAVER: Briefly then.

The WITNESS: Suppose again that a suit of clothes in the hands of a merchant of Guernsey island was selling at \$25 and that the government felt that the price of that suit should be lowered to bring about price parity. Is there any reason why they should not take one of those £1 notes that they had created and put that into the price of the suit so as to lower the cost of it to the consumer?

By Mr. Kinley:

Q. You are assuming that they manufacture the suit on the island?—

A. Not necessarily.

Mr. THORSON: Let us hear the explanation.

The WITNESS: Now, this process of the bonusing of the consumer by the £1 note paid in your price of the suit is similar to, it resembles the compensating discount of Social Credit. That is similar to the bonusing they are doing now in the province of Alberta to-day through the treasury branch set up. Now, the two devices of bonusing the consumer through that method or the compensating price discount and the bonusing of production such as I have mentioned to obtain price parity; those two devices used together would produce price parity for all the people in the island. And I submit, Mr. Chairman, that that certainly is a sound economic structure.

Now then, we come to the next one, and this is the one which I believe Mr. Cleaver is anxious for me to get to; and that is, the dividends. This comes into the picture in the matter of financing consumption, like the bonusing of consumption in Alberta, through the treasury branch set-up. Suppose the Guernsey Island government wanted to give a £1 note to a widow or to a returned soldier as a bonus, or to anyone else on the island. This may be done without in any way upsetting the whole structure, the price structure or anything else. It could be done, and it would at once set in motion a long chain of transfer transactions that would result in goods being sold that otherwise might not be sold.

By Mr. Kinley:

Q. Do you mean to say that you could give this man something of value that somebody did not have to pay for?—A. Well, Mr. Chairman,—

Q. Would not somebody else have to pay for it?—A. I believe it would have to come out of the total production of the island, surely. But giving a £1 note to a widow is merely providing a market for the producer. It takes nothing away from anyone.

Q. Some people would have to pay to give it to other people.—A. Not at all. Nobody pays anything. They sell! This could go on, a similar thing could go on, that is the presenting of £1 notes to various types of consumers so they could buy from producers until the supply on the island were consumed, until it would take up their entire production; and it may, of course, if used entirely on food, it may bring about a time quickly when they would reach a limit of their capacity to consume food. Well then, it would not be impossible, would it, to turn their attention to the production and consumption of clothing so that they could provide for the needs of the people?

Q. You recognize the limit, of course?—A. There is a limit, surely, to the volume of their capacity to produce, and then to consume.

Q. Isn't that the whole question?—A. To the limit of their capacity to produce and consume. Then they could go on and transfer their attention to the building of homes, houses—people all require homes—and that, of course,

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could go on until they reached the limit; and then to the amenities, I suggest; and in that way the process could go on until they would reach a condition of full employment, and at the point where they did reach a condition of full employment then I suggest they would have to be mighty careful. When full employment is reached, then may begin some of the disturbances, such as inflation; but the process is hardly limited when we look at it in a broad way.

By Mr. Tucker:

Q. Take in England to-day, once they get everybody to work on production they have reached their limit?—A. Yes, that is right.

Q. So it is limited?—A. I would perhaps say in a country like Canada it would seem almost unlimited, but in a country like England or Guernsey they would have an early limit put on their activities by their capacity for production and consumption.

To recapitulate, here is the ground I have covered for Mr. Cleaver's benefit: I have pointed out in these experiments the three fundamental principles of Social Credit which would be: first, the state creation of money; second, the establishment of just prices, parity prices; and third, the principle of the dividend; which I say, Mr. Chairman, are the fundamental principles of Social Credit, and I have shown how they all work together, or could be worked out, as in the case of Guernsey island.

By Mr. Thorson:

Q. I would like to ask you one or two questions. In regard to the dividends, you would have to keep a record of the dividends paid to individuals, would you not?—A. Yes.

Q. And would not that involve a ledger page for each person in Alberta?—A. Yes, the same thing that the banks are doing to-day with their accounts.

Q. Now, you started the establishment of credit accounts in Alberta, did you not?—A. No.

Q. You made a preliminary arrangement for the establishment of preliminary accounts?—A. A preliminary survey, but no arrangement.

Q. It was indicated that each person in Alberta who was to receive Social Credit dividends would have the credit of the amount of the dividend?—A. Yes.

Q. That would mean a ledger account for each person in Alberta?—A. That is right.

Q. And against the credits that would be established in his favour would be the disbursement that he would make?—A. Yes.

Q. Because he was to exhaust his credit at the end of each month?—A. Well, that was the suggestion; I am not sure that that is necessary.

Q. Now there are possibly 400,000 persons in Alberta?—A. That is, citizens.

Q. And there would need to be a ledger account for each one of those persons?—A. Yes.

Q. And an entry of credit monthly to the credit of the account of that person; and then a debit of all the monies that were spent by that person, and a monthly balancing of each account?—A. That is right. It is somewhat like what the relief department is doing to-day with the thousands on relief throughout the country.

Q. Would not that require quite a number of accountants?—A. Yes, surely.

Q. How many accountants?—A. Well, I do not know right off how many, but certainly it would require a number.

Q. And would involve enormous expense from a purely accounting point of view of the credits and service?—A. Yes. That is useful in that it puts people to work who would get profits.

Q. Might it not cost a great deal more than it would be worth?—A. Well—

Q. Because the cost would have to come out of somebody, would it not?—A. It would have to come out of the production of the people, wouldn't it? But if the money was and could be created and if it so provided markets for goods that would not otherwise be bought or even produced, where is the harm?

Q. It would have to come out of the production of the people in some way or other?—A. That is right, surely. As I have indicated—by providing purchasing power—markets at home.

Q. Now, is not that one reason why?—A. Just in that connection, I just want to answer that question; while it would be intended to speed up production on the part of the people at the same time you must remember that it is providing a market for the things that are produced.

Q. Now then, Mr. Low, you would have to establish credit houses in different parts of the province where you would keep these accounts?—A. It would be desirable to do that.

Q. You would have to be in close contact with all the people who are receiving monthly credits?—A. Yes, that is right.

Q. You would have a multiplicity of state credit houses?—A. Yes, just as we had a multiplicity of relief peoples.

Q. With accountants in each locality?—A. Yes.

Q. And a balancing of the accounts at stated periods?—A. That is right.

Q. Is it not a fact that when the province of Alberta realized the enormous amount of cost involved in attempting to set up the state credit houses and extending the monthly credit and keeping track of the disbursements they abandoned the idea of state credit houses?—A. No, that is not the case. The main consideration was that they had not then the control of their credits.

By Mr. Tucker:

Q. I put it to you the reason was that Alberta like Saskatchewan had to import so much to satisfy the needs of its people that if you put purchasing power in their hands which was only good in the province of Alberta, for every dollar that they would spend there, there would have to be money made available to purchase outside Alberta perhaps seventy-five cents, and the scheme would have promptly broken down. That was the reason you did not do it?

The CHAIRMAN: Gentlemen, inasmuch as Mr. Low is to a certain extent answering Mr. Cleaver, and Mr. Cleaver has been standing on his feet for some time, and, by the appearance of his countenance I think he is not satisfied with the answer, I would suggest that we allow Mr. Cleaver to proceed.

Mr. TUCKER: I am ready to give way to him.

By Mr. Cleaver:

Q. Mr. Low, I take it in your summary that you state three fundamentals as truly representing the social credit theory advanced by Alberta: (1) the state creation of money; is that right?—A. That is right; debt free.

Q. State created money is obviously debt free.—A. No.

Q. All right; I will take that. We will not get into an argument over that. The second fundamental is the establishment of a fair price.—A. That is right.

Q. In the province. The third fundamental is the issuance without consideration of dividends?—A. Oh, not without consideration.

Q. By way of gifts, then?—A. Yes, that is, to the point where you are financing consumption.

Q. As a gift?—A. Yes.

Q. Without consideration?—A. Yes.

Q. As to the first two of these proposals there is nothing novel about either of them. We have the state creation of money by the central bank.—A. There is nothing novel about the third either.

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Q. As to the second one, the question of the fair price, there is nothing novel about that.—A. Nor about the third, Mr. Cleaver.

Q. So I take it then the real novel part of the social credit theory is the giving away of these monthly dividends to every citizen of age and to every child in the province, depending on his or her needs?—A. As a means of financing consumption.

Q. I am not suggesting why you did that; I am not concerned with that. All I am concerned with is merely to try to find out what the theory is. Under this proposition, as I read the manual, it is conceived that in the first year that the social credit theory would be in full force the province of Alberta would give to the citizens and the children of Alberta about \$120,000,000 in these dividend certificates?—A. Yes.

Q. Now, let us— —A. Mr. Chairman, may I say just one thing in connection with the manual. The government would expect to go into any new arrangement of this kind gradually. We could not do it all at once. That is why I took issue with the honourable member in connection with the \$25, because that was not the idea.

Q. Let us leave that for the moment and get down, if we can, to fundamentals. Let us take a year when everything has been propitious and the theory is in full force and effect.—A. Yes.

Q. During a period of twelve months the province of Alberta would issue \$120,000,000 worth of these dividend certificates and give them away to the people of the province.—A. Yes.

Q. As provincial treasurer you have had a lot of headaches trying to make accounts balance?—A. Plenty of them.

Q. You well know if you pay out on behalf of the province a salary of \$2,500 you have to try to find from the taxpayers' money that \$2,500 to pay that salary.—A. Yes.

Q. I want to ask this question, then, keeping the fact just mentioned in mind. Let us come to the end of this year when the social credit theory has been in full force and effect and when we have had \$120,000,000 worth of dividend certificates issued and given away. At the end of the year the citizens of the province who received these certificates will have been able to buy \$120,000,000 worth of goods from the producers of goods?—A. That is correct, yes.

Q. Let us follow it through one at a time. I am dumb and I cannot follow your theory— —A. You are not dumb, sir; you are showing a remarkable grasp of it.

Q. At the end of the year then the people who have received certificates have exchanged these \$120,000,000 worth of certificates for goods?—A. Yes.

Q. And the people who produced the goods are now in the possession of \$120,000,000 worth of certificates?—A. Yes; or other goods; that is right.

Q. Who is to service those certificates?—A. Well, there—

Q. Who is to redeem them?—A. The government, you see, by paying back production loans.

Q. I just want to follow it.—A. Starting another cycle.

Q. I want to follow this. Let us go back to the manual which I have been trying to understand. Mr. Aberhart explains how it is done but I should like to know as to whether you have now any improved method since this manual was issued. On page 23 of the manual I find this question: "Where will all the money come from to pay all these dividends?" Now I presume what caused Mr. Aberhart to ask that question was his knowledge that notwithstanding drastic taxation the most the province of Alberta had been able to raise in taxes in any one year was a little short of \$30,000,000. Here was an expenditure of \$120,000,000, so he asked himself that question: "Where will all the money come from to pay all these dividends?" This is the answer in the Social Credit

Manual: "The dividends will not be paid in money, but they will be issued in the form of credit much in the same way that the banks issue many of their loans at the present time."—A. Yes, book entries.

Q. You, of course, know that a bank loan means that somebody borrows from the bank and owes the bank money which he must repay if able to pay.—A. That is right.

Q. Then Mr. Aberhart goes on and gives another illustration. And question No. 2 is as follows: "The credit issued will be a charge against the natural resources of the province much in the same way as the present government bonds are." Once again, you see, indicating the feature that there is a debt created which must at some time be repaid. You agree with that?—A. Oh, yes.

Q. Then Mr. Aberhart comes to the real explanation of how this is to be done and he goes through a long explanation on page 29 of the Social Credit Manual. I will not weary the committee with the entire explanation but I shall read the summary. His suggestion is that when the farmer sells his wheat, when the miller sells the flour and when the baker sells the bread, the government is going to levy a tax on each transaction. This is his summary: "That from a bushel of wheat, processing it to flour, the government would be able to collect possibly sixty-five cents." He then leaves the farmer's part of the problem and goes into industry; and he states how he is going to tax industry, and on page 41 of the manual he discusses the transaction in regard to the sale of goods.

He suggests that the wholesaler will be taxed so much, that the retailer will be taxed so much, and the final result is:

"The government, therefore, is collecting in reality 90 cents from every \$5.00 worth of merchandise."

The plan, as I understand it, is that, as a result of the distribution of the \$120,000,000 of social credit dividend certificates which are to be given away, the general business of the province will be so stimulated that the government will be permitted to raise that amount in taxation in order to redeem the certificates?—A. That was one suggestion—if need be.

Q. Is that a fair conclusion or not?—A. If need be, yes.

Q. Yes. Thank you.

Mr. GRAY: It is now 1.15 p.m., Mr. Chairman.

By Mr. Thorson:

Q. I should like to ask one question. What happened to the legislation providing for unearned increment to provide the state dividend?—A. I will have to speak from memory on that.

Q. What happened to that, or did anything happen?—A. My memory of the social credit bill, which has been amended a couple of times—I do not recall exactly the terms of that bill without seeing it—

Q. Was not the idea back of that bill that there was an unearned increment, resulting from the sale of every commodity, which belonged to the state, and that therefore that unearned increment would be the source from which— A. One source from which recoveries might be made.

Q. One of the sources from which—A. Recoveries might be made.

Q. —credits would be made.—A. Not all.

Q. One of the sources?—A. One source from which certain recoveries might be made.

Q. On the ground that part of the purchase price that everybody paid for the goods— A. Not ordinary goods.

Q. Wait a minute.—A. Not ordinary goods. It was goods much in the nature of land.

Q. Let me just take it, please.—A. All right.

[Hon. Solon E. Low.]

Q. Was it not on the ground that part of the purchase price of goods was created by public demand?—A. Yes.

Q. And therefore belonged to the public, and therefore could be utilized for the production of the state dividend?—A. I think the unearned increment was mentioned in connection with—

Q. In other words— A. Please let me state my answer.

Q. Let me follow through my theory, and then you can criticize.—A. All right.

Q. In other words, that there would be a levy of that which belonged to the state; by reason of the public demand for the commodity there would be a levy of that portion on each transaction, and that would belong to the state, and out of that levy the state would provide the state credits?—A. Yes; could provide in case it wished to recover the credits that had been issued.

Q. All right. Did that not indicate a realization by the government that social credit, in the payment of a state dividend, is just another way of stating a state levy on production?—A. No; because, as a matter of fact, it was carefully explained, and it always has been contended, that it may not become necessary to recover these credit issues until we reach the point where credits might become redundant through the further issue. Then they would have to be recovered, by taxation, or by the levy on the unearned increment or process tax or something of that kind.

Q. Was anything ever done to implement that legislation?—A. Yes.

Q. The unearned increment legislation?—A. Well, no—no.

Q. No?—A. We never had any unearned increment legislation.

Q. Because it was a state levy; and when the farmers of Alberta realized that that was going to be the source from which the state was going to pay the credits, they refused to deliver their commodities to the state credit house?—A. No, that is not right. They never have refused to co-operate. They certainly have indicated in no uncertain terms their determination to co-operate, as witness the wholesale signing of these documents which were brought here the other day.

Q. Was it not part of the proposal that the farmer, for example, with a load of wheat to sell, should deliver his wheat; that the proceeds would go to his credit at the state credit house, less the unearned increment, which would be held by the state, and that would constitute the fund out of which the state credits, the credit dividends, were paid?—A. No. I am quite sure that it was very clearly and definitely pointed out that that would be resorted to only when it became necessary to withdraw credits from circulation; and that time does not come until you have full employment. Then, at that point, it is likely that a further issue of credits would become redundant, and then a withdrawal would have to take place.

By Mr. Kinley:

Q. Do you not think the whole thing is a new mechanics for inflation?—A. No, sir. It is a new mechanics for distribution and not inflation.

The CHAIRMAN: Is it the pleasure of the committee to adjourn to the call of the chair?

Some Hon. MEMBERS: Yes.

The committee adjourned at 1.20 p.m., to meet again at the call of the chair.

SESSION 1940
HOUSE OF COMMONS

STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE
(Including Report to the House)

Respecting

The Subject-matter of Bill No. 26, An Act to Incorporate
The Alberta Provincial Bank

No. 9

TUESDAY, JULY 30, 1940

WITNESSES:

Mr. F. P. Varcoe, K.C., Counsel, Department of Justice.
Mr. C. S. Tompkins, Inspector-General of Banks, Department of Finance

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1940

REPORT TO THE HOUSE

TUESDAY, July 30th, 1940.

The Standing Committee on Banking and Commerce begs leave to present the following as its

FOURTH REPORT:

By an Order of the House dated July 8, the subject-matter of Bill No. 26, An Act to incorporate The Alberta Provincial Bank, was referred to your Committee for consideration and report.

Your Committee devoted nine sittings to this reference in the course of which representations were heard on behalf of the Government of Alberta through its Provincial Treasurer assisted by Counsel.

The sponsor of the bill expressed his appreciation of the earnest and sincere way your Committee had considered the evidence and thanked the Committee for the fine opportunity the promoters of the Bill had had of presenting their case.

The question of jurisdiction having been raised as to the constitutional power of the Parliament of Canada to enact legislation of the kind in question, your Committee secured the opinion of one of the law officers of the Department of Justice.

The Committee also heard representations from the Inspector-General of Banks.

The evidence given before the Committee is submitted with this Report.

For reasons appearing in the evidence, your Committee is of the opinion that the subject-matter of Bill No. 26, An Act to incorporate The Alberta Provincial Bank, is such that the Bill in question ought not to be enacted.

All of which is respectfully submitted.

W. H. MOORE,
Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, July 30, 1940.

The Standing Committee on Banking and Commerce met at 11.30 a.m., the Chairman, Mr. Moore, presiding.

Members present: Messrs. Blackmore, Bercovitch, Blair, Casselman (*Edmonton East*), Cleaver, Donnelly, Dubuc, Graham, Gray, Jackman, Jaques, Jean, Kinley, Lacroix (*Beauce*), Laflamme, Macdonald (*Halifax*), Macmillan McNevin, Marier, Mayhew, Moore, Ross (*Calgary East*), Thorson, Ward.

In attendance: Mr. C. S. Tompkins, Inspector-General of Banks and Mr. F. P. Varcoe, K.C., Counsel, Department of Justice.

Mr. Varcoe made a further statement on jurisdiction, and more particularly on the validity of section five of Bill No. 26.

Mr. Tompkins also made a statement and was briefly examined.

At this stage, the Chairman suggested that the Committee consider its report to the House, and submitted a draft report for approval.

On motion of Mr. Kinley,—

Resolved that the Report be adopted as read, and that the Chairman be authorized to present same to the House.

The Committee adjourned *sine die*.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277,

Ottawa, July 30, 1940.

The Standing Committee on Banking and Commerce met at 11.30 a.m. The Chairman, Mr. W. H. Moore, presided.

The CHAIRMAN: Gentlemen, I would suggest that we try to dispose of the matter submitted to us at this session. We have had the attendance and have the attendance this morning of Mr. Tompkins, Inspector-General of Banks, and of Mr. Varcoe from the Department of Justice. We ought to have statements from these gentlemen. Do you wish to hear from Mr. Tompkins first or from Mr. Varcoe?

Mr. GRAHAM: Mr. Varcoe.

The CHAIRMAN: Very well; I will call upon Mr. Varcoe.

Mr. F. P. VARCOE, K.C., Department of Justice, recalled.

Mr. VARCOE: Mr. Chairman and members of the committee, I have prepared a quite short statement which I will read a little later to the committee having to do with my views of the validity of section 5 of the bill which is under consideration. Before reading that statement there are one or two observations I should like to make.

The first observation is that any project for the public ownership of a bank by a provincial government would, it seems to me, necessitate from the very outset provincial legislation regulating or controlling the proprietorship of that bank. It would be my opinion that any such provincial legislation would be in relation to banks and banking, and would consequently be beyond the legislative powers of the province.

Before dealing formally with the question of the validity of section 5, I should like to call the attention of the committee to provisions of the Bank Act having to do with the obligations and powers of shareholders. Commencing with section 35 headed "Shares and Calls" we have the provisions of the statute which govern the shareholders. I am not going to refer to many of these sections, but section 37 authorizes the bank to make calls of money from the several shareholders for the time being, upon the shares subscribed for by them respectively, as they find necessary.

Section 38 provides:—

If any part of the paid-up capital is lost the directors shall, if all the subscribed stock is not paid up, forthwith make calls upon the shareholders to an amount equivalent to the loss.

Section 39 says:—

In case of the non-payment of any call, or instalment under an accepted allotment, the directions may, in the corporate name of the bank, sue for, recover, collect and get in any such call or instalment, or may cause and declare the shares in respect of which any such default is made to be forfeited to the bank.

Section 40 reads:—

If any shareholder refuses or neglects to pay any instalment or call upon his shares on the capital stock at the time appointed therefor, such shareholder shall incur a penalty, to the use of the bank, of a sum of money equal to ten per cent of the amount of such shares

Then you have the well-known section 125 which provides for what at one time was double liability.

Section 125 reads:—

In the event of the property and assets of the bank being insufficient to pay its debts and liabilities, each shareholder of the bank shall be liable for the deficiency, to an amount equal to the par value of the shares held by him, in addition to any amount not paid up on such shares.

Then there is a provision for limiting that in the light of legislation relating to the Bank of Canada.

If the provincial government is to become the shareholder of a bank, all these provisions of the Bank Act would be applicable.

I shall now turn to the other powers of shareholders as set out particularly in section 18, which provides:—

The shareholders of the bank may, at any annual general meeting or at any special general meeting duly called for the purpose, regulate, by by-law, the following matters incident to the management and administration of the affairs of the bank, that is to say:—

- (a) The day upon which the annual general meeting of the shareholders or the election of directors shall be held;
- (b) The record to be kept of proxies, and the time, not exceeding twenty days, with which proxies must be produced and recorded prior to a meeting in order to entitle the holder to vote thereon.

It also provides for the number of directors, how many shall constitute a quorum, qualifications of directors, method of filling vacancies, and so on. It provides in addition the amount of discounts or loans which may be made to directors, either jointly or severally, or to any one firm or person, or to any shareholder, or to corporations.

Now, those provisions of the Act would be applicable to the shareholder, the Crown in the right of the province, I take it, if section 5 were enacted into law.

In considering whether section 5 of the bill is constitutional, one must have regard to these provisions of the Bank Act and their effect upon the provincial crown.

Having these preliminary observations in mind, I should like to read a short statement to the committee:—

Can parliament provide that the shares of stock in a Canadian bank, newly incorporated, shall vest in a provincial government? The effect of such a provision would be to impose upon His Majesty in the right of the province all the liabilities of a shareholder, namely, to have calls of money made pursuant to ss. 37 and 38 of the Bank Act. The Crown would be subjected by s. 39 to be sued notwithstanding that it is one of the constitutional rights of His Majesty that he can only be sued with his own consent.

It would seem to be doubtful that parliament could deprive the provincial Crown of this right. Then there are provisions for the forfeiture of the stock which means depriving His Majesty of his property.

His Majesty would also be liable to a fine or a penalty in the sum equal to 10 per cent of the amount of the shares. Finally, reference should be made to s. 125 of the Act which provides for additional liability on the shareholder in the event of insolvency of the bank.

In addition to such obligations, duties and powers are vested in the shareholders of a bank. By s. 18, for example. Powers to make by-laws would be exercisable, doubtless, by the provincial government. The Provincial Treasurer would be the registered holder of the shares, holding the same on behalf and for the use of the province. If the by-laws are to be made or approved by the Lieut.-Governor in Council then the same objections would apply to the provisions as have been mentioned in connection with ss. 2 and 3 of the bill.

That parliament can legislate so as to affect the provincial government goes without saying. For example, parliament has successfully provided for the expropriation of provincial Crown lands for the purpose of a Dominion railway, and for the payment of customs duties in the case of goods imported by a province. In all such cases, however, the legislation imposed duties or obligations upon the provincial government while engaged in its normal and constitutional activities. The provincial Crown normally and constitutionally may hold Crown lands and may import goods for sale or consumption. In these normal and constitutional activities the provincial Crown is bound and affected by competent Dominion legislation in relation to Dominion railways and customs duties. But s. 5 of the bill is readily differentiated since it purports first of all to draw the provincial government out of its normal and constitutional sphere into the Dominion sphere of banking and thereupon to impose these obligations, duties and powers upon the provincial government.

It is my opinion that section 5 would be ultra vires.

The CHAIRMAN: Is it your pleasure, gentlemen, to hear from Mr. Tompkins?

Mr. THORSON: Section 5 is really the heart of the bill, is it not?

Mr. VARCOE: Yes, sir.

Mr. THORSON: And if section 5 is ultra vires the bill really falls without it?

Mr. VARCOE: Yes, sir.

The CHAIRMAN: Shall we now hear from Mr. Tompkins?

Mr. BERCOVITCH: Yes.

Mr. C. S. TOMPKINS, Inspector-General of banks, recalled.

Mr. TOMPKINS: Mr. Chairman and members of the committee, I have no special instructions in this matter, nor have I any carefully prepared statement to present to you. I am, of course, available for questioning.

It occurs to me that, having filed the other day a statement showing the number of banks incorporated since Confederation and the fate of those banks, I should perhaps amplify that statement by outlining what seem to have been the principles which have governed the incorporation of banks by parliament since Confederation.

One has but to consult the records, or in fact most writings on banking, to find that theoretically at least the purpose of parliament has always been to guard against the entry of unfit or inexperienced persons in the banking business, and also to ensure that the real persons desiring a bank charter, that is, those who intend to be financially interested in and actively connected with the enterprise, should pledge their good faith by signing the petition for incorporation

and accepting the responsibilities attached to the provisional directorate. That is a doctrine which I think is more or less elementary from a reading of the statute.

It was to make that principle more clear that sections 11 and 20 were revised in, I think it was, 1913, to provide for what are described there as bona fide qualifications of directors, that is, the holding of shares by directors in their own right and not as trustees or executors or in any other fiduciary capacity.

It follows that it is the logical duty of the parliamentary committee to which these bills are referred to satisfy itself that the project in general is a well considered one; that there is a public demand and reasonable prospects of success for the new bank; that the necessary capital therefor will probably be forthcoming and that competent management is likely to be secured.

The words that I have used will partly be found, as I said before, in some of the standard banking works, and I refer more particularly to the Canadian Banking System by Johnson, published in 1910, by the National Monetary Commission of the United States.

In contrasting this bill with the ordinary acts of incorporation of banks, of course, several novel or unique features at once present themselves. I should like to make it clear that in the few words I have to say I shall attempt to make no direct reference to the province of Alberta; I am dealing with the principle of a bill incorporating a bank wholly owned by a province—any province; neither do I intend to touch upon questions which have already been developed in the committee, such as Alberta's default, its ability to pay, the question of taxation of banks, or, in fact, Social Credit.

The chief point that naturally occurs to anyone in an examination of the bill is the question of the exclusive Dominion jurisdiction over banking. Mr. Varcoe has already dealt with the legal phase of that question so it is necessary for me to say only a word upon the practical side of it.

If there is one thing that is responsible more than any other for the success, comparatively speaking, of our banking system, I think undoubtedly it is that question of centralized or Dominion control. Therefore, anything that would tend to weaken that control or, so to speak, to drive a wedge into it in any way would I think be very unfortunate indeed. I say that with great deliberation and very great seriousness.

The second point that occurs is in regard to the generally radical departure of the bill from the established principles upon which banks are ordinarily incorporated and which I have already outlined.

I have no doubt that could be developed very considerably, but it is sufficiently radical it seems to me to suggest that anything of this sort should only be discussed either at the revision of the Bank Act or on some occasion when parliament is reviewing the entire national economic structure. When it comes to bills incorporating any one, or even all provinces, as banks, so to speak, we, of course, would be taking a step in the direction of nationalization of banking and this is not the time or place, to argue the pros and cons of nationalization of banking; but that very feature alone it seems to me introduces a very, very broad question and something that can only be discussed when, as I say, we are overhauling the whole economic structure of the nation.

Mr. THORSON: Nationalization of banking cannot be approached piecemeal.

Mr. TOMPKINS: Exactly. That is the point I am endeavouring to make, Mr. Thorson. It is something that must be studied in conjunction with all the related questions and to consider it upon the introduction of a bill such as this seems to me to be most illogical.

Mr. THORSON: And would not prove anything one way or the other.

Mr. TOMPKINS: Oh no, not at all.

[Mr. C. S. Tompkins.]

Now, I think reference was made in one of the former meetings to the question of incorporating a bank wholly owned by one of the provinces and not at the same time giving other provinces similar privileges, shall I say. Of course, the objections are so obvious that I won't attempt to develop the point at all. The answer I suppose by supporters of the bill would be that the other provinces have the right to come along if this bill is passed and ask for a bank at any time; but what I have already said I think covers that situation sufficiently.

Another point, and again I want to make it perfectly clear that this is no reflection on Alberta; I am now talking of provinces generally. The granting of an act of incorporation such as the one proposed opens the door to the possibility of any administration using the bank for its own financial needs and to the detriment possibly of the public depositors and borrowers of the institution itself. I think that is a perfectly fair criticism and as I said it applies all the way through to whatever province might for the moment happen to be engaged in banking.

There is one other point that perhaps I should touch on before I conclude: If the members of the committee will refer to section 56, subsection 15 of the Bank Act they will find that there is there an attempt by parliament to avoid legal responsibility to depositors or creditors of a bank through the performance of government inspection. My thought is that notwithstanding that subsection the dominion cannot hope to escape a moral responsibility if anything happened to a bank which obtained its Act of Incorporation from the Parliament of Canada. I think that a number of members will possibly agree that that is not an unreasonable interpretation to put upon the situation. It follows then that in dealing with a bank wholly owned by a province, there is a different position in regard to criticism of specific loans, or policy, or any one of various other questions that may arise in the administration of the bank. You can go to a privately owned bank and you can have it out with them if necessary from "A" to "Z," but in criticizing the policy, the loaning policy or the general policy, of a provincial government bank and the conduct of that bank I submit that you at once run into a rather complicated situation, a situation where the dominion may have one opinion and the province will have another and you have a scrap which may or may not end quickly.

Now, in addition to these various points upon which I have touched there is obviously one final and all important one which I have not mentioned; that is, that we are now at war, and no matter what we might consider advisable under anything like normal conditions, would not be, I submit in this case, something which should be considered favourably at a time when it might very seriously interfere with the operation of banking in general and our economic system as a whole.

The CHAIRMAN: Thank you, Mr. Tompkins.

By Mr. Kinley:

Q. Mr. Varcoe spoke of the double liability of a bank. May I ask the Inspector if this still applies?

Mr. TOMPKINS: At the revision of the Bank Act in 1934 when the Act Incorporating the Bank of Canada was passed and the circulation privileges of the chartered banks were definitely restricted provision was made that the double liability would be reduced *pari passu* with the reduction in the circulation privileges of the banks. At the present moment circulation privileges of banks have been reduced by 25 per cent of the fully paid up capital and as a consequence of that reduction in the former ordinary limitation of note issue, the double liability of shareholders has been reduced to 75 per cent of what it was, and will be further reduced as the circulation privileges are reduced in the years ahead of us,

Mr. CLEAVER: Would you care to make any remarks as to the relative strength and the relative chances of success of a bank confining its operations to one province as compared with a bank with more diversified interests and having operations more widely spread in character?

Mr. TOMPKINS: Speaking generally I agree with what the Governor of the Bank of Canada said at the hearings last year, and which I think was quoted by Mr. Ross, with regard to the prospect of a new bank; and when it comes to any new bank with its operations confined to a narrow sphere and therefore limited in its opportunities for diversification of loaning risks I think that those arguments apply with all the greater force. One of the strong features of our system that has always been declared to be important is that the branches of our banks generally speaking stretch across the whole country, that there is a consequent diversification of risks; you are not confined to agriculture, you are not confined to pulp and paper, you are not confined to the steel industry or to any one particular industry; you have a general diversification and if things are for the moment depressed in one the same condition may not necessarily apply to others with the result that it makes for a healthy distribution of loaning risks with consequent reduction of possibility of loss.

Mr. CLEAVER: So that given abnormal or bad times in any one section the banks have a diversification of holdings clear across the dominion and therefore would not be in the same perilous condition as though all their loanings were in the one field.

Mr. TOMPKINS: That is quite correct.

Mr. JAQUES: Mr. Chairman, Mr. Varcoe has told us that parliament can neither add to nor take from the powers of the provinces; I think that is what he said.

Mr. VARCOE: Generally speaking, that is correct.

Mr. JAQUES: It says in section 92 of the B.N.A. Act, paragraph 3, "borrowings of money on the sole credit of the province is the exclusive power of the province". Well then, I take it that the loan council proposal would have been unconstitutional?

Mr. CLEAVER: Those loan councils were not intended to come within that section, they had the federal guarantee to support them.

Mr. JAQUES: It says here, exclusive power of provincial legislatures—paragraph 3—borrowing of money on the sole credit of the province.

Mr. CLEAVER: Yes, on the sole credit of the province; the loan council scheme was subject to a federal guarantee which entered into it.

Mr. JAQUES: That scheme, by restricting the provincial borrowing powers, would be either taking away from or adding to the exclusive power of the provinces.

Mr. CLEAVER: I do not agree.

Mr. JAQUES: I should say with this difference: that the benefit of the doubt always goes to the financial institutions. If the argument held in the one case it should hold in the other.

Mr. ROSS: Mr. Chairman, I would like to place on the record a telegram that I received from the former premier of the province.

Mr. BLACKMORE: Should not the question be answered?

The CHAIRMAN: I thought the question was answered.

Mr. BLACKMORE: No, it was not answered. Mr. Jaques wants Mr. Varcoe to answer the question.

Mr. VARCOE: I have not the loan council project before me at all at the moment and I would like to look at that before I did say anything.

Mr. JAQUES: I haven't got it either.

[Mr. C. S. Tompkins.]

Mr. THORSON: Was it not proposed to have an amendment to the B.N.A. Act?

Mr. VARCOE: I think so.

Mr. JAKES: I did not know that.

Mr. BLACKMORE: Before Mr. Ross continues I think we ought to decide what is going to be the order of procedure for the day. If we are not to open up and have a sort of free for all from now on then there is going to be a lot of material put on that needs answering and surely it seems to me we are not going to be fair—

The CHAIRMAN: I think there is something in Mr. Blackmore's point. May I suggest this: I have before me a draft report and perhaps if I read it then we could concentrate on that report. We are now in our ninth session and we ought to be able to make a report to-day. It is suggested that the report be as follows:—

The Standing Committee on Banking and Commerce begs leave to present the following as its Fourth Report:—

By an Order of the House dated July 8, the subject-matter of Bill No. 26, an Act to incorporate The Alberta Provincial Bank was referred to your committee for consideration and report.

Your committee devoted nine sittings to this reference in the course of which representations were heard on behalf of the government of Alberta through its provincial treasurer assisted by counsel.

The sponsor of the bill expressed his appreciation of the earnest and sincere way your committee had considered the evidence and thanked the committee for the fine opportunity the promoters of the bill had had of presenting their case.

The question of jurisdiction having been raised as to the constitutional power of the parliament of Canada to enact legislation of the kind in question, your committee secured the opinion of one of the law officers of the Department of Justice.

The committee also heard representations from the inspector-general of banks.

The evidence given before the committee is submitted with this report.

For reasons appearing in the evidence, your committee is of the opinion that the subject-matter of Bill No. 26, an Act to incorporate The Alberta Provincial Bank, is such that the Bill in question ought not to be enacted.

All of which is respectfully submitted.

Mr. ROSS: Mr. Chairman, before we deal with that I wish to place this on record—

Mr. BLACKMORE: Mr. Chairman, if Mr. Ross has the privilege of placing on the record further material then every other member will ask the privilege of adding something to the record.

The CHAIRMAN: Let us see if we cannot agree without any further discussion. I would suggest, Mr. Ross, that if you put some material on the record you will be opening up the matter again.

Mr. KINLEY: I move the adoption of the report.

Mr. BLAIR: I second the motion.

Mr. ROSS: Mr. Chairman, the position is this: Mr. Low made a false statement, and I wish to correct that statement.

The CHAIRMAN: Let us not open it up again if we can avoid it.

Mr. BERCOVITCH: Mr. Chairman, in view of Mr. Varcoe's opinion I do not think we can submit any other report. Why re-open the whole subject; the record is already burdened.

Motion agreed to.

Mr. BLACKMORE: May I make just a little statement without introducing any evidence, or is that out of order?

The CHAIRMAN: I think it might be just as well not to say anything else, since we have closed Mr. Ross out.

Mr. BLACKMORE: I just wanted to make it quite clear that the stand that I have taken was not taken because we are not prepared to go absolutely down to the minutest detail with respect to everything. but manifestly there will be a limit to the extent to which we can go into the various matters this year. Alberta and the Alberta government will face the world in everything that anybody may bring up against it, one way or the other. If it is wrong it is glad to be shown that it is wrong, and if it is right it desires the opportunity of presenting its case fully before any tribunal. But as I understand, Mr. Chairman, it seems that there is an obvious end which must come, because the session is drawing to a close.

The CHAIRMAN: I think our labours are ended.

Mr. JAUQUES: I would—

Mr. GRAY: We stopped Mr. Ross.

The CHAIRMAN: I think, Mr. Jaques, you ought to forgo what you intend to say, since we have closed out Mr. Ross quite brusquely.

Mr. GRAY: Thank you for your consideration.

The committee adjourned.

