Note of a Meeting of Ministers held at Chequers at 5.30 p.m. on FRIDAY, 19TH AUGUST, 1949.

PRESENT:-

Prime Minister
Secretary of State for Foreign Affairs
Chancellor of the Exchequer
President of the Board of Trade
Minister of Fuel and Power
Sir Edward Bridges

1. DEVALUATION

The meeting had been arranged for the purpose of discussing the timing of devaluation with the Chancellor of the Exchequer, who had landed at Northolt Airport earlier that afternoon on returning after a month's absence in Switzerland. The meeting lasted three hours and covered much ground by way of recapitulation of arguments adduced in previous Ministerial discussions during the past month.

The immediate point discussed was whether devaluation should be carried into effect on August 28th or September 4th, i.e. the two feasible dates for the operation before the Washington talks started.

At the outset the Chancellor expressed himself as still not wholly convinced that we should benefit on balance from devaluation. But in the course of discussion he accepted the view of his colleagues that devaluation would be in the interest of this country as part of other arrangements to be made in the Washington discussions.

On the issue whether to devalue before or after the Washington discussions, the three points which weighed most with Ministers against devaluation before the discussions opened were as follows:

(a) It was noted that we intended not to give the International Monetary Fund the notice required under the Constitution. It was therefore of the utmost importance to make sure that we carried the United States and Canadian Governments with us, and this meant due consultation.

(b) The Chancellor had not made up his mind to what rate we should devalue if we did devalue. He would be most reluctant to go below
3.0 (the Foreign Secretary favoured 3.2), and wanted to be sure that the Americans were satisfied that the degree of devaluation effected was sufficient to ensure that we did not have to repeat the operation again.

(c) It was important to make sure that the Americans did not regard the degree of devaluation which we were carrying out as excessive and entitling them to take counter-action which would frustrate our devaluation.

On the point that it would be difficult to obtain security for the operation if carried out in Washington, the Chancellor of the Exchequer thought that this would not present difficulties if the matter was discussed with Mr. Acheson and Mr. Snyder alone.

As for the argument that we did not want devaluation to appear as something done at the dictation of the United States Government, the Chancellor said that if it was planned to devalue on 18th September he would fly back about 16th September, on the conclusion of the talks; and that he would not feel any difficulty in putting devaluation across as part of other arrangements made with the Americans and Canadians. Indeed, he felt that, if devaluation was to be carried out, say, on 28th August, he did not know on what ground he could defend it. It would be asked what change of circumstances had occurred since he made his last pronouncement on the subject, and there could be no answer except that we were doing this in the hopes of getting something out of the Americans - which he thought would be far more damaging politically than if we devalued on 18th September.

The Prime Minister summed up the conclusions as follows:-

(1) Ministers agreed in principle to devaluation, as something which they would do in the course of September as part of the general arrangements which would emerge from the Washington talks, and that it should be so presented to the public.

(2) The level to which we should devalue was a matter which we would discuss in Washington as part of the other arrangements to be made there.
(3) Provisionally we should aim at carrying out devaluation on 18th September, in which event the Chancellor would probably leave Washington on 16th September.

(4) In the light of this time factor, the Foreign Secretary and the Chancellor of the Exchequer should both leave on the Mauretania on 31st August.

(5) The meeting of Ministers provisionally arranged for Thursday, 25th August, should be postponed until Monday, 29th August.

2. MEASURES TO ACCOMPANY DEVALUATION

A short discussion took place on this subject.

Government expenditure. The Chancellor of the Exchequer said that, while in his view it would be necessary that further measures should be taken to check inflation, these should not be of the "orthodox" variety such as would be associated with a Geddes axe. Reduction in Government expenditure must not substantially affect the food subsidies or the social services. It was agreed, however, that there was advantage in pursuing administrative economies vigorously on the lines set out in the Prime Minister's directive.

The possibility was also mentioned of abolishing one or two Ministries in order to save costs.

It was also generally agreed that reductions in public expenditure, investment, and credit policy, should all be considered together and presented together in any public handling of this matter.

3. DEFENCE

The Foreign Secretary said that, as the United States appropriation for defence aid to the Atlantic Powers had been cut by half, we should also cut by half the second instalment of extra production for Western Union defence, totalling £50 millions, which we had agreed to undertake in the American financial year 1950/1. He proposed to speak in these terms to the Minister of Defence early in the following week. In presenting this decision we should bear in mind that it was not so much a question of America defending us, as of our helping to defend America.
4. **WAGES POLICY**

The Foreign Secretary said that he had now had an opportunity of considering the question of wages in the distributive trades which had been discussed at the last meeting of the Cabinet. He thought that to refer back the decision of the Wages Council would give rise to great difficulties and might result in the present wages policy vis-à-vis the T.U.C. breaking down. He also thought that the cost would not be between £15 and £20 millions, as suggested, but £5 millions or £6 millions, since most of the firms concerned were already paying more than the minimum. He thought the best way to handle it would be, not to write a letter, but that a Minister should see the President and Secretary of each of the Unions concerned and should say that the Government did not reject the claims, but that the present moment was inconvenient and they thought the matter should be brought up again in October.

It was agreed that the Foreign Secretary should consult with the Minister of Labour and the other Ministers concerned and take action on these lines early in the following week. This action would include seeing Mr. Tewson and speaking to him on the lines proposed.
Before their formal meeting on 13th October the members of the Cabinet met at 10.30 a.m. to consider whether a General Election should be held in the autumn or postponed until the spring of 1950. This meeting was attended by all members of the Cabinet except the Minister of Defence (who was abroad) and the Minister of Agriculture (who was indisposed). The Chief Whip also attended. No Secretary was present.

At the conclusion of this meeting, which lasted until noon, the Prime Minister gave instructions for the following communique to be issued to the Press:

"Having regard to the disturbing effects on trade and industry and on the national effort by the continuance of speculations as to an early General Election, the Prime Minister thinks it right to inform the country of his decision not to advise His Majesty to dissolve Parliament this year."
PRIME MINISTER

As it has not yet been decided when public reference should be made to the possibility of an early election, I have thought it right to exclude from the Minutes of this morning's Cabinet any summary of the discussion about a further appeal to the electorate. I realise that this makes the Minutes somewhat unreal, and may give some Ministers the impression that you have decided to carry on for a much longer period than you have in fact in mind. If, however, it is agreed, at the Party meeting next week, that some early statement should be made to the effect that an early election this year is inevitable, I can then substitute for this record a rather fuller Minute which reflects more accurately the tone of this morning's discussion.

(sgd) NORMAN BROOK

25th February, 1950

I agree.

CRA

26.2.50
The following is a fuller record of the Cabinet's discussion at their first meeting after the General Election. The circulated Minutes included no reference to the possibility that the Prime Minister should let it be known that he thought it inevitable that another General Election should be held before the end of the year. It was thought at the time that the Prime Minister might give some indication to that effect in his speech in the debate on the Address; and the fuller record of the Cabinet's discussion, which is set out below, was prepared in the expectation that it would become possible to print this in substitution for the shorter version which had been circulated on the day following the meeting. In the event, the Prime Minister decided not to make any reference to the possibility of an early Election. This fuller account of the Cabinet's discussion was not therefore given any circulation; but it is reproduced here for the purpose of completing the historical record.

The Cabinet met to consider the situation resulting from the General Election. With six returns still outstanding, 314 seats had been won by Labour, 294 by Conservatives and their supporters, 8 by Liberals and 2 by Irish Nationalists. The remaining seat was the Speaker's. Thus, whatever the results in the six outstanding constituencies, Labour would have a majority over all other Parties in the new House of Commons.

The Prime Minister said that the King's Government must be carried on and, as Labour would have a majority, the proper course was for a Labour Administration to remain in office for the time being. With so small a majority, however, the Government would be in a very weak position: they would have great difficulty in transacting Government business in the House of Commons, and would be unable to carry through any of the major legislation foreshadowed in the Party's
Election Manifesto. No Government could carry on for long under those conditions; and he himself believed that, after the necessary Supply business had been got through and the Finance Bill had been passed, there must be a further appeal to the electorate. It was for consideration whether, in announcing his intention to carry on for the time being, he should let it be known that he thought it inevitable that another General Election should be held before the end of the year.

Meanwhile, some reconstruction of the Government would be necessary; and he asked that, in order to facilitate this, all Ministers should place their offices at his disposal. Ministers should, of course, continue to supervise the current administration of their Departments until his wishes were made known to them.

The Cabinet agreed that a Labour Administration must remain in office for the time being. Discussion turned on the question whether any early intimation should be given that a further Election must be held before long. It was generally agreed that it would be inexpedient to make any announcement to this effect before there had been an opportunity of consultation with the National Executive of the Labour Party and with the Parliamentary Labour Party. Subject to these consultations, however, most Ministers felt that nothing would be gained by attempting to conceal their belief that an early Election was inevitable and that there might even be some advantage in letting this be known in the course of the debate on the Address. In support of this view it was argued that the country's greatest need at the present time was for a strong and stable Government able to take decisions which might be temporarily unpopular - e.g. in relation to the level of Government expenditure, the investment programme, wage increases etc. Recent experience had shown the difficulty of taking such decisions under the shadow of an approaching Election; and from this point of view there was everything to be said for holding a further Election before the end of the year.
Some Ministers thought it would have been preferable if the next General Election could have been deferred until the policies introduced by the Government during their first period of office from 1945 to 1950 had borne fruit. At the recent Election many Labour candidates had been embarrassed by complaints about the working of the nationalised industries, the high cost of living and the shortage of houses. It would be advantageous if, before the next Election, the Government could have had time to remove some of the grounds for these complaints. A longer interval would also be useful for the purpose of persuading those who had voted on this occasion for the Liberal Party that they were more likely in practice to be able to secure their fundamental objectives by supporting the Labour Party.

It was, however, the general view of the Cabinet that the difficulties of transacting Government business in the House of Commons with so small a majority, and the country's urgent need of a period of strong and stable government, would make it inevitable that a further General Election should be held before the end of the year. The question whether some indication to this effect should be given in the course of the debate on the Address could be determined in the light of the consultations which would be held, during the following week, with the National Executive of the Labour Party and with the Parliamentary Labour Party.

In further discussion the suggestion was made that it would be useful if the Cabinet could give some preliminary consideration to the country's financial situation before the Chancellor of the Exchequer formulated his final Budget proposals. This suggestion was approved.

The Cabinet's conclusions were as follows:

(1) It was the duty of a Labour Administration to continue in office, in order that the King's Government might be carried on.

(2) A public announcement to this effect should be issued forthwith: to this there should be added a call to all members of the community to turn their efforts, now that
the Election was over, to carrying on the necessary
work of the nation.

(3) All Ministers should place their offices at the Prime
Minister's disposal in order to facilitate his
reconstruction of the Government.

(4) At their meeting on 2nd March the Cabinet should consider
the terms of the King's Speech and a draft of the
Defence White Paper.

(5) At a meeting of the Cabinet on 3rd March the Chancellor of
the Exchequer should give his colleagues a broad picture
of the financial position of the country and of the main
factors which he would have to take into account in
framing his Budget: discussion of this statement could,
if necessary, be continued at a further meeting in the
following week.

(6) The Prime Minister should ascertain whether Colonel Clifton
Brown was willing to be nominated for re-election as
Speaker. If so, the Chief Whip should suggest to him
that Mr. David Kirkwood might propose his election, and
that a member of the Opposition might be asked to second
that proposal.

(7) As the strength of the two main Parties in the House of
Commons was so nearly equal, the Chief Whip should
ascertain whether it would be possible to arrange for
the office of Deputy Chairman of Committees to be filled
by a member of the Opposition.

Cabinet Office, S.W.1,

BUCKINGHAM PALACE

15 III 65

Dear Bfock,

This is merely an acknowledgement of the paper enclosed with yours of secret letter of this morning.

Yours sincerely,

[Signature]

Sir A. Lascelles told me yesterday that he proposes to treat this as sent for his personal information; I will not submit it to the King.

At their meeting on the 9th March the Cabinet had some preliminary discussion about the advice which the Prime Minister should tender to His Majesty if the Government were defeated in the debate on the Address.

I did not think it right to include in the Cabinet Minutes anything more than the briefest reference to this; but I have made a private record of what was said on this point. A copy of this is enclosed. I have sent a copy to Rickett, but have suggested that he need not show it to the Prime Minister at the present stage. The original will be bound up, in due course, with my personal volume of the Cabinet Minutes. No other copies have been made.

(Signed) NORMAN BROOK.

The Rt. Hon. Sir Alan Lascelles,
G.C.V.O., K.C.B., C.M.G., M.C.,
Buckingham Palace, S.W.1.
Thank you for your minute of 15th March enclosing for my personal information a copy of a no-circulation record which you have made of the Cabinet’s discussion on 9th March about the situation which would have arisen if the Government had been defeated in the Debate on the Address.

I am very glad to have this which may well, as you say, be needed on some future occasion in this Parliament.

15th March, 1950
TOP SECRET

MR. HICKETT

I think you should have, for your personal information, the enclosed copy of a "No Circulation" record which I have made of the Cabinet's discussion on 9th March about the situation which would have arisen if the Government had been defeated in the debate on the Address.

I doubt if you will think it necessary to show this to the Prime Minister. But you may like to have it by you in case a similar situation should arise at a later stage in this Parliament.

(Signed) NORMAN BROOK

THE PRIME MINISTER said that the two Conservative amendments to the Address, both that on the Iron and Steel Act and that on Housing, would be pressed to a division; and he had been considering what advice he should tender to His Majesty if the Government were defeated in either of these divisions. He did not think it would be right to ask for a Dissolution so soon after the General Election, and he was inclined to think that his proper course would be to advise the King to send for Mr. Churchill. The resulting Parliamentary situation would be very unsatisfactory, for the Conservatives, being in a minority, would find it even more difficult to carry on the essential business of Government; but this situation would have been created by the Conservatives and he thought they should be forced to assume the responsibility for handling it.

In discussion emphasis was laid upon the embarrassments which the Labour Party would face if they went into Opposition in the present Parliament. The Conservatives, if they assumed office, would have to present some kind of programme to the House, and the Labour Party would find it difficult to avoid challenging at least some of the features of that programme. But the Labour Party would be in greater difficulty than the Conservatives were at present for, with their majority, they would be in a position to defeat the Government at any time and any challenge which they found it necessary to make was likely to lead to a Government defeat. They would thus be faced with the unpleasant dilemma of assuming responsibility for turning the Government out and forcing a Dissolution or, alternatively, refraining from challenging policies which were distasteful to their supporters. At the present time the country's greatest need was a period of political stability; and, as the strength of the two
main Parties in the House of Commons was so evenly balanced, it was the
duty of both to practise moderation and avoid unnecessary controversy
for the time being - at any rate until the essential financial
business of the spring and summer had been completed. There was
some reason to believe that Mr. Churchill's action in making an
immediate challenge to the Government in the debate on the Address
might be regarded as irresponsible by a substantial section of public
opinion, which recognised that the Labour administration were right
in deciding that, despite their narrow majority, it was their duty
to carry on the King's Government. It might therefore be expedient
for the Prime Minister to give a warning, during the debate on the
Address, that if the Labour Party were prevented, by factious and
irresponsible action on the part of the Opposition, from discharging
their duty of carrying on the King's Government, a further appeal to
the people might have to be made. This would have the effect of
bringing home to the House the serious risks that were being run.

While the sentiment underlying this view commanded general
support, it was pointed out that an early Dissolution was hardly
practicable, in view of the necessity for passing the Budget and
making the other financial provision without which the ordinary
business of administration could not be carried on.

THE PRIME MINISTER, in conclusion, said that he was
grateful to his colleagues for this expression of their views, which he
would bear in mind. At the moment this question was only hypothetical,
for he had no reason to fear that the Government would in fact be
defeated in the divisions in the debate on the Address. And the issues
involved were so grave that he would wish to have an opportunity of
considering them again, and possibly holding further discussions with
some of his colleagues, before he finally made up his mind what
advice he would tender to His Majesty if the Government should in the
event be defeated.

Cabinet Office, S.W.1.
21st June, 1950.

Dear Percivale,

At their meeting on 13th June the Cabinet considered whether, if Field Marshal Smuts died, tributes to his memory should be made in both Houses of Parliament.

As the Field Marshal was still alive, it scarcely seemed decent to record this discussion in the Cabinet minutes. I have, however, made a "No Circulation Record"; and I think you should have a copy of this for reference when the Field Marshal dies, whether this occurs in the nearer or the more distant future. I therefore attach a copy.

I have also sent a copy of the record to Kickett.

(Signed) NORMAN BROOK

Sir Percivale Liesching, K.C.B., K.C.M.G.,
Commonwealth Relations Office.
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I have also sent a copy of the record to the Commonwealth Relations Office (Liesching).

21st June, 1950.

(Signed) NORMAN BROOK
C.M.(50) 36th Conclusions
(15th June, 1950 - 10.0 a.m.)

The Prime Minister said that the latest reports on the course of Field Marshal Smuts' illness were disquieting; and he had been considering whether, if the Field Marshal died, it would be appropriate that tributes to his memory should be made in both Houses of Parliament. The practice in the House of Commons was to pay such tributes only on the death of Royal Personages, Heads of State, former Prime Ministers or Party Leaders, and Ministers dying while in office. It was arguable that, on this practice, such Parliamentary statements should not be made on the death of Field Marshal Smuts. On the other hand, as the Field Marshal was an outstanding contemporary figure, such a mark of respect to his memory would be welcomed by large numbers of people throughout the Commonwealth, and it could be brought within the recognised practice of the House of Commons on the ground that in the First World War he had been a member of the War Cabinet.

In discussion the point was made that, if this were done on the death of Field Marshal Smuts, an awkward precedent might be established. If this were done, and if Dr. Malan should die while still holding office as Prime Minister of South Africa, might it not seem invidious to refrain from paying respect to his memory in the same way? And, if this were justified on the basis that Field Marshal Smuts had been a member of a War Cabinet, should it not be borne in mind that Mr. R.G. Casey, who was now a member of the Australian Government, had also been a member of the War Cabinet during the Second World War? It was, however, the general view of the Cabinet that public opinion would find no difficulty in drawing a distinction between Field Marshal Smuts and either Dr. Malan or
Mr. Casey. It was also pointed out that Mr. Casey's membership of the War Cabinet had been on quite a different basis from that of Field Marshal Smuts: in particular, he had not at the time been a member of the Australian Government.

The point was also made that much would turn on the general wishes of the House of Commons at the time. It would be most undesirable for the Prime Minister to find himself in the position of rejecting a request that Parliament should show this mark of respect to the Field Marshal's memory. The Cabinet agreed that it must be left to the Prime Minister's discretion to determine this question, in the light of such informal soundings as he might be able to make to ascertain the general feeling in the House of Commons. It was the provisional view of the Cabinet that, having regard to the outstanding contribution which Field Marshal Smuts had made to Commonwealth affairs and to the fact that he had been a member of the War Cabinet in the First World War, the Prime Minister would be fully justified in proposing that on the occasion of his death tributes to his memory should be made in both Houses of Parliament by the leaders of the principal political Parties.
THE PRIME MINISTER said that, leaving out of account the special meeting held in the spring of 1949 to discuss constitutional developments in India, there had been no meeting of Commonwealth Prime Ministers since the autumn of 1943. In view of the critical state of international relations, he thought it advisable that an attempt should be made to hold a further meeting of Prime Ministers at an early date. From the Commonwealth point of view it would certainly be valuable to have a full exchange of views on the current international situation; and the meeting might also have a steadying influence on world affairs. The meeting would be concerned primarily with matters of foreign policy, but it would provide a valuable opportunity for discussion of defence problems with at any rate the Prime Ministers of the older Commonwealth countries. Subject therefore to the Cabinet's concurrence he now proposed to invite all Commonwealth Prime Ministers to a meeting to be held in London in the early part of December.

There was general agreement with the Prime Minister's views.

The Cabinet -

Tack note that the Prime Minister would now take steps to arrange for a meeting of Commonwealth Prime Ministers to be held in London in December.
C.M.(50) 71st Conclusions
(6th November, 1950 - 11.0 a.m.)

THE MINISTER OF FUEL AND POWER said that in view of the danger that, notwithstanding other short-term measures which might be taken, there would be a serious shortage of coal for inland consumption before the end of the winter, the National Coal Board were anxious to have authority to purchase immediately between 500,000 and 750,000 tons of coal, mainly from the United States. The cost would be between $6 and $8 millions and the loss in selling this coal at current prices in this country would amount to £1½ millions. Since it would take three months for the coal to be available in this country, purchase would have to be made forthwith and it would be essential to preserve complete secrecy until the contracts had been placed, since otherwise the price of the coal and the cost of freight might move against the Coal Board.

The Cabinet saw serious objection to this proposed purchase of coal from the United States. The political consequences of having to import coal were likely to be so serious that all other possible steps to equate demand and supply in the coming winter should be taken before the question of importing coal was further considered. It would be preferable that United States and other foreign coal should be used for meeting some of the requirements for British coal abroad, rather than that foreign coal should be brought to this country.

The Cabinet -
Agreed that, pending urgent consideration of the coal situation by the official committee to be set up under the chairmanship of the Chief Planning Officer, no steps should be taken to negotiate the import of foreign coal to this country.
November 1950

CABINET

MEASURES TO PREVENT A FUEL CRISIS DURING THE WINTER OF 1950 - 1951

Note by the Minister of Fuel and Power

In view of the current level of coal output, and of the stock position, it has been necessary to consider what further measures can be taken to prevent a fuel crisis during the coming winter months.

Output Campaign

I have arranged to have a Conference with the National Consultative Council of the Coal Industry (i.e. the National Coal Board and the National Union of Miners), to lay before them the facts of the present situation; and to invite them to make renewed efforts for increased coal output.

Gas Oil for Gas Works

As a result of a series of Conferences held since last July, the Gas Boards have used more gas oil than I then hoped might be possible, and they have arranged to use still more during the coming winter. They have indeed reached the limit which the supply of coke makes possible.

Retarding Exports

The Production Committee have agreed that exports must be retarded by 50,000 tons a month until the end of the year. I hope the Cabinet will endorse this decision.
Double Bunkering of Merchant Ships

The Minister of Transport has undertaken to see how much coal can be saved by "double bunkering", of merchant ships, and by supplying overseas bunker depots with overseas coal. This will mean a use of dollars, but it might save 200,000 - 300,000 tons of coal during the coming winter.

The Purchase of Coal for Eventual Import

It may happen that the present fall in man-power will be checked, or that output will rise. But, if the most recent trends continued, and if we had increased coal consumption because of a severe winter, the measures mentioned above would not suffice to close the gap in the winter budget. The N.C.B. are anxious to be allowed to buy some coal abroad, and I think we should immediately authorise them to do so.

If this is to be done:

(a) The decision must be taken immediately - only instant action will secure coal for delivery in February;

(b) Permission must be given to the N.C.B. to spend the necessary dollars;

(c) The greatest secrecy must be maintained, to prevent a rise in prices.

It is improbable that we could purchase more than half a million tons in the United States. There may be some smaller - much smaller - quantities available elsewhere, but this is problematical. This help might be of great importance, if the winter in February or March is hard.

P.J. N-B.

Ministry of Fuel and Power,
Millbank,
London.
C.M.(51) 25TH CONCLUSIONS, MINUTE 2
(9th April, 1951 - 10.30 a.m.)

After the Chancellor of the Exchequer had explained his Budget proposals the Cabinet reverted to the question, which they had discussed at their meeting on 22nd March, of the level of Government expenditure on the social services. One of the assumptions on which the Chancellor had constructed his Budget was that, in pursuance of the Cabinet's decision of 22nd March, expenditure on the National Health Service would be subject for the time being to an upper limit of £400 millions. Before that decision was taken expenditure on the Health Service in the financial year 1951/52 had been estimated at £423 millions; and, in order to keep it within the upper limit approved by the Cabinet, the Health Ministers had agreed to effect economies in hospital administration totalling £10 millions and to introduce charges for dentures and spectacles, which, in the coming year, would produce £13 millions. In a full year these charges would produce a much larger revenue; but the saving on the hospital's service was non-recurrent and the revenue from charges would be needed in future years, if the total expenditure was to be kept below the upper limit of £400 millions, in order to offset increasing costs in all parts of the Service.

THE MINISTER OF LABOUR said that he had always been opposed to the introduction of charges for dentures and spectacles. In his view it would be undesirable in principle, and politically dangerous, for the Labour Party thus to abandon the conception of a free Health Service. Now that he was aware of the details of the Budgetary position he was able to add the further argument that this step was not financially necessary. In a Budget of over £4,000 millions it should not be difficult to find so small a sum as £13 millions in some other way which would not breach the principle of a free Health Service. He was specially disturbed at the prospect that this inroad on the Health Service would be justified by the argument that the money to be saved was needed for the increased defence programme. He himself believed that shortages of raw materials and machine tools would make it impossible in practice to spend effectively all the money which was to be allocated under this Budget to the defence programme; and in this view he had the support of the President of the Board of Trade and the Minister of Supply. The Defence Estimates for the coming financial year totalled £1,250 millions; and of this the estimated cost of defence production amounted to £510 millions. These were large figures and must be subject to a substantial margin of error. He believed that, within that margin, the Chancellor could have found the savings which he proposed to secure by introducing charges under the Health Service. The Minister reminded the Cabinet that such charges could not be imposed without fresh legislation. Believing, as he did, that such charges would involve a serious breach of Socialist
principles, and having on numerous occasions proclaimed in public speeches his opposition to such a course, he did not see how he could be expected to vote in favour of such a Bill. If the Cabinet reaffirmed their decision that these charges should be imposed, he would be obliged to resign from the Government.

THE CHANCELLOR OF THE EXCHEQUER said that it was his special duty, in framing the Budget, to determine how the necessary revenues should be raised to meet essential Government expenditure and also, in present circumstances, to form a judgment on the figure of the Budget surplus at which the Government should aim in order to keep inflationary tendencies in check. The Budget which he had outlined to the Cabinet was a carefully constructed and integrated plan for regulating the national finances over the coming year; and it would be difficult for him to modify at the last moment any essential feature of that plan. The Cabinet should, in particular, be content to leave it to his judgment to determine the size of the Budget surplus at which he should aim. He believed that the estimates of defence expenditure were as reliable as any such estimates could be: he could not accept the suggestion that he should frame his Budget on the assumption that the out-turn of this expenditure would be something less than the estimate. He had taken the view from the outset that some part of the rising cost of the defence programme must be met by reductions in other Government expenditure: many of his efforts to secure such reductions had been frustrated: and he had now reached a point at which he could not make any further concessions. The Cabinet had agreed, on 22nd March, that expenditure on the Health Service should be subject for the time being to an upper limit of £400 millions: he was satisfied, from his consultations with the Health Ministers, that the cost of the Service could not be kept within that limit without the imposition of charges: he believed that, of the various charges which might be made, these would be the least unpalatable politically: and in all the circumstances he felt obliged to ask the Cabinet to maintain their earlier decision.

A long discussion ensued. The following is a summary of the main points made in it:

(a) THE MINISTER OF LABOUR and THE PRESIDENT OF THE BOARD OF TRADE thought that the Government would find great difficulty in persuading their supporters in the House of Commons to accept this departure from the principle of a free Health Service. They considered that some Government supporters would abstain from voting in favour of the legislation authorising the imposition of these charges; and they pointed out that, if only a few Government supporters abstained, the Conservative Opposition, by voting against the Bill, could bring about a major Government defeat. In that event the Government would face a General Election in circumstances which would enable the Conservative Party to pose as the champions of a free Health Service. THE HOME SECRETARY also feared that there might be considerable Parliamentary difficulty in securing the passage of this legislation.

On the other side it was pointed out that, so far as concerned legislation, the principle of a free Health Service had already been breached by the Bill introduced after the 1966 Budget authorising the imposition of a charge for prescriptions. This Bill, which
the present Minister of Labour had himself introduced, had encountered no substantial opposition from Government supporters and had in fact passed into law. It was not until after the Bill had reached the Statute Book that the Government had decided not to proceed with their plan for making a charge for prescriptions.

The preponderant view in the Cabinet was that the Government, if they remained united on this issue, would have no substantial difficulty in persuading the Parliamentary Labour Party to support legislation authorising charges for dentures and spectacles supplied under the National Health Service.

(b) THE MINISTER OF LABOUR said that, in a Budget total­ling over £4,000 millions, there must be tolerances which would allow the Chancellor, if he wished, to forego his insistence on a saving of only £13 millions on the Health Service. By the exercise of ingenuity, means could surely be found to avoid having to impose these charges. Thus, for the coming financial year, the relatively small amount required might be obtained by increasing the contrib­ution made to the Health Service by the National Insurance Fund. Alternatively, the Chancellor might reduce by £13 millions the Budget surplus at which he was aiming.

THE CHANCELLOR OF THE EXCHEQUER said that he was not prepared to adopt either of the courses suggested by the Minister of Labour. They would both be inflationary in effect. Moreover, if he had such a sum at his disposal, he would certainly wish to consider to what purpose it could most usefully be applied. He was by no means satisfied that, even within the social services, the Health Service had the first claims on any additional money that might be available.

(c) Several Ministers expressed the view that, if the Minister of Labour resigned from the Government on this issue, an acute political crisis would develop. With their present Parliamentary majority the Government could not afford any diminution in their voting strength in the House of Commons. And, if the Government fell, as a result of divided counsels within the Cabinet, the Labour Party's prospects at the following General Election would be very gravely prejudiced.

After a prolonged discussion THE FOREIGN SECRETARY said that it seemed clear that the Cabinet would not be able to reach an agreed conclusion at that meeting. He therefore proposed that the discussion should be resumed at a further meeting later in the day. In the interval he would see the Prime Minister (who was in hospital) and would report to him the course which the discussion had so far taken.

The Cabinet -

Agreed to resume their discussion at a meeting later in the day.
The Cabinet resumed their discussion of the level of Government expenditure on the social services.

THE FOREIGN SECRETARY said that during the afternoon he and the Chief Whip had seen the Prime Minister in hospital and had given him a full account of the Cabinet's discussion at their meeting that morning. The Prime Minister had asked him to convey to the Cabinet the following expression of his views. First, he had pointed out that in all Cabinet discussions of Budget proposals there must be a substantial measure of give and take between Ministers. The Chancellor of the Exchequer had particular responsibility for the national finances; and no other Minister ought to claim that any particular estimate should be treated as sacrosanct. It would be a most unusual thing for a Minister to resign on a Budget issue: so far as he was aware, the only Minister who had ever taken this step was Lord Randolph Churchill, whose political fortunes had never recovered thereafter. Secondly, a Minister who found himself in disagreement with a particular part of the present Budget proposals should consider, not only his personal position, but the effect which his resignation would have on the present and future fortunes of the Labour Party. Thirdly, the Prime Minister had said that it would be stark folly for any Minister to provoke a political crisis at the present time. He could not imagine a worse moment for a General Election. There was some reason to hope that, as the summer went on, the conditions would become more favourable for an election - the meat ration might be increased, the weather might improve and there might be some change in the international situation. But a General Election at the present time, with a Labour Party torn by divided counsels, would prejudice the fortunes of the Labour movement for years to come. Fourthly, if the Government were forced to face the electors in these circumstances, they would inevitably wear the appearance of being incompetent to govern. They could not hope to win such an election; and, after such a débacle, the Conservatives might be expected to remain in office for a long period. The responsibility for provoking this situation would rest with any Ministers who resigned from the Government at the present juncture. Finally, and for the foregoing reasons, the Prime Minister urged his Cabinet colleagues to give solid support to the Budget proposals put forward by the Chancellor of the Exchequer; and, in particular, to adhere to the decisions which they had taken, as a Cabinet, on 22nd March regarding the future level of expenditure on the National Health Service.

THE MINISTER OF LABOUR said that he was not surprised to hear that the Prime Minister took this view. He had, however, discussed the matter with the Prime Minister before 22nd March;
and he had then made it clear that he would not be able to share collective responsibility for a decision to abandon the conception of a free Health Service. This was for him, a question of principle. He had given five years to building up the Health Service; he had proclaimed it on many public platforms as one of the outstanding achievements of the Labour Party in office; he had, in particular, upheld the conception of a free Service as the embodiment of Socialist principles. It was too much to ask him now to go into the division lobby in support of a measure authorising the imposition of charges for dentures and spectacles provided under this Service. In saying that he must resign from the Government if the Cabinet persisted in this decision, he was not speaking lightly or without consideration of the possible consequences which the Prime Minister envisaged. But a Minister must be free to resign if he felt that he could not conscientiously share collective responsibility for decisions which his Cabinet colleagues wished to take. This Cabinet had taken many decisions which he had not wholly approved; but, when it became clear that these represented a preponderant view in the Cabinet, he had been prepared to take his share of responsibility for them. But, latterly, he had come to feel that he could bring more influence to bear on Government policy from outside the Cabinet than he could ever hope to exercise within it; and, when a Minister reached that position, it was time for him to go.

THE PRESIDENT OF THE BOARD OF TRADE said that he wished at this stage to make his own position clear. In the Cabinet's earlier discussion that morning he had said that he supported the view of the Minister of Labour that it would not be possible to persuade all Government supporters to vote in favour of legislation authorising the introduction of charges under the Health Service. He now wished to make it clear that, if the Cabinet maintained their decision to introduce these charges, he would feel unable to share collective responsibility for that decision and, like the Minister of Labour, would feel obliged to resign from the Government.

In the course of a long discussion Ministers dwelt upon the grave consequences which would follow if resignations from the Cabinet caused a division in the ranks of the Labour Party. This would almost certainly precipitate a General Election, at a moment most unfavourable to the fortunes of the Party and in circumstances in which the Party's chances of success must be rated very low. But, worse than that, it might undermine the authority of the Party's leaders and weaken the electoral prospects of the Party for many years to come. From a wider point of view it was also argued that the Labour Party had given an example to the world of stable and progressive Government in the difficult period of transition after the end of the war and in the dangerous period of international tension which had followed it; and it would be a tragedy if at this juncture the inspiration of its leadership in world affairs were cast away.

THE MINISTER OF LABOUR said that he could not accept responsibility for these consequences, even if they turned out to be as serious as some of his colleagues had feared. It was not he who had taken the initiative in proposing charges under the Health Service. The political crisis, if one developed, would have been provoked by those who had made this proposal. Other Ministers, on the other hand, held that any Ministers who resigned from the
Government at the present time would be responsible for the political consequences which were likely to follow; and, in their view, this was a very heavy responsibility.

Beside these grave consequences, the issue which now divided the Cabinet seemed relatively small. Was there not some compromise on the basis of which agreement might still be reached? The Cabinet then discussed various possibilities. Thus, would it be possible to postpone for six months the introduction of charges under the National Health Service? During the interval Ministers should be able to resolve their doubts on the question whether the money allocated to the increased defence programme could in fact be profitably spent; and they would then be able to see more clearly whether the proposed economies on the Health Service were in fact essential. Postponement would also have the advantage that the discussion could be resumed at greater leisure under the Chairmanship of the Prime Minister himself. Alternatively would it suffice for the Chancellor in his Budget speech to say merely that expenditure on the Health Service would be kept for the time being within an upper limit of £400 millions, and that the Government were considering what steps would be necessary to ensure that this limit was not exceeded? Would it not be possible to secure economies in the administration of the Service without resorting to charges? Or could the necessary savings be secured by imposing a charge for prescriptions, and abandoning the proposed charges for dentures and spectacles? This would have the advantage that no fresh legislation would be required. And in 1950 the present Minister of Labour had accepted the view that a charge for prescriptions would not involve a breach of the principle of a free Service. THE CHANCELLOR OF THE EXCHEQUER pointed out that none of these alternative courses would give him a sufficient assurance that the necessary savings would in fact be secured. Other Ministers testified that the Cabinet Committee on the National Health Service had exhaustively considered all practicable alternative methods of reducing expenditure on the Service, and had satisfied themselves that this expenditure could not be kept within an upper limit of £400 millions without recourse to charges. They were also satisfied that the charges now proposed, for dentures and spectacles, were the most practical and the least unpalatable of any which could be introduced. The Cabinet reluctantly came to the conclusion that no compromise solution could be found along these lines.

In the course of further discussion THE MINISTER OF LABOUR indicated that, if he resigned from the Government, he would feel obliged to make it clear that his differences with his colleagues had not been restricted to this question of charges under the National Health Service. He was also gravely concerned about the economic consequences of the increased defence programme. While he supported the policy of rebuilding the armed strength of the western democracies, he was concerned about the pace and volume of their rearmament programmes. He believed that, by trying to do too much too quickly in response to United States pressure, the western democracies were in grave danger of undermining their economic strength. The United Kingdom Government would in his view make a double mistake if they allowed the increased defence programme, not only to distort the national economy, but also to do this at the expense of the social services.
Further appeals were then made by a number of Ministers that the solidarity of the Government and the Labour Party should not be breached by resignations on this issue. THE MINISTER OF EDUCATION, in particular, made it clear that in his view Ministerial resignations were too high a price to pay for an economy of £13 millions on the Health Service. He felt sure that it must be possible to resolve the differences within the Cabinet by some means which would not involve Ministerial resignations; and he hoped that the majority would not press their view to a point which would make these resignations inevitable.

After further discussion THE FOREIGN SECRETARY said that he must bring the issue to a decision. He read out the conclusions reached by the Cabinet at their meeting on 22nd March, viz., that for the time being expenditure on the National Health Service should be subject to an upper limit of £400 millions; that charges should be imposed for the supply of dentures and spectacles under the Health Service; and that the Health Ministers should draft the necessary legislation and make such advance preparations as were required to bring the scheme of charges into operation on 12th April. He asked each member of the Cabinet to state whether he was still prepared to adhere to those decisions. THE MINISTER OF LABOUR, THE PRESIDENT OF THE BOARD OF TRADE and THE MINISTER OF EDUCATION said that, for the reasons which they had indicated in the course of the Cabinet's discussion, they were not in favour of re-affirming those conclusions. The remaining members of the Cabinet all indicated that they favoured re-affirming those conclusions.

THE MINISTER OF LABOUR said that in these circumstances he would have to resign from the Government. He would submit his resignation to the Prime Minister in the course of the following day; and he presumed that he would thereafter make a personal statement in the House of Commons, possibly on 11th April.

The Cabinet -

(1) Reaffirmed their decisions of 22nd March regarding the limitation of expenditure on the National Health Service and the introduction of charges for dentures and spectacles supplied under that Service.

(2) Authorised the Chancellor of the Exchequer to announce these decisions in the course of his Budget speech.

(3) Invited the Minister of Labour to reconsider his position, and expressed the earnest hope that he would not find it necessary to resign from the Government on this issue.
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(12th April, 1951 - 11.0 a.m.)  
When the Home Secretary proposed that the National Health Service Bill should be introduced on 17th April and that the motion for its Second Reading should be debated in the week beginning 23rd April, THE MINISTER OF LABOUR at once said that, if there were a division, he would not feel able to vote in favour of this Bill.

THE PRESIDENT OF THE BOARD OF TRADE suggested that, in view of the division of opinion within the Cabinet on this question, it would be preferable that further Cabinet discussion of it should be postponed until the Prime Minister (who was still in hospital) was able to preside. Meanwhile he suggested that the introduction of the Bill should be delayed.

THE FOREIGN SECRETARY said that the Cabinet had decided to impose charges for dentures and spectacles supplied under the National Health Service, and had authorised the Chancellor of the Exchequer to announce that decision in his Budget statement. The decision had proved acceptable to a substantial majority of those attending the meeting of the Parliamentary Labour Party at which the Budget statement had been discussed. From the point of view of Parliamentary tactics the wisest course was to proceed without delay with the legislation authorising the imposition of these charges. If the introduction of the legislation were delayed, the Government would be thought to be wavering; and, once this impression was given, the Parliamentary difficulties of passing this legislation would be greatly increased.

THE PRESIDENT OF THE BOARD OF TRADE said that he was not sure whether this proposal would in fact prove acceptable to a substantial majority of Government supporters. Of those who had spoken at the meeting of the Parliamentary Labour Party, a majority had been critical of this proposal. There was a good deal of feeling about this in the Party, and he thought it would be wiser on that account not to rush the introduction of the legislation.

THE MINISTER OF DEFENCE said that there had been widespread relief in the Parliamentary Labour Party when it became known on the previous day that there were to be no Ministerial resignations over this issue. Moreover, the Budget had met with a substantial measure of support throughout the Party. If this controversy within the Cabinet were now renewed, a very serious Parliamentary situation would arise. The fact was that the Cabinet had decided to impose these charges, and had authorised the Chancellor of the Exchequer to announce that decision. The legislation now proposed did no more than give effect to that decision. If its introduction were delayed, for the reasons put forward by the President of the Board of Trade, there was bound to be canvassing and agitation among Government supporters; and the division of opinion within the Cabinet would soon be reflected in the Party. This would cause a split in the Labour Party - with all the grave consequences which the Cabinet had discussed at their
two meetings on 9th April. Some Ministers had said that they would resign if the Cabinet decided to impose these charges: but the Cabinet had so decided, and the Ministers had not resigned. It was now the duty of those Ministers to support the Cabinet's decision. If, after all that had happened, the Cabinet were now to reverse the decision which had been announced, some other Ministers might find themselves unable to defend such vacillation and might feel obliged themselves to resign from the Government.

At this point, at the Foreign Secretary's suggestion, the members of the Secretariat withdrew. On their return, half an hour later, THE FOREIGN SECRETARY said that the Cabinet had reached the decisions recorded in the Minutes, viz. that the National Health Service Bill should be introduced on 17th April and that the Second Reading should be taken in the week beginning 23rd April.
After the Cabinet had been informed that the Second Reading of the National Health Service Bill would be taken on 24th April, THE MINISTER OF LABOUR said that, if there were a division, he would not be able to vote in favour of the Bill and that if it were carried on Third Reading, he would resign from the Government. He thought it right to warn his Cabinet colleagues that these were his intentions, and he wished to have them placed on record.

THE FOREIGN SECRETARY suggested that it would be more appropriate for the Minister to put this on record in a letter to the Prime Minister, and he still thought this should be done. He hoped that the Minister would not now seek, by threats of resignation, to cause the Cabinet to modify the decisions which they had authorised the Chancellor of the Exchequer to announce in his Budget statement.

THE MINISTER OF LABOUR said that he would write to the Prime Minister. But he had thought it only fair to his Cabinet colleagues that he should make his position plain to them also.

The Cabinet then proceeded to the discussion (recorded in the Minutes) regarding the possibility that, on the Second Reading of this Bill, some statement might be made on the Government's behalf which would allay the fears of some Government supporters that the limit upon expenditure on the National Health Service and the charges imposed by the Bill would become a permanent feature of the Service and would lead to the imposition of charges for other facilities provided under it. In the course of this discussion THE MINISTER OF LABOUR said that his difficulties might be met if a statement could be made to the effect that the charges authorised by this Bill were of a temporary nature and that no further charges were contemplated. THE CHANCELLOR OF THE EXCHEQUER indicated, however, that a statement in such terms as those could not be regarded as consistent with what he had said on the point in his Budget speech.
THE CHANCELLOR OF THE EXCHEQUER said that, as he had been in Paris at the end of the previous week on business connected with the Organisation for European Economic Co-operation, he had had the opportunity of a private meeting with Mr. Harriman, who was passing through Paris on his way to Persia. With the concurrence of the Prime Minister and the Foreign Secretary, he had seen Mr. Harriman, under conditions of extreme secrecy, and had had a full and frank discussion with him.

Mr. Harriman had shown himself friendly and sympathetic towards the United Kingdom Government, and seemed to have a clear understanding of their point of view. He understood that the proposals which we had put to the Persian Government contained no margin for bargaining; and, on the financial side, he was inclined to think that they went too far. His aim was to convince Dr. Mussadiq that he could not hope to succeed in his present policy, and that Persian oil could not be sold without British help. Mr. Harriman had said that we need have no fear that he would represent himself as a mediator between the Persian Government and ourselves. He must avoid this, if for no other reason, because his activities were being jealously watched by the American oil companies.

Mr. Harriman had raised two points of detail. First, he had expressed some doubts about our attitude regarding the receipts which the Persians had tried to extract for oil shipped from Abadan. The Chancellor had explained that our whole case would have been prejudiced if we had acquiesced in a form of receipt implying that the Anglo-Iranian Oil Company had no claim to property in the oil. Secondly, he had suggested that the A.I.O.C. mission need not have broken off their discussions with the Persians so abruptly, when their first proposals were rejected,
without trying to find out the area of disagreement. The Chancellor had explained to Mr. Harriman why this course had been taken.

The Chancellor had also referred to the risk of disorders, in which the Tudeh Party might seize power, and had mentioned the possibility that in such an event military intervention might become inevitable. Mr. Harriman had seemed to be prepared to accept military intervention in such circumstances, provided that it took place at the invitation of the Shah. Mr. Harriman also seemed to be impressed with the need to prevent the Russians from gaining control of the oil area in North Persia, and this consideration seemed likely to influence his whole attitude towards this problem.

Mr. Harriman was anxious to keep in close touch with H.M. Ambassador in Teheran. And he thought that there might be developments which might make it desirable that a Minister or a senior official should go out to Teheran from the United Kingdom before he left.

On more general issues, Mr. Harriman evidently regretted that the Western Powers had not been able to do more to promote economic development in the Middle East, and he was much concerned about this. He had not, however, discussed in detail the possibility of United States financial assistance to Persia; and he evidently recognised that there was little prospect of furthering the economic development of Persia so long as Dr. Mussadiq remained in power.

THE LORD PRIVY SEAL pointed out that if the Russians gained a foothold in North Persia they would, apart from gaining access to the oil supplies there, acquire effective control over the whole country since the grain producing areas lay in the north.

The Cabinet took note of these statements.