CABINET 66 (47)

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 31st July, 1947, at 10 a.m.

Present:

The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).


The Right Hon. Arthur Greenwood, M.P., Minister without Portfolio.

The Right Hon. Sir Stafford Cripps, K.C., M.P., President of the Board of Trade.

The Right Hon. Viscount Jowitt, Lord Chancellor.

The Right Hon. Viscount Addison, Secretary of State for Commonwealth Relations.

The Right Hon. A. Creech Jones, M.P., Secretary of State for the Colonies.


The Right Hon. Aneurin Bevan, M.P., Minister of Health.

The Right Hon. Ernest Bevin, M.P., Secretary of State for Foreign Affairs.


The Right Hon. A. V. Alexander, M.P., Minister of Defence.

The Right Hon. J. Chuter Ede, M.P., Secretary of State for the Home Department.

The Right Hon. J. Westwood, M.P., Secretary of State for Scotland.

The Right Hon. The Earl of Listowel, Secretary of State for India and Secretary of State for Burma.

The Right Hon. E. Shinwell, M.P., Minister of Fuel and Power.

The Right Hon. T. Williams, M.P., Minister of Agriculture and Fisheries.

The Right Hon. George Tomlinson, M.P., Minister of Education.

The following were also present:

The Right Hon. John Wilmot, M.P., Minister of Supply (Item 4).

The Right Hon. John Strachey, M.P., Minister of Food.

The Right Hon. Alfred Barnes, M.P., Minister of Transport (Item 4).

The Right Hon. William Whiteley, M.P., Parliamentary Secretary, Treasury (Item 1).

Secretariat:

Mr. W. S. Murrie.

Mr. S. E. V. Luxp.
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

On 4th August, the twentieth allotted Supply Day, there would be a debate on Germany and Austria. It was also proposed to take the Report Stage of all outstanding Votes; the Committee and remaining Stages of the Isle of Man (Customs) Bill; a motion to approve the Purchase Tax (Charges) (No. 2) Order; the Lords' amendments to the Agriculture Bill, and the further Lords' amendments to the Transport Bill.

On 5th August the Lords' amendments to the Electricity Bill and the Town and Country Planning (Scotland) Bill would be considered.

On 6th and 7th August the Appropriation Bill would be taken and there would be a debate on the State of the Nation. The Prime Minister, the Chancellor of the Exchequer and the President of the Board of Trade would be the Government speakers.

During the week any outstanding business would be taken as opportunity offered. On a convenient day the Prime Minister would propose a Motion of Thanks to the Civil and Military Services of the Crown in India.

It was hoped that it would be possible for the House to adjourn for the Summer Recess on 8th August, and Parliament would then stand adjourned until 20th October, when there would probably be a formal meeting for prorogation. Should it be necessary in the public interest to recall the House at an earlier date during the adjournment the Speaker would be able to do this on representations being made to him by the Government.

The Lord President drew the attention of the Cabinet to the Report of the Committee of Privileges on the enquiry into the allegations against Members of Parliament made by Mr. Garry Allighan, M.P., in a recent article in the World's Press News. The normal procedure would be to afford time for an early debate on the Committee's findings, but in view of Mr. Allighan's absence abroad it would not be possible to hold a full debate before the Summer Recess. The House should, however, have an opportunity before the Recess of deciding what action should be taken on the Committee's findings in regard to the editor and political correspondent of the Evening News, who had refused to divulge the name of the Member to whom that paper made a weekly payment in return for political and industrial information.

2. The Prime Minister informed the Cabinet that in his absence on holiday the Lord President would act for him. Arrangements would be made to ensure that he was kept informed of matters of importance, and for maintaining speedy communication with him.

3. The Foreign Secretary recalled that, in spite of our efforts to prevent it, the President Warfield had succeeded in sailing for Palestine from a French port with some 4,500 illegal immigrants on board. These Jews had secured forged Colombian travel documents; and the ship itself had sailed without proper clearance. He had taken the matter up immediately with M. Bidault, who had agreed that, if we were successful in intercepting the ship, her passengers might be returned to France. The President Warfield had been intercepted off the Palestine coast by a naval patrol and her passengers transferred to three other ships, which were now in harbour at Port de Bouc. The illegal immigrants had, however, refused to disembark voluntarily and it was clear that, without the co-operation of the French authorities, it would be impossible to compel them to do so. His Majesty's Ambassador at Paris had reported that the French Government were not prepared to afford
such co-operation, and that further representations to them would be unlikely to produce any successful results. In these circumstances he had discussed with the other Ministers concerned what alternative arrangements might be made for the disposal of the illegal immigrants. It had been agreed that there could be no question of sending them to Palestine or Cyprus, and the Secretary of State for the Colonies was considering whether accommodation could be found for them in a British colonial territory, while he himself was looking into the question whether any might be sent to the British Zone of Germany. Some of these Jews had in fact come from the United States Zone, and it might be possible to arrange for their return there. He had not yet been able to reach definite conclusions, and he proposed to consult with the Prime Minister before a decision was finally taken. No harm would be done by leaving the three transports at Port de Bouc for a few days; and there was a possibility that their passengers might decide eventually to go ashore peaceably.

The Cabinet—

Took note of the Foreign Secretary's statement.

The Secretary of State for the Colonies informed the Cabinet that the High Commissioner for Palestine had not yet been able to confirm or deny the report that two British non-commissioned officers, who had been kidnapped some days previously, had been executed by the Irgun Zvai Leumi.

The Cabinet—

Took note of the statement made by the Secretary of State for the Colonies.

4. The Cabinet considered a memorandum by the Lord President and the Minister of Supply (C.P. (47) 215) summarising the alternative courses of action discussed at their meeting on 24th July. The Lord President recalled that the Cabinet, at their meetings on 24th and 28th April (C.M. (47) 39th Conclusions, Minute 6, and 40th Conclusions, Minute 2), had reached the conclusion that any comprehensive acquisition of the physical assets of the iron and steel industry on the lines adopted for the coal industry would involve great complications and could only be effected over a long period. They had therefore decided that the most practical method of securing public ownership was by the acquisition of all the shares in selected companies on the lines suggested in C.P. (47) 129. If the Government proceeded on these lines, however, the energies of many of the active personalities in the industry would be diverted from steel output and development schemes to opposing the Government's plans or considering their own future. There would thus be a danger that in the critical period ahead the national economy would be seriously handicapped through a continued shortage of steel. We could not afford to run this risk, and it might therefore be argued that the Government should take no action at all for the time being. In his view there could be no worse course to pursue, since the prolongation of uncertainty would prejudice the efficiency of the industry while at the same time encouraging the intransigence of its leaders. Politically, inaction would be regarded as a sign of weakness and might prove damaging to the Government. In these circumstances he thought there was a strong case for the solution outlined in C.P. (47) 212. Though the scheme there proposed was unlikely to lead to the acquisition by the Government of any substantial part of the industry in the lifetime of the present Parliament, it would give the Government full control of the industry and the necessary technical knowledge to enable complete socialisation to be effected, if it were thought desirable, during the next Parliament. Many Government supporters were doubtful
about the advisability of pressing forward with complete socialisation at this stage, but would welcome proposals which would represent a definite advance towards socialisation without the risk of jeopardising steel output. If his proposals were accepted, it would be necessary to define the agreement with the industry by an exchange of letters with the Iron and Steel Federation.

The Minister of Health said that a decision by the Government to abandon their intention of introducing legislation in the 1947-48 Session for the full socialisation of the iron and steel industry would cause great dismay among their supporters in Parliament, who were expecting them to show vigorous leadership in dealing with the present situation. In his view, to attempt to justify a departure from the Cabinet's earlier decision on the ground that the economic conditions rendered it inopportune was a negation of the principles of the Party and was tantamount to an indefinite postponement of any real measure of socialisation. This would have a deplorable effect on the workers in the industry and was much more likely to lead to a loss of output than adherence to the decision already taken together with a resolute use of the powers of control which the Minister of Supply already had. In any event, it would be unwise to agree to any departure from the scheme already approved until Ministers had had an opportunity of studying the full implications of the economic situation and of the measures which would have to be taken to meet it.

The Secretary of State for Commonwealth Relations said that in present circumstances it would be unwise to proceed with the full scheme of socialisation proposed in C.P. (47) 123. He saw no reason to suppose that the adoption of the proposals made in C.P. (47) 212 would open the Government to the charge of weakness. In the immediate future there would be ample need for courageous decisions in other directions, and it could be argued that the scheme set out in C.P. (47) 212 constituted a definite step towards the ultimate objective. The essential point was that no action should be taken which might result in a fall in steel output.

The Chancellor of the Exchequer said that, though he still favoured the scheme set out in C.P. (47) 123, he had come to the conclusion that it would be inadvisable to introduce the necessary legislation in the 1947-48 Session, when the Government would be faced with many more urgent problems. He saw no advantage in adopting the proposals in C.P. (47) 212, which would, in his view, be unacceptable to Government supporters. Moreover, it seemed probable that it would be necessary for the Government to seek emergency powers to meet the present economic situation, and, if so, there would be no advantage in introducing special legislation to control the iron and steel industry. Again, there was no reason why the transfer of highly qualified staff from Steel House, which was one of the main elements in the compromise proposals, should not be effected by administrative action.

The President of the Board of Trade said that he was in general agreement with the views of the Chancellor of the Exchequer. If the proposals in C.P. (47) 212 were adopted, they would be regarded as the Government's final solution of the problem of socialising the iron and steel industry. They would also throw a heavier burden on the administrative machine than it could bear under existing conditions. He therefore thought that the Government could properly take the line that the necessary control of the industry could be secured by the use of general emergency powers.

The Minister of Food said that he understood that the Cabinet would have an opportunity of considering the question whether emergency powers ought to be taken by the Government to meet the present economic situation. If such legislation were enacted, it would no doubt render easier the effective control of the steel industry on its present basis. Nevertheless, he disagreed with the compromise proposed by the Lord President. Drastic measures would shortly have to be introduced which would fall hardly on the
general mass of the population. The Government’s position would be greatly weakened if they appeared at the same time to be retreating in the face of the opposition of the Iron and Steel Federation. A further point was that the administrative difficulties involved in a full scheme of socialisation seemed to have been seriously exaggerated.

The Minister of Agriculture said that in view of the need to obtain the maximum steel output it was essential to avoid any action which would arouse serious controversy with the industry. For this reason he supported the proposal put forward by the Chancellor of the Exchequer that no legislation dealing with the iron and steel industry should be introduced in the 1947-48 Session.

The Minister of Defence said that inaction at this stage would be read as meaning that the Government had abandoned their intention to introduce legislation for socialising the industry during the current Parliament. In his view, such a decision would have serious political consequences and, if it was felt impossible to introduce legislation on the lines originally contemplated, he hoped it would be decided to adopt the solution put forward by the Lord President and the Minister of Supply. This would be an important step towards the ultimate socialisation of the industry.

The Minister without Portfolio supported the views expressed by the Chancellor of the Exchequer. The adoption of the compromise solution would be a bitter disappointment to Government supporters who would interpret it as final abandonment of the policy for the full socialisation of the industry.

The Lord Chancellor said that he was in agreement with the proposals in C.P. (47) 212, which represented an important advance towards the Government’s main objective.

The Home Secretary supported the views expressed by the Chancellor of the Exchequer.

The Secretary of State for India supported the proposals in C.P. (47) 212 on the ground that they would give an incentive to higher production by the removal of the immediate threat of socialisation, while at the same time securing complete control over the industry through the transfer of the technical experts from Steel House to the Ministry of Supply.

The Minister of Education supported the views expressed by the Minister of Health. A decision against the introduction of legislation in the 1947-48 Session would cause grave disappointment to Government supporters and give the Government no greater powers than they already possessed.

The Minister of Labour supported the proposals in C.P. (47) 212.

The Minister of Fuel and Power said that, since the scheme for full socialisation had been drawn up, conditions had changed completely. While, therefore, he saw no reason to depart from the original scheme, he thought there were strong grounds for adopting the course proposed by the Chancellor of the Exchequer, on the understanding that general emergency powers would be taken and used to the extent necessary to ensure the maximum output of steel. The proposals in C.P. (47) 212 would, in his view, have no advantages.

The Secretary of State for the Colonies supported the views of the Chancellor of the Exchequer.

The Minister of Transport said that, if emergency powers were to be taken to meet the general economic situation, it would be preferable to defer special action in relation to the iron and steel industry. He argued that the transfer of control over an industry to the Government inevitably involved some temporary administrative deterioration and that there was therefore the risk that steel output might be adversely affected if the scheme of full socialisation were put into force.
The Minister of Supply pointed out that a decision to defer any action in the immediate future would leave the industry in a state of prolonged uncertainty, which would be prejudicial to efficiency. It was to meet this difficulty that the proposals made in C.P. (47) 212 had been devised. Under existing arrangements the industry looked to Steel House for direction, and the Iron and Steel Board could exercise no effective influence because it lacked the technical experience and knowledge. Until it was evident that real control over the industry had been transferred permanently to the Government, the staff at Steel House could not be expected to change their loyalties.

The Foreign Secretary said that the workers in the iron and steel industry could be trusted to produce the maximum possible output whatever decision the Government might reach. He felt that the arguments were evenly balanced. Any reduction in output or delay in development would have deplorable consequences, and it was clear that the administrative machine was seriously overburdened. On the other hand, the proposals in C.P. (47) 212 would be regarded by Government supporters as amounting to the abandonment of the full socialisation plan in deference to the resistance of the Iron and Steel Federation. In his view, the next step should be to consult the trade unions concerned, who had so far had no opportunity of commenting on the new proposals. The Government should not retreat from the earlier decision, about which the unions had been informed, without taking the unions into their confidence.

The Prime Minister said that he could not agree that the postponement of legislation to give effect to the scheme approved by the Cabinet would amount to a betrayal of the Government’s political principles. In deciding on the Legislative Programme for each Session the Government had to take full account of the prevailing circumstances, and, since the Cabinet’s decision had been taken, the deterioration in the economic situation had created problems of great complexity, which would call for drastic and far-reaching measures and impose new duties on an administrative machine that was already overburdened. Both the original socialisation scheme approved by the Cabinet and the compromise suggested by the Lord President would impose additional responsibilities on the Departments concerned, and both would leave the industry in a state of as much uncertainty as if legislation were postponed to a later Session. The immediate need of increased production could be ensured by the use of existing or new emergency powers of a general kind, and there would be justifiable criticism if the Government’s attention appeared to be diverted from their main task of dealing with the general situation in order to bring into effect a scheme of socialisation which could not be shown to be a necessary part of the plans for overcoming our economic difficulties. In view of the varying opinions expressed in the discussion, he agreed with the Foreign Secretary that the next step should be to consult the trade unions concerned. It should be made clear to them in the consultations that the Cabinet had not yet reached any decision.

The Cabinet—

Invited the Lord President and the Minister of Supply to ascertain the views of the trade unions concerned.

Cabinet Office, S.W. 1,