CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 22nd January, 1948, at 10 a.m.

Present:
The Right Hon. C. R. ATTLEE, M.P., Prime Minister (in the Chair).
The Right Hon. HERBERT MORRISON, M.P., Lord President of the Council.
The Right Hon. VISCOUNT ADDISON, Lord Privy Seal.
The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.
The Right Hon. A. WOODBURN, M.P., Secretary of State for Scotland.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health (Item 1).
The Right Hon. GEORGE TOMLINSON, M.P., Minister of Education.

The following were also present:
The Right Hon. VISCOUNT HALL, First Lord of the Admiralty (Item 4).
The Right Hon. JAMES GRIFFITHS, M.P., Minister of National Insurance (Item 4).
The Right Hon. H. T. N. GAITSKELL, M.P., Minister of Fuel and Power (Item 5).

Secretariat:
Sir NORMAN BROOK.
Mr. W. S. MURRIE.
## CABINET 6 (48)

### CONTENTS.

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>National Health Service</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Iraq</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Anglo-Iraqi Treaty of Alliance</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Parliament</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Business in the House of Commons</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Scotland</td>
<td>44</td>
</tr>
<tr>
<td></td>
<td>Legislative and Administrative Devolution</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Economic Affairs</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Balance of Payments</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Devaluation of the Franc</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Prices</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Publicity</td>
<td></td>
</tr>
</tbody>
</table>
1. The Cabinet had before them a memorandum by the Minister of Health (C.P. (48) 23) on the attitude of the medical profession to the National Health Service. Annexed to this were copies of the statement by the Negotiating Committee of the medical profession and of the Minister’s reply to that statement. These documents had been circulated to all doctors.

The Minister of Health said that, until the autumn of 1947, there had been some prospect that the medical profession as a whole would willingly accept the scheme for a National Health Service, and many leading members of the profession were still favourably disposed to it. The Negotiating Committee had, however, been dominated by a reactionary and vocal group, who, partly for political reasons, were seeking to prevent the Act from coming into operation. He himself believed that the medical profession had been treated very generously under the scheme and that the right course now was to refuse any further concessions, apart from the appointment of a committee to examine whether the Act safeguarded sufficiently the rights of partners under existing partnership agreements. It would be wrong in principle to accept the claim that a doctor should have a right to appeal to the High Court against a decision that he was not fit to continue in the Service, for this would allow the Courts to decide a matter which was essentially one for the Executive, and it should be noted that the Act gave doctors more protection than they had at present under the National Health Insurance Scheme. The proposal that doctors should be partly remunerated by a fixed salary had great advantages for the beginner; and Government supporters had favoured a much higher fixed element in the remuneration than the figure of £300 which he had found it necessary to adopt as a result of the recommendation in the Spens Report. In the doctors’ plebiscite, which was due to take place at the end of January, there would doubtless be a heavy vote against participation in the National Health Service Scheme; but, if the Government yielded to this, other sectional groups would be encouraged to seek to frustrate the decisions of Parliament. He was satisfied that in the period before the scheme came into operation in July the force of public opinion would, if properly organised, compel the medical profession to modify their present attitude. He proposed to announce that the Act would be brought into operation on 5th July, 1948.

In discussion there was general support for the course proposed by the Minister of Health. It was suggested, however, that more should be done to explain the Government’s case to the average doctor, and particularly to the younger members of the profession. While this would have to be done mainly after the plebiscite, the Minister of Health might consider issuing before the plebiscite a further statement dealing briefly and clearly with those points, such as the procedure for appeals, on which there appeared to be most misunderstanding.

The Cabinet—

(1) Approved the proposal of the Minister of Health to appoint a Committee to advise him on the effect of the National Health Service Act on the rights of doctors in existing partnership agreements, and to give an undertaking to introduce appropriate amending legislation if the Committee advised that such rights were not adequately protected.

(2) Subject to (1), agreed that the Minister of Health should make it clear that the Government intended to bring the National Health Service scheme into operation in the form provided in the National Health Service Act, and agreed that the Act should be brought into operation on 5th July, 1948.

(3) Took note that the Minister of Health would consult the
Lord President on the further measures which might be taken to ensure that full information about the position of doctors under the scheme was made available both to the general public and to the medical profession.

Iraq.

2. On the previous evening the Regent of Iraq, after a meeting with members of his Government and other political leaders, had announced that the Anglo-Iraqi Treaty which had been signed at Portsmouth on 15th January was not sufficient to consolidate the bonds of friendship between the two countries and that no Treaty would be ratified which did not assure the rights and national aspirations of Iraq.

The Foreign Secretary said that this was evidently an attempt by some political elements in Iraq to divert attention from the real cause of the recent outbreaks of disorder in Baghdad and to discredit the Prime Minister and Foreign Minister of Iraq, who were still in London. Those who had advised the Regent to issue the statement were not fully familiar with the contents of the Treaty. This, in fact, made substantial concessions to the national aspirations of Iraq; and, if it were not ratified, the existing Treaty, which was less favourable to the Iraqis, would continue in force. The Prime Minister of Iraq, in a public statement issued that morning in London, had indicated his determination to secure the ratification of the Treaty on his return to Baghdad.

The Cabinet—

Took note of the Foreign Secretary's statement.

Parliament.

Business in the House of Commons.

3. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

Scotland.

Legislative and Administrative Devolution.

4. The Cabinet considered a memorandum by the Secretary of State for Scotland (C.P. (48) 22) covering a draft White Paper setting out proposals, approved by the Cabinet on 11th December, for meeting the demand for a greater measure of Scottish control over Scottish affairs. As a result of his consultations, the Secretary of State was satisfied that these proposals would be acceptable to the Scottish Executive of the Parliamentary Labour Party, the Scottish Council of the Labour Party, the Scottish Trades Union Congress and the Scottish Council (Development and Industry) and that the demand for a formal committee of enquiry would not be pressed. If the Cabinet approved the proposals, the Secretary of State would explain them to a full meeting of the Scottish Labour Group later in the day: he had already ascertained that they would not be opposed by Scottish Members of Parliament belonging to other Parties.

In discussion of the draft White Paper the following points were made:

(a) Appendix A, which set out the text of the proposed Standing Orders relating to Scottish business in the House of Commons, would be omitted from the published version.

(b) The Standing Committee on Scottish Bills would merely discuss the Bills referred to it under the proposed new Standing Orders and no Motions relating to these Bills would be put to the Committee.

(c) The statement in paragraph 1 that "both the Prime Minister and the Leader of the Opposition had commended Scottish aspirations" should be omitted.
The last sentence of paragraph 5 should be redrafted to avoid any suggestion that the new procedure would permit a large increase in the amount of Scottish legislation passed each Session.

It might be advisable to explain the proposals to a representative group of Scottish Peers before they were published.

The Cabinet recognised that the publication of the White Paper would stimulate the demands for further devolution to Wales. Support for the Welsh nationalist movement was strong in the Welsh universities and schools and was growing in the industrial areas. It would be impossible to make concessions in the field of Parliamentary business similar to those proposed in paragraphs 5 to 7 of the White Paper, but the possibility of establishing for Wales something on the lines of the Scottish Economic Conference should be considered, and it would be advisable for the Government to take the initiative in this matter as soon as the White Paper was published.

The Cabinet—

(1) Subject to the points noted in paragraphs (a), (c) and (d) above, approved the draft White Paper on Scottish Affairs annexed to C.P. (48) 22 and invited the Secretary of State for Scotland to settle with the Lord President and the Chief Whip the date of publication.

(2) Took note that the Secretary of State for Scotland would discuss with the Lord Privy Seal the suggestion that, before the publication of the White Paper, the proposals set out in it should be explained to a representative group of Scottish Peers.

(3) Invited the Lord President to consider, in consultation with the Minister of Health, the First Lord of the Admiralty and the Minister of National Insurance, what steps might be taken to meet a Welsh demand for the establishment of a Welsh body similar to the Scottish Economic Conference.

The Cabinet had before them a note by the Chancellor of the Exchequer (C.P. (48) 19) covering the fourth of his periodical reports on the economic situation.

The following points were raised in discussion:

The continuing drain on the dollar reserves of the sterling area gave cause for grave anxiety. The latest figures suggested that the dollar expenditure of India and Pakistan in 1947 might have exceeded by as much as $90 million the limit proposed in the discussions in the autumn with representatives of the sterling area countries. This was being investigated further in the current financial negotiations with those Dominions.

Ministers expressed concern about the consequences which might flow from our lack of full control over the dollar expenditure of the rest of the sterling area. The efforts of the United Kingdom to redress its own adverse balance of payments with the western hemisphere were making some progress, but those efforts might at any time be stultified by increased dollar expenditure by the rest of the sterling area over which the United Kingdom Government had no effective control. Was it time to consider whether this danger outweighed the advantages which the United Kingdom had hitherto derived from acting as bankers for the whole of the sterling area?

The Chancellor of the Exchequer said that he had this question constantly in mind, and it might become necessary that some countries should cease to be members of the sterling area. The Cabinet would have an opportunity for further discussion of this question when they considered the new estimate which he would shortly be circulating of the balance of payments position in 1948.

Devaluation of the Franc.
5. The Cabinet had before them a note by the Chancellor of the Exchequer (C.P. (48) 19) covering the fourth of his periodical reports on the economic situation.

The following points were raised in discussion:

The continuing drain on the dollar reserves of the sterling area gave cause for grave anxiety. The latest figures suggested that the dollar expenditure of India and Pakistan in 1947 might have exceeded by as much as $90 million the limit proposed in the discussions in the autumn with representatives of the sterling area countries. This was being investigated further in the current financial negotiations with those Dominions.

Ministers expressed concern about the consequences which might flow from our lack of full control over the dollar expenditure of the rest of the sterling area. The efforts of the United Kingdom to redress its own adverse balance of payments with the western hemisphere were making some progress, but those efforts might at any time be nullified by increased dollar expenditure by the rest of the sterling area over which the United Kingdom Government had no effective control. Was it time to consider whether this danger outweighed the advantages which the United Kingdom had hitherto derived from acting as bankers for the whole of the sterling area? The Chancellor of the Exchequer said that he had this question constantly in mind, and it might become necessary that some countries should cease to be members of the sterling area. The Cabinet would have an opportunity for further discussion of this question when they considered the new estimate which he would shortly be circulating of the balance of payments position in 1948.

The Cabinet were informed of the latest developments in the discussions on the proposed devaluation of the French Franc.
Production.

Attention was again drawn to the need for stimulating recruitment to the textile industries and increasing the output of those industries. The Cabinet were informed that the Production Committee had recently held a comprehensive review of these questions and their recommendations would shortly be submitted to the Cabinet.

It was suggested that this might be an opportune moment to arrange for the extension of the existing agreement for the working of a longer week in the coal-mining industry. The Minister of Fuel and Power said that, in accordance with the decision of the Economic Policy Committee on 9th January, he had informed the National Coal Board that, while the published target for coal production in 1948 would be set at a minimum of 211 million tons, the Government hoped and expected that a higher output would in fact be achieved; and he had asked the Board to consider whether it was desirable for this purpose that they should negotiate an extension of the existing agreement for longer working hours.

Exports.

The Cabinet were assured that the Board of Trade were taking all practicable steps to secure the diversion of exports to the western hemisphere and that industry generally was collaborating effectively in this policy. The following specific suggestions were made for furthering the sale of British goods in America:

(a) From the point of view of securing lasting markets, could not greater use be made of brand-names for goods sold in America? Thus, it would be advantageous if British cloth could carry a recognisable brand-mark.

(b) The prospective world shortage of oil might compel the use of smaller cars in America. This was the time to represent the British car as a contribution to the world's oil problem.

(c) Special efforts should continue to be made to seek markets for British goods in the western areas of the United States.

Prices.

Attention was drawn to the substantial increase in the wholesale prices of farm products in the United States. This increased the importance of our current efforts to develop alternative sources of food supply for the United Kingdom.

Publicity.

The Lord President said that, as requested by the Cabinet on 15th December, he had discussed with the Chancellor of the Exchequer the suggestion that the Government should make available to Members of Parliament periodical reports on the economic situation. They had agreed that Members of Parliament might receive copies of the notes which the Chancellor of the Exchequer gave to the representatives of the Press at his periodical Press conferences on economic affairs. Members would be told that, if they informed the Party Whips that they wished to receive this material, it would be sent to them as a matter of course. If this arrangement proved satisfactory, it could be extended subsequently to material which was made available at Press conferences held by other Ministers.

The Cabinet approved these proposals and authorised the Lord President to give effect to them.

The Cabinet—

Took note of C.P. (48) 19 and of the points raised in the discussion.

Cabinet Office, S.W. 1,
22nd January, 1948.