CABINET 8 (48)

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 28th January, 1948, at 10 a.m.

Present:

The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
The Right Hon. A. V. Alexander, M.P., Minister of Defence.
The Right Hon. Viscount Jowitt, Lord Chancellor.
The Right Hon. A. Creech Jones, M.P., Secretary of State for the Colonies.
The Right Hon. T. Williams, M.P., Minister of Agriculture and Fisheries.
The Right Hon. J. H. Wilson, M.P., President of the Board of Trade.

The following were also present:
The Right Hon. Alfred Barnes, M.P., Minister of Transport (Items 7–8).
The Right Hon. Hector McNeil, M.P., Minister of State (Item 6).

Secretariat:

Sir Norman Brook.
Mr. W. S. Murrie.
Mr. S. E. V. Luke.
## CABINET 8 (48)

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1. The Minister of Health said that, in accordance with the Cabinet's decision of 11th December, a new Clause had been prepared for insertion in the Local Government Bill which would enable members of co-operative societies and shareholders with a comparable interest in limited liability companies to take part, after disclosing their interest, in proceedings of a local council which affected the interests of their society or company. This Clause would have the effect of removing the existing disability if the total nominal value of a councillor's shareholding, whether in a co-operative society or in a company or other body, did not exceed £200 or one-hundredth of the total nominal value of the issued share capital, whichever was the less. Copies of the new Clause were handed to the Cabinet.

The Lord President said that it might be argued in debate that, as the market value of shares was often far greater than their nominal value, a Clause on these lines would remove the disability from persons whose shareholding in a company was worth substantially more than £200. A Clause in this form might not, therefore, be acceptable to some Government supporters; and it was for consideration whether it might not be preferable to revert to the original proposal of removing the existing disability only from the members of co-operative societies.

In discussion it was pointed out that under the proposed new Clause the disability would still apply if the councillor's shareholding was more than one-hundredth of the total nominal value of the issued share capital of the company. This second requirement would exclude from participation in a council's proceedings persons who had a substantial measure of interest or control in any company affected by those proceedings, whatever the market value of their shareholding.

The Cabinet—

Agreed that if a new Clause in the terms of the draft before them were moved by a Private Member as an amendment to the Local Government Bill, it might be accepted on behalf of the Government.

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

3. The Minister of Health said that it would be convenient if an early debate could be held in the House of Commons on the attitude of the British Medical Association towards the National Health Service Act. He would welcome an opportunity of explaining the Government's case in the House of Commons. He doubted whether the Opposition leaders would suggest that a debate should be held; but, if such a suggestion were made from any quarter in connection with the Statement on Business in the House of Commons that afternoon, he hoped that the Lord President would give a sympathetic reply.

In discussion Ministers expressed some concern at the situation which might arise if in the forthcoming plebiscite a very large majority of the doctors voted against collaboration in the scheme. Many doctors were political supporters of the Government, and it had also been understood that a majority of the younger doctors were in favour of a national medical service; but these sections of the medical profession showed no signs of speaking or voting in favour of the Act. It was pointed out that at this stage the British Medical Association were maintaining the maximum opposition in
the hope of extracting further concessions from the Government; and this made it specially important that the Government should show no signs of weakening in their resolve to bring the Act into operation on 5th July. As that date approached, however, and doctors had to decide as individuals whether they would come into the national service, the British Medical Association were likely to modify their attitude. Ministers agreed that this made it all the more important that the Government should ensure that the true facts of the Government's scheme were brought home to the doctors, as individuals, by a sustained campaign of informative publicity. This campaign should be opened at the earliest possible moment; and from that point of view it would be advantageous if an early debate could be held in the House of Commons.

The Cabinet—

(1) Invited the Lord President and the Chief Whip to consider how soon, and by what means, a debate might be held in the House of Commons on the attitude of the medical profession towards participation in the National Health Service;

(2) Reaffirmed their decision of 22nd January that the Government should undertake an intensive publicity campaign to ensure that full information about the position of doctors under this scheme was made available to the general public and to the medical profession.

Parliament.

Amendment of the Parliament Act.

(Previous Reference: C.M. (46) 5th Conclusions, Minute 7.)

4. The Cabinet were informed that, after the adjournment of the Second Reading debate on the Parliament Bill in the House of Lords, the Opposition leaders had proposed to the Lord Privy Seal that, in return for an assurance from them that within the current Session they would either allow the Bill to pass through all its stages or definitely reject it, the Government should agree to enter into discussions both on the possibility of reforming the constitution of the House of Lords and on the suggestion made in the debate that the Bill should be amended so as to give the House of Lords adequate time to consider Bills which reached that House late in the Session. The Marquess of Salisbury had indicated that the Opposition would not seek to raise in these discussions any question relating to the powers of the House of Lords apart from this proposed amendment of the Bill. He had also said that they would not be prepared to give the Bill a Second Reading before the discussions began. Thus, if the Government agreed to his proposal, the Second Reading debate would be adjourned and the date of its resumption would depend on the course of the discussions. On the other hand, if his proposal were rejected, it would be open to the Opposition either to reject the Bill on Second Reading or to carry a motion for the adjournment of the debate. Viscount Samuel had supported the suggestion that discussions should take place, but it seemed likely that the Liberal Party would not oppose the Second Reading if they were satisfied that the Bill would be amended on the lines proposed in the House of Lords debate.

In discussion there was general agreement that the Government should not agree to any amendment of the Bill which would substantially derogate from its primary object of enabling a Government to secure the passage of important measures introduced in the last two years of a Parliament; and it was agreed that the Lord President should consider further, in consultation with the Chief Whip, whether any amendment could be accepted, consistently with that object, which would give more time for the consideration of Bills by the Lords under the Parliament Act procedure. The Lord President was asked, in particular, to consider whether an amendment could be accepted which gave the House of Lords a minimum number of Parliamentary days for consideration of any legislation under the provisions of the Parliament Act.
On the question whether the Government should agree to enter into discussions on the basis suggested by the Marquess of Salisbury, some Ministers thought there would be disadvantages in holding discussions which would divert public attention from the narrow issue raised in the Bill to the wider question of the constitution of the House of Lords. On the latter issue there was probably some divergence of view among Government supporters. Moreover, it reopened the question of powers, for it could not be assumed that a reformed House of Lords ought to be allowed to retain the powers (e.g., in relation to subordinate legislation) which could safely be left to the existing House of Lords.

The predominant view was, however, that the Government would find it difficult to defend a decision to reject the invitation to enter into discussions. As regards the conditions on which the Government should do so, it was urged that from the point of view of Government supporters it would be preferable if the Opposition would agree to give the Bill a Second Reading forthwith, and it was pointed out that it would be open to them to do this without finally committing themselves to passing it. The Marquess of Salisbury had, however, made it clear to the Lord Privy Seal that the Opposition would not agree to this; and their offer either to pass the Bill or to reject it definitely in the current Session could fairly be regarded as a concession for, although they could not prevent its becoming law by the end of 1949, they were aware that they might, by adjourning the debate whenever it came forward for Second Reading, create considerable embarrassment for the Government. It was therefore felt that the Government should not insist that the Bill should be given a Second Reading before the proposed discussions began.

The Cabinet—

1. Agreed that, in return for an assurance from the Opposition that the Parliament Bill would either be passed into law or be definitely rejected before the end of the current Session, the Government should undertake to enter into discussions with representatives of the Opposition Parties on (i) the possibility of so amending the Parliament Bill as to give the House of Lords a minimum number of Parliamentary days for consideration of Bills sent up from the Commons under the Parliament Act procedure and (ii) the possibility of securing a substantial measure of agreement between the Parties on proposals for reforming the constitution of the House of Lords;

2. Took note that the Prime Minister, in consultation with the Lord President, the Lord Privy Seal and the Lord Chancellor, would prepare a draft letter defining the scope of the proposed discussions and the conditions on which the Government were prepared to enter into them and would circulate the draft for consideration by the Cabinet at their meeting on 2nd February.

The Antarctic.

5. The Cabinet had decided on 8th January that, in order to avoid any incident with the Argentines who had established themselves on Deception Island, the Governor of the Falkland Islands should be instructed not to visit that island during his forthcoming tour of inspection of the Dependencies.

The Cabinet were now informed that the Governor, on receiving these instructions, had replied that the Argentine parties in the Dependencies were not unfriendly and that there was no risk that he would become involved in armed conflict with them if he visited Deception Island. He thought that, if he refrained from visiting the island, this might be interpreted by the Argentine Government
as a sign of weakness on our part; and he had therefore asked that
the embargo on his visit should be withdrawn.

The Cabinet—

Authorised the Secretary of State for the Colonies to with­
draw the instruction which he had given to the Governor
of the Falkland Islands, in pursuance of their decision of
8th January, that he should not visit Deception Island
during his forthcoming tour of inspection of the
Dependencies.

6. The Cabinet considered a note by the Prime Minister
(C.P. (48) 31) covering memoranda by the Chancellor of the
Exchequer on certain financial and economic questions arising from
the British withdrawal from Palestine.

The first of these memoranda (E.P.C. (48) 7) contained recom­
mandations regarding the line to be taken in negotiating with the
United Nations Commission for Palestine the handling, after the
surrender of the Mandate, of certain financial and economic
questions involving British interests, including the safeguarding of
British oil interests and commercial interests and the settlement of
the assets and liabilities of the Palestine Government.

The second memorandum (E.P.C. (48) 8) recommended that
Palestine and Transjordan should be removed from the sterling area,
that the greater part of the sterling balances held by Palestine
should be blocked, but that the Palestine Currency Board should be
continued for the time being until new arrangements were concluded
for the management of the Palestine currency.

The recommendations made in both these memoranda had been
endorsed by the Economic Policy Committee.

The Cabinet's discussion turned on the recommendation that
Palestine and Transjordan should be excluded from the sterling area.
The Cabinet were informed that it was inevitable that
Transjordan as well as Palestine should be removed from the
sterling area as both countries now used the same currency. It was
hoped, however, that at a later stage Transjordan might be able to
rejoin the sterling area, and this would be explained to the Trans­
jordan Government.

The decision to exclude Palestine from the sterling area would
be unpopular in Zionist circles in the United States; and the State
Department should be informed in advance of the public announce­
ment, so that they might do anything they could to mitigate public
criticism. Dominion Governments should similarly be informed in
advance. Special care must, however, be taken to avoid any
premature disclosure of the decision; and the communication to the
State Department and to Dominion Governments should be treated
as highly confidential.

In further discussion stress was laid on the importance of doing
everything possible to safeguard British oil interests in Palestine.
Reference was also made to the need for providing our Permanent
Representative at the United Nations with expert assistance in
his discussions with the United Nations Commission for Palestine
on these financial and economic questions.

The Cabinet—

(1) Endorsed the recommendations in the two memoranda
annexed to C.P. (48) 31 on (i) the exclusion of Palestine
and Transjordan from the sterling area, and (ii) other
financial and economic questions resulting from the
forthcoming termination of the British Mandate for
Palestine.

(2) Invited the Minister of State and the Lord Privy Seal to
arrange, respectively, for the United States Government
and the Dominion Governments to be informed in
confidence, in advance of any public announcement, of the
decision to exclude Palestine and Transjordan from the sterling area.

(3) Invited the Chancellor of the Exchequer to arrange for the Treasury to discuss with the Foreign Office how expert assistance could best be made available to our Permanent Representative at the United Nations in his forthcoming negotiations with the United Nations Commission for Palestine on these financial and economic questions.

Wages Policy.
(Previous Reference: C.M. (47) 87th Conclusions, Minute 5.)

7. The Cabinet had before them two memoranda (C.P. (48) 27 and 28) submitted by the Minister of Labour in pursuance of their decisions of 13th November, rendering a factual report on the general trend of wages from 1939 to the end of 1947, and examining the suggestion that the Government should adopt a more positive wages policy.

The report annexed to C.P. (48) 27 showed that, with the exception of the period from mid-1946 to mid-1947, during which widespread reductions had been made in normal working hours, there had been a continuous rise in wage rates since 1939. There was no evidence of pressure for a further reduction in working hours; but the upward tendency in wage rates had been resumed in mid-1947 and there seemed at present to be no prospect of attaining stability. Indeed, the socialised industries seemed likely to give a lead to other industries by granting further wage increases. Within the general rise in wage rates, there had been a marked tendency towards equalisation of rates and earnings as between different grades in each industry and between men and women, but there were signs of pressure to restore the former relativity in favour of skilled workers.

In C.P. (48) 28 it was suggested that the Interim Report of the Trades Union Congress on the economic situation and the Foreign Secretary’s speech in the House of Commons on 22nd January had confirmed the arguments put forward in C.P. (47) 304 and in the Cabinet’s discussion on 13th November against the establishment of machinery for controlling wages. The Minister saw no sufficient reason why the employees of public boards and local authorities should in this respect be treated differently from those of private firms. It was important, however, that all persons concerned with wage negotiations should be fully conversant with the economic background against which decisions should be taken, and it was therefore proposed that the Government should issue a full explanatory statement on the lines of the draft annexed to C.P. (48) 28. This was based on the draft which had previously been submitted to the Cabinet by the Chancellor of the Exchequer (C.P. (47) 303); but the reference to a Central Appeal Tribunal had been omitted, and additional paragraphs had been inserted to emphasise the importance of strict adherence to the terms of wage agreements, and to give a warning that the Government would not automatically increase grants or subsidies, or concur in increased prices, in order to compensate for additional costs resulting from increases in wages.

Before the statement was made public, the Trades Union Congress should be fully consulted.

The Cabinet were concerned to note from C.P. (48) 27 the extent to which wage rates had risen since mid-1947 and the absence of any prospect of future stability. It was clear that neither employers nor trade unions had appreciated the implications of full employment on the settlement of wage disputes, and in the present economic situation of the country it appeared to be incumbent on both the Government and the Trades Union Congress to make a more determined effort to educate public opinion and to afford guidance to those immediately concerned with determining wage rates. Ministers were therefore in agreement with the proposal that the Government should issue a authoritative statement on the general economic factors which ought to be taken into account in wage
negotiations. The Chancellor of the Exchequer had prepared a revised draft of such a statement, copies of which were handed to the Cabinet; and it was agreed that the Lord President, the Chancellor of the Exchequer and the Minister of Labour should examine this in detail and submit an agreed draft for consideration by the Cabinet at their next meeting.

Ministers considered that special steps should be taken to emphasise the significance of the proposed statement. It should be made by the Prime Minister in the House of Commons and should subsequently be supported and amplified by the fullest publicity campaign. It should be inserted as an appendix to the Economic Survey. It should be brought specially to the notice of all concerned with wage negotiations. It was very desirable that the Government should have the full support of the Trades Union Congress in this matter, and every effort should be made to secure in advance their agreement to the general lines of the statement. The National Joint Advisory Council might be given advance information of the Government's intentions.

In discussion the following further points were made:

(a) It had been the general practice of the Board of Trade to take into account only 80 per cent. of any wage increases in revising controlled prices. This practice would, however, need to be reviewed in the light of the principles set out in the proposed statement.

(b) It was suggested that two official secretaries, representing the Ministry of Labour and the Production Department concerned, should be appointed to each Court of Enquiry set up to investigate a trade dispute. This would ensure that the Court was kept fully informed of the Government's point of view.

(c) It was suggested that the proposed statement should include some indication of the industries regarded by the Government as undermanned. This would have to be done, however, in such a way as to avoid encouraging demands for increased wages in such industries.

(d) The Minister of Defence said that, if the general level of wages continued to increase, he might be compelled to propose a review of Service rates of pay.

(e) Better arrangements seemed to be required to ensure that Ministers had notice of impending wage claims in time to give them an opportunity for effective intervention.

The Minister of Labour undertook to review the machinery in his Department in order to ensure that the Ministers in charge of the Production Departments were kept informed from time to time of any developments in trade union discussions which might lead to important wage negotiations. Particular cases could then, if necessary, be referred to the Economic Policy Committee.

The Cabinet—

(1) Agreed that the Prime Minister should make an early statement in Parliament on the economic and other considerations to be taken into account in wage negotiations.

(2) Invited the Lord President, in consultation with the Chancellor of the Exchequer and the Minister of Labour, to prepare a revised draft of the proposed statement for consideration by the Cabinet on 2nd February.

(3) Invited the Minister of Labour to keep the Ministers in charge of Production Departments fully informed of wage discussions likely to lead to important negotiations.
8. The Cabinet were informed of the latest developments in the claim for increased wages put forward on behalf of road transport workers serving passenger vehicles. This claim had been considered on 27th January by the Economic Policy Committee, who had agreed that it would be advantageous if it could be referred to a Court of Enquiry. Meanwhile, the London Transport Executive had offered their workers an increase of the weekly rates and of the rate for Sunday overtime, which represented an average increase of 10s. 3d. in the weekly wage. This offer had been rejected by the workers, and a statement would now be submitted to the Ministry of Labour reporting that the negotiations had broken down. This opened the way for the appointment of a Court of Enquiry, so far as concerned the London workers; and the Minister of Labour said that he would seek to arrange with those concerned in the claims made on behalf of workers outside London that a single Court of Enquiry should be opened to cover all the workers affected.

The Cabinet—

Took note of the position.

Cabinet Office, S.W. 1,
29th January, 1948.