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C.M. (48)

9th Conclusions

CABINET 9 (48)

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Monday, 2nd February, 1948, at 11 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. Sir STAFFORD CRIPPS, K.C., M.P., Chancellor of the Exchequer.

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

The Right Hon. VISCOUNT ADDISON, Lord Privy Seal (*Items 1-3*).

The Right Hon. VISCOUNT JOWITT, Lord Chancellor (*Items 1-3*).

The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.

The Right Hon. A. CREECH JONES, M.P., Secretary of State for the Colonies.

The Right Hon. G. A. ISAACS, M.P., Minister of Labour and National Service.

The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.

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

The Right Hon. GEORGE TOMLINSON, M.P., Minister of Education.

The Right Hon. J. H. WILSON, M.P., President of the Board of Trade.

The following were also present :

The Right Hon. VISCOUNT HALL, First Lord of the Admiralty (*Item 4*).

The Right Hon. ALFRED BARNES, M.P., Minister of Transport (*Items 3-4*).

The Right Hon. JOHN STRACHEY, M.P., Minister of Food (*Item 4*).

The Right Hon. G. R. STRAUSS, M.P., Minister of Supply (*Item 4*).

The Right Hon. H. T. N. GAITSKELL, M.P., Minister of Fuel and Power (*Items 3-4*).

The Right Hon. HECTOR McNEIL, M.P., Minister of State (*Item 4*).

The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (*Items 1-3*).

Secretariat :

Sir NORMAN BROOK.

Mr. W. S. MURRIE.

Mr. S. E. V. LUKE.

Parliament.

Amendment
of the
Parliament
Act.

(Previous
Reference:
C.M. (48) 8th
Conclusions,
Minute 4.)

1. At their meeting on 29th January the Cabinet had contemplated that, before the debate on the Second Reading of the Parliament Bill was resumed in the House of Lords, there should be an exchange of letters between the Lord Privy Seal and the Marquess of Salisbury defining the conditions on which the Government were prepared to accept the proposal for discussions between representatives of the political Parties which would cover the question of House of Lords reform. It had subsequently been suggested that it would be more convenient if these conditions were publicly stated in the debate on the Parliament Bill; and the Cabinet now had before them a note by the Prime Minister (C.P. (48) 37) covering the draft of a statement to be made by the Lord Privy Seal when the debate was resumed.

Some Ministers again expressed doubts about the expediency of opening any discussions on the controversial question of House of Lords reform. On this point, however, it was the general view of the Cabinet that the Government would appear to be adopting an unreasonable attitude, and would be likely to forfeit public sympathy, if they refused to enter into any discussions on this subject even for the limited purpose of seeing whether there was a basis for agreement between the Parties.

The Cabinet then discussed the terms of the draft statement annexed to C.P. (48) 37. The first of the conditions proposed in this statement was that any discussion of powers should be "limited to ensuring reasonable time for the consideration of measures by the Lords and for the discussion of differences between the two Houses." The Cabinet were informed that, from informal consultations which had taken place, it was known that the Marquess of Salisbury would be reluctant to accept a condition in these terms. He would wish to contend that the House of Lords should be able to delay Government legislation for a period long enough to enable the forces of public opinion outside Parliament to be fully deployed, so that in the last resort the House of Lords could force a General Election. The Government, on the other hand, were not prepared to extend the total period of one year and one month provided for the passage of Government legislation in the Parliament Bill as at present drafted, and the only question which they were ready to discuss was the allocation between the Commons and the Lords of the Parliamentary time available within that total period. So long as it was clear that the Government were not prepared to go beyond that point, in their discussions on the Bill, there was no special advantage in insisting on the formula set out in paragraph 1 of the draft annexed to C.P. (48) 37. The Prime Minister had suggested the alternative formula that the discussion on powers "should be limited to discussion of the period for consideration of measures by the House of Lords"; and that formula could be accepted on behalf of the Government, if it were preferred by the Opposition leaders.

It was, however, suggested that, from the point of view of Parliamentary tactics, it would be preferable not to reach a final agreement with the Opposition leaders, before the debate in the House of Lords was resumed, on the conditions on which the Government would be ready to enter into these discussions. It would be better that the Government should make their offer in public debate, even though they knew that one of their proposed conditions was not likely to be acceptable to the Opposition leaders. The debate could then be again adjourned, so that further consultations might take place with a view to reaching agreement on the one outstanding point of difference. In those consultations agreement might be found on the basis of the alternative formula which the Prime Minister had suggested. But, if agreement could not thus be reached, the Government would have strengthened their position by having made a public offer to enter into discussions on conditions which would be generally regarded as reasonable. The Cabinet endorsed this suggestion.

In further discussion it was pointed out that those participating in the proposed discussions should refer for examination by the Members of their respective Parties, not only proposals for the reform of the House of Lords, but any suggestions for the amendment of the Parliament Bill.

The Cabinet—

- (1) Approved the draft statement annexed to C.P. (48) 37, subject to the addition of a paragraph to the following effect:—

“ 4. The different Parties should also examine with their own Members any suggestions emerging from the discussions relating to the Parliament Bill contemplated under paragraph 1 above.”

- (2) Authorised the Lord Privy Seal to make a statement in the terms of the draft, as so amended, in the adjourned debate on the Second Reading of the Parliament Bill in the House of Lords that afternoon.
- (3) Took note that, if the Opposition Parties were unwilling to enter into discussions on the conditions set out in that statement, the debate might be adjourned in order that further consultations might be held with a view to reaching agreement on the proposed conditions; and authorised the Lord Privy Seal in that event to accept, in lieu of paragraph 1 of the draft statement annexed to C.P. (48) 37, a paragraph in the following terms:—

“ 1. So far as discussions of the powers of the Second Chamber are concerned, they should be limited to discussion of the period for consideration of measures by the House of Lords.”

National
Health
Service.
(Previous
Reference:
C.M. (48) 8th
Conclusions,
Minute 3.)

2. On 29th January the Cabinet had agreed in principle that it would be advantageous if an early debate could be held in the House of Commons on the attitude of the medical profession towards participation in the National Health Service. The Cabinet were now informed that the earliest date on which this debate could conveniently be held was Monday, 9th February. It was proposed that the debate should take place on a Government motion in the following terms:—

“ That this House takes note that the appointed day for the National Health Service has been fixed for 5th July;

“ Welcomes the coming into force on that date of this measure, which offers to all sections of the community comprehensive medical care and treatment and lays for the first time a sound foundation for the health of the people;

“ And is satisfied that the conditions under which all the professions concerned are invited to participate are generous and fully in accord with their traditional freedom and dignity.”

In discussion it was asked whether Parliament's endorsement of the third paragraph of this motion might be held to prevent the Government from making any changes, between the date of the debate and the coming into operation of the Act on 5th July, in the conditions applicable to doctors entering the National Health Service. *The Minister of Health* said that he did not, in fact, contemplate making any further concessions to the doctors; but it was the view of the Cabinet that the passage of a motion in these terms would not preclude the Government from making changes in the scheme, if they thought fit, before 5th July.

The Minister of Health said that the Government spokesmen, at the beginning and end of the debate, would be himself and the Secretary of State for Scotland. He would, however, be glad if the

Prime Minister would also speak in the debate. *The Prime Minister* said that he would hold himself in readiness to speak and would decide, according to the course of the debate, whether it was desirable that he should intervene.

The Cabinet—

Agreed that a debate on the attitude of the medical profession towards participation in the National Health Service should be held on 9th February on a Government motion in the terms set out above.

Wages Policy.

3. The Cabinet had before them a note by the Lord President (C.P. (48) 38) covering a revised draft of the proposed Government statement on the economic and other considerations to be taken into account in wage negotiations.

The question was first raised whether the Cabinet ought to reconsider their decision to issue a statement on these lines. *The Minister of Health* asked whether any useful purpose was likely to be served by the publication of a statement which contained nothing more than general principles and revealed the narrow limits within which the Government intended to take positive action. Would such a statement be effective in counteracting the movement for increased wages? Unless the Government were prepared to give a lead to private industry by adopting a policy of more active intervention in the sector of public employment, for which they had a direct responsibility, it might be preferable to avoid any announcement on the subject.

Against this, it was pointed out that it had not so far been possible to devise an effective means of controlling inflationary movements of wages and profits by direct Government intervention; and the Cabinet had not been willing to adopt the earlier suggestion for the appointment of a Central Appeal Tribunal to consider appeals from the decisions of the existing arbitral tribunals. But the situation was too grave for the Government to maintain a purely passive rôle. Wage rates had risen steadily in recent months, and there seemed to be no prospect of future stability. If the Government failed to give firm guidance at this stage, there was a grave risk that a state of uncontrolled inflation would develop. In these circumstances Ministers saw no grounds for modifying the decision taken at their previous meeting.

The Cabinet next discussed the terms of the draft annexed to C.P. (48) 38.

In discussion, the following points were made:—

(a) The revised draft had gone too far in avoiding specific references to wages.

(b) Some anxiety was expressed lest the statement should be interpreted as discouraging piece-work. It was pointed out, however, that the statement implied no criticism of higher earnings accompanied by increased output.

(c) It was agreed that the reference in paragraph 5 to the rate of interest paid upon the securities issued for the purchase of the nationalised industries should be omitted.

(d) The first sentence of paragraph 11 (a) appeared to be inconsistent with paragraph 13. Some doubt was also expressed about the advisability of including the second and third sentences of paragraph 11 (a). It was pointed out, however, that these sentences were designed to dispose of an important misapprehension.

(e) Attention was drawn to the practical difficulties involved in applying the warning that increased wages would not in future be taken into account in settling controlled prices, etc., requiring Government action.

The Cabinet next discussed the procedure for publication of the statement. At their previous meeting they had agreed that it

(Previous
Reference:
C.M. (48) 8th
Conclusions,
Minute 7.)

should be made by the Prime Minister in the House of Commons at an early date. *The Minister of Labour* said that, on reflection, he was disposed to think that it might be preferable if the statement were first submitted, as an exposition of the Government's views, to the National Joint Advisory Council and published thereafter. This procedure would avoid the need for prior consultation with the Trades Union Congress, the Federation of British Industries and the British Employers' Confederation on a question on which those bodies would clearly be unable, under the procedure suggested, to formulate their views in time to receive serious consideration by Government. Ministers considered, however, that this question ought not to be treated in a way which would suggest that it was a matter of concern only to industry. It was a document of the widest significance, and no effort ought to be spared to make its presentation authoritative and impressive. Some doubt was expressed whether the full statement was suitable, by reason of its length and complexity, for a Parliamentary statement. Might it not be sufficient to read a shorter version, or even merely to announce its publication as a White Paper? It was not, however, thought that the length of the statement could be reduced without destroying the balance of the argument; and it was felt that a brief reference to the publication of a White Paper would fail to secure adequate attention for the statement in Parliament and in the country generally. It was therefore agreed that the statement should be read in full by the Prime Minister in the House of Commons on Wednesday, 4th February; and that the Minister of Labour should communicate it to the National Joint Advisory Council on the same afternoon. Advance notice might be given to the House of Commons, in answer to an arranged Question, of the Prime Minister's intention to make the statement, and an indication given that it would necessarily be lengthy.

The point was made that Ministers should thereafter give support in their speeches to the principles set out in the statement. The Economic Information Unit would provide additional material for this purpose.

The Cabinet—

- (1) Reaffirmed their decision that the Prime Minister should make an early statement in Parliament on the question of personal incomes, costs and prices in the general terms of the draft annexed to C.P. (48) 38.
- (2) Invited the Prime Minister, in consultation with the Lord President and the Chancellor of the Exchequer, to settle the final terms of the statement.

Steel Scrap.

(Previous
Reference:
C.M. (47)95th
Conclusions,
Minute 3.)

4. The Cabinet had before them memoranda by the Minister of Supply on the steel scrap position and outlook (C.P. (48) 25) and on the possibility of increasing the output of scrap from ship-breaking (C.P. (48) 33).

The Minister of Supply said that recently there had been a slight rise in stocks of scrap, and the Iron and Steel Board and the leaders of the steel industry were reasonably confident that in the immediate future steel production would not be limited by shortage of scrap. Deliveries of scrap to steel works in the last seven weeks of 1947 had been on average 6,300 tons a week higher than in the corresponding period of 1946, and in 1948 he hoped to increase the output of scrap from shipbreaking to some extent over the present rate of 180,000 tons a year, though he did not propose to attempt to reach as high a figure as 350,000 tons. As regards Germany, he would try to increase from 35,000 to 50,000 tons a week the rate of import of booty scrap and further efforts would be made to obtain commercial scrap. So far, however, it had been impossible to get German merchants to offer to execute the order for the delivery of 100,000 tons of commercial scrap in the first quarter of 1948, though this had been agreed in principle by the German authorities, and he feared that it would be difficult to obtain offers until reasonable

confidence in the mark had been established. The United States Government were also interested in obtaining scrap from Germany, and he hoped that in concert with them we might be more successful than we had been hitherto.

In discussion it was suggested that the optimistic attitude of the steel industry was unjustified. Stocks of scrap were still dangerously low and the recent increase in deliveries from United Kingdom sources could be no more than a temporary alleviation of the difficulties. Moreover, in view of the changed world situation there could be no guarantee that we should in future be able to import scrap on a sufficiently large scale to meet the needs of an expanded steel industry, and it was urgently necessary to consider what steps should be taken to expand the production of pig iron in the United Kingdom.

Particular points made in discussion were :—

(a) Quadripartite talks on financial reform in Germany had recently started, but no guarantee could be given of any early settlement.

(b) Further efforts should be made to obtain scrap from overseas sources other than Germany, and the possibility of securing scrap from surplus military stores in the Mediterranean and Middle East areas should be fully explored.

(c) The Admiralty were doing what they could to obtain the maximum amount of scrap from Malta.

The Cabinet—

- (1) Invited the Chancellor of the Exchequer to arrange, in consultation with the Minister of Supply, for a working party of officials to prepare a report on the problem of securing adequate supplies of scrap and pig iron for the United Kingdom iron and steel industry, both in 1948 and in subsequent years.
- (2) Agreed that the proposed working party should consider to what extent the Royal Dockyards should be used for shipbreaking.

*Cabinet Office, S.W. 1,
2nd February, 1948.*
