CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 22nd July, 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. HUGH DALTON, M.P., Chancellor of the Duchy of Lancaster.
The Right Hon. VISCOUNT JOWITT, Lord Chancellor.
The Right Hon. A. CREECH JONES, M.P., Secretary of State for the Colonies.
The Right Hon. A. WOODBURN, M.P., Secretary of State for Scotland.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.
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 8).
The Right Hon. JOHN STRACHEY, M.P., Minister of Food (Items 8–9).
The Right Hon. H. T. N. GAITSEKEL, M.P., Minister of Fuel and Power (Item 9).
Admiral of the Fleet Sir JOHN CUNNINGHAM, First Sea Lord and Chief of Naval Staff (Item 8).

The Right Hon. ALFRED BARNES, M.P., Minister of Transport (Item 9).
The Right Hon. G. R. STRAUSS, M.P., Minister of Supply (Item 9).
Marshal of the Royal Air Force the LORD TEDDER, Chief of the Air Staff (Item 9).
Field-Marshal the VISCOUNT MONTGOMERY of ALAMEIN, Chief of the Imperial General Staff (Item 8).

The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (Items 1–5).

Secretariat:
Sir NORMAN BROOK.
Lieut.-General Sir Leslie Hollis, R.M.
Mr. W. S. MURRIE.
Mr. S. E. V. LUKE.
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1. The Chancellor of the Exchequer said that the United States Government had now indicated their proposals regarding the initial amount and the terms of the loan to be provided to the United Kingdom under the European Recovery Programme. They proposed a loan of $300 million for the period April to December 1948, interest of 3 per cent. payable from 30th June, 1952, and amortisation in 42 equal annual instalments from 30th June, 1956. They further proposed that, in any year when interest was waived under Article V of the Loan Agreement of 1945, we should be able to secure a full discharge of both interest payments and amortisation payments under this new loan by paying into a blocked account the sterling equivalent of the amounts due in that year.

The Chancellor said that he could not agree to a higher rate of interest than 2½ per cent., which was the rate at which the United States Government were themselves raising the funds required for this purpose. Nor could he recommend the Cabinet to accept the proposal for a blocked sterling account. If such an account were created the United States Government would be able to press us to liquidate it when there was any increase in our general reserves, and this possibility would prejudice our prospects of restoring the convertibility of sterling. Moreover, any use of our reserves to meet the dollar needs of the sterling area might entail demands for equivalent repayment to the United States. And, finally, there was the possibility that a United States Government might in the future take advantage of this blocked account to propose the purchase of United Kingdom assets.

The Chancellor of the Exchequer therefore proposed that we should decline to accept a higher rate of interest than 2½ per cent., and that, as regards waiver of interest and amortisation payments, we should ask for similar arrangements to those applicable under the Loan Agreement of 1945. This would mean that, if in any year we found ourselves unable to meet the payments due in service of the loan, we should be able to ask for consultation between the two Governments; and he hoped also to secure that payments should be suspended pending the conclusion of those consultations. If these two points could be met, the proposals of the United States Government could be accepted.

The Cabinet—

Took note of this statement by the Chancellor of the Exchequer; and agreed that instructions in the terms suggested should be sent to His Majesty's Ambassador in Washington.

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

3. On 15th July the House of Commons had accepted, by 307 votes to 209, the compromise clause, which the Cabinet had approved on 6th July, providing that the death penalty should be retained only for certain specified classes of murder. On 20th July, however, the House of Lords had decisively rejected this clause by 99 votes to 19. The Cabinet discussed what advice the Home Secretary should give to the House of Commons when this decision of the House of Lords came before them later that day.

Ministers were not prepared to lose the remaining provisions of the Criminal Justice Bill by reason of a disagreement between the two Houses on the question of capital punishment. They also rejected the possibility of securing the passage of this Bill by recourse to the Parliament Act procedure. Under that procedure the Bill could only be passed in the form in which it first left the Commons, viz., including the original clause suspending for five
years all the powers of the civil courts to pass sentence of death as a penalty for murder, and excluding the valuable amendments which had been made by the House of Lords in other parts of the Bill. Moreover, from the political point of view it would be most inexpedient to use the procedure of the Parliament Act on this question, on which public opinion was divided otherwise than on Party lines—particularly at a time when that procedure was likely to be invoked on a major political issue to secure the passage of the Iron and Steel Bill.

In these circumstances the Cabinet agreed that the Commons should be advised to accept the Lords’ decision and allow the Criminal Justice Bill to pass into law without any provision limiting the power of the courts to impose the death penalty. At the same time, it should be recognised that the debates in both Houses had disclosed a widespread desire for some change in the law on this point, and an assurance should be given that the Government would continue their search for some practicable means of limiting the use of the death penalty. In further discussion it was suggested that it might be helpful if a small committee were appointed, including persons of differing shades of political opinion, to consider how the use of the death penalty could best be limited. If such a committee were appointed, it would be desirable that its terms of reference should be so drawn as to relieve it of the task of considering afresh the general arguments for and against the total abolition of capital punishment. Ministers did not, however, think it advisable that the Government spokesman in the debate later that day should mention the possibility that a committee might be appointed. Nor should he commit the Government to introducing separate legislation on this subject in the present Parliament.

The Cabinet—

1. Invited the Home Secretary to advise the House of Commons to acquiesce in the Lords’ rejection of the compromise clause retaining the death penalty for certain specified classes of murder, and to allow the Criminal Justice Bill to pass into law without any provision limiting the power of the courts to impose the death penalty.

2. Authorised the Home Secretary to give an assurance, on the lines indicated in their discussion, that the Government would continue their search for some practicable means of limiting the use of the death penalty.

The Cabinet were informed that the leaders of the Conservative Opposition in the House of Lords were not anxious to maintain their opposition to the British Nationality Bill and would probably refrain from pressing their amendments if a public assurance could be given that the anxieties expressed in both Houses of Parliament regarding the provisions and implications of the Bill would be further examined at the forthcoming meeting of Commonwealth Prime Ministers.

In discussion it was pointed out that the United Kingdom Government could not alone determine the subjects to be discussed at these meetings of Commonwealth Prime Ministers, and it was a convenient rule that the Agenda for such meetings should be settled only by common consent. The United Kingdom Government were not, therefore, in a position to give an assurance that this subject would be discussed at the October meeting. It would, however, be possible for the Government spokesman in the House of Lords to say that all Commonwealth Governments had received full reports on the Bill and on the discussions which it had provoked in Parliament, and that at the forthcoming meeting of Commonwealth Prime Ministers in October these would be available for discussion, if desired. The Government spokesman might also recall that this question had been discussed at the meeting of Commonwealth Prime Ministers held in 1946, and subsequently by a con-
ference of technical representatives from Commonwealth countries, and that the scheme embodied in Clause 1 of the Bill gave effect to the recommendations submitted by that conference to Commonwealth Governments.

The Cabinet—

Authorised the Lord Chancellor to make a statement on these lines when the proceedings on the British Nationality Bill were resumed in the House of Lords.

5. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C.P. (48) 156) proposing certain amendments of the Standing Orders of the House of Commons relating to private business. These amendments, which were set out in the Annex to C.P. (48) 156, were designed to safeguard the position of the Exchequer under the new system of equalisation grants provided for in the Local Government Act, 1948. Their effect would be to enable the Government to require rateable expenditure authorised by private Bills to be excluded from the equalisation grant calculations, and it would be necessary to explain to local authorities in advance how it was intended that this power should be exercised. The amendments would be put on the Order Paper during the current session, but no attempt would be made to proceed with them. No corresponding changes were required in the Standing Orders relating to public business.

The Cabinet—

(1) Approved the proposed amendments of the Standing Orders of the House of Commons relating to private business set out in the Annex to C.P. (48) 156.

(2) Authorised the Minister of Health and the Secretary of State for Scotland to communicate the amendments to local authorities with an explanation of the manner in which it was intended to exercise the new power conferred by them.

6. The Foreign Secretary said that he hoped it would be possible to despatch a note to the Soviet Government that day. In drafting the note he had consulted the Governments of the United States and France and he had resisted a United States suggestion that the Berlin situation should be referred to the Security Council. The note would ask for the removal of the difficulties which had interrupted the movement of persons and goods between the Western Zones and Berlin, and would suggest technical discussions with a view to overcoming these and any other difficulties, such as the currency problem, which were connected with or had a direct effect on the situation in Berlin. At the same time it would make it clear that His Majesty's Government were willing to enter into wider discussions covering, not only the German problem as a whole, but also the problem of establishing firm conditions of peace in Europe. The measures taken to supply Berlin by air, in which the part played by the Royal Air Force was most creditable, had greatly encouraged our Allies in Western Europe, and had effectively shown to Eastern European countries that we were determined to stand firm. It was impossible to forecast the results of this further note and it had therefore been thought right to explore with the United States Government what practical steps they would be prepared to take in the event of an emergency. Meanwhile, he was making every effort to avoid any incident that might lead to a crisis. He proposed to make a short statement about the situation in Parliament later that day and would, in general, follow the line taken in the statement made on the previous day by the United States Secretary of State.

The following points were made in discussion:

(a) The Treasury and the Foreign Office were making a joint enquiry into the currency situation in the western sectors of Berlin.
b) The Soviet Government had offered to supply food to the whole of Berlin from 1st August, but there was no guarantee that they would give effect to this offer, and it seemed likely that any food which they sent to Berlin would be at the expense of Poland and Czechoslovakia.

c) After consultation with the Foreign Secretary, the Minister of Agriculture and Fisheries had refused to guarantee compensation for trawlers which might be seized by the Soviet Government in the event of war. Trawler owners might therefore be unwilling to send their vessels to the Murmansk grounds and there might be some reduction in fish supplies. Ministers agreed that any claims of this kind should be firmly resisted.

d) Though the achievements of the Royal Air Force in carrying supplies to Berlin had exceeded all expectations, it would henceforth be necessary to look mainly to the United States Air Force for any substantial increase in these supplies.

e) The fall of the French Government had aggravated the difficulty of handling the Berlin situation and it was not yet clear whether a new Government would be formed in time to enable the proposed note to the Soviet Government to be delivered with the backing of France.

The Cabinet—

Endorsed the line which the Foreign Secretary was pursuing in dealing with the situation in Berlin.

Palestine.

7. The Foreign Secretary said that, while there was some resentment in the Arab countries at the attitude adopted by the United Kingdom representative in the Security Council, the main bitterness was against the United States. The Governments of the Arab States seemed to recognise that we had acted in their best interests. Since the King of Transjordan was now observing the truce, there seemed to be no justification for withholding the financial assistance payable to him under the terms of the Treaty of Alliance. The Foreign Secretary proposed that payment should now be resumed. The United States Government would be informed in advance.

The Cabinet—

Agreed that the payments due to Transjordan under the Treaty of Alliance should be resumed.

The Antarctic.

8. The Cabinet considered a memorandum by the Foreign Secretary (C.P. (48) 189) on recent developments in connection with the territorial claims of the Argentine and Chilean Governments in the Falkland Islands Dependencies.

It was explained that on 25th June the State Department had informed His Majesty's Embassy in Washington that they intended to propose that the Governments of the United States, United Kingdom, France, Norway, Australia, New Zealand, Argentina and Chile should undertake a joint trusteeship of the whole Antarctic Continent and islands south of latitude 60°. The State Department had suggested that the South Orkney and South Shetland Islands should be excluded from the scope of their proposals so that the United Kingdom, Argentina and Chile might be left free to settle their differences by direct negotiation. From our point of view, a proposal for an international régime offered certain important advantages. We had been reluctant to resist Argentine and Chilean encroachments by force, but there was little prospect that agreement could be reached by direct negotiation. If the dispute could be lifted on to a wider international plane, this might enable us to avoid the embarrassment which would result from protracted disagreement.

The Foreign Secretary therefore suggested that he should be authorised to enter into negotiations with the other Powers concerned with a view to the
formulation of a plan for the pooling of Antarctic territory under a joint Eight-Power administration. It should, however, be made clear from the outset that we were not prepared to agree to place the Antarctic under trusteeship, as this would give an opening for Soviet interference.

In the first instance, however, we must consult those Commonwealth countries with direct interests in the Antarctic; and the Canadian Government should be informed at the same time in view of possible repercussions on the situation in the Arctic. There was no question of bringing the Falkland Islands within the scope of an international scheme, and we should continue to resist firmly the Argentine claim on these Islands.

The Chief of the Air Staff said that, from the strategic point of view, it was essential that British sovereignty over the Falkland Islands should be maintained. The views of the Chiefs of Staff on the strategic value of the Falkland Islands Dependencies had, however, changed in the light of the fuller information available as the result of recent surveys; for it was clear from these that no Power could maintain an active operational base in the Dependencies. It remained important that arrangements should be maintained for the supply of meteorological reports from the Dependencies.

The Minister of Defence expressed concern at the proposal that His Majesty's Government should agree to enter into negotiations for the establishment of an Eight-Power regime in the Antarctic. Such action would be interpreted as a surrender to Argentine and Chilean pressure, and the Government would be criticised for the abandonment of British territory. Moreover, a dangerous precedent might be established. We had offered similarly to submit the dispute over British Honduras to the Court of International Justice; and the Guatemalan Government might seek to invoke the aid of the United States Government in favour of bringing that Colony under some form of international régime. In his view, the right course was to adhere to our proposal that the Antarctic dispute should be referred to the International Court.

Some doubt was also expressed whether it was justifiable to propose that the Antarctic should be removed from the scope of the United Nations authority. Might not an arrangement designed to exclude the Soviet Government from the Antarctic further complicate the task of securing a satisfactory European settlement? It was pointed out, however, that no publicity had been given to the original intention of the United States Government to propose a form of international trusteeship for this territory.

It was the general view of the Cabinet that the procedure now proposed should be regarded as a reasonable method for the settlement of overlapping claims. The Antarctic Continent was uninhabited and largely unexplored, and our willingness to enter into negotiations for the establishment of an international régime in this area should not be an embarrassing precedent in relation to claims against other parts of the British Commonwealth. On the other hand, refusal to accept the United States proposal would involve most difficult decisions in regard to our attitude towards Argentine and Chilean encroachments, and we should not have the support of the United States Government in any action that we might decide to take.

In further discussion, the following points were made—

(a) Of the Commonwealth Governments concerned Australia alone was likely to be unsympathetic towards these proposals; but
there would shortly be an opportunity of consulting the Australian Foreign Minister personally in London.

(b) Any attempt by the Argentine and Chilean Governments to extend the scope of the United States plan to cover South Georgia should be firmly resisted in view of the economic importance of the Island.

(c) United Whaling, Ltd., were anxious to develop their establishment on Deception Island at the cost of some £500,000, provided that they could be given a firm assurance of a 21-year lease. Was it possible to ensure that the Condominium Administration would take over and confirm such a lease; and, if so, was it advisable to grant it in advance of the proposed negotiations?

The Cabinet—

(1) Invited the Secretary of State for Commonwealth Relations to consult the Commonwealth Governments concerned on the proposals in C.P. (48) 185.

(2) Agreed that, if the concurrence of those Commonwealth Governments was secured, the Foreign Secretary should pursue the policy outlined in C.P. (48) 185.

(3) Invited the Minister of Food to discuss with the Foreign Secretary and the Secretary of State for the Colonies the desire of United Whaling Ltd. to secure a further lease on Deception Island.

9. The Cabinet had before them a note by the Chancellor of the Exchequer (C.P. (48) 186) covering a report on the economic situation.

The following points were made in discussion:

A disquieting feature of recent wages agreements had been the tendency to link wage rates with the index of retail prices. It was impossible to avoid some fluctuation in the index and under some agreements a movement of as little as one point had to be followed by a revision of wage rates. Though there had been some recent price increases and the full effect of the removal of clothing subsidies had not yet been felt, it was hoped that the general level of retail prices would fall. Little progress was being made in introducing the system of payment by results in the building industry, and building workers were now pressing for a further increase in rates.

The Minister of Labour said that experience seemed to be showing that unduly high levels of employment had been set, in the Economic Survey, for certain industries and that the apparently slow progress in recruiting for the under-manned industries was at least partly due to their inability to absorb available labour. In consultation with the Agriculture Ministers, he was examining the situation in agriculture, where the demands submitted by County Agricultural Executive Committees seemed to have been inflated and there was a danger that too much labour might be employed on a casual basis.

The fall in the output of coal, iron and steel and textiles, though disappointing, was thought to be no more than a seasonal change largely due to holidays.

The decline in gold and dollar reserves had been checked by the provision of aid under the European Recovery Programme, but our efforts to stop the loss of gold to Belgium had not yet succeeded.

The Cabinet—

Took note of C.P. (48) 186 and of the points made in the discussion.

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