CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W.1, on Thursday, 18th May, 1950, 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. VISCOUNT JOWITT, Lord Chancellor.
The Right Hon. E. SHINWELL, M.P., Minister of Defence.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.
The Right Hon. GEORGE TOMLINSON, M.P., Minister of Education.
The Right Hon. JAMES GRIFFITHS, M.P., Secretary of State for the Colonies.
The Right Hon. P. C. GORDON-WALKER, M.P., Secretary of State for Commonwealth Relations.
The Right Hon. EDITH SUMMERSKILL, M.P., Minister of National Insurance (Item 3).
The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury (Items 1–2).

The following were also present:
The Right Hon. H. T. N. GAITSKELL, M.P., Minister of State for Economic Affairs (Items 4–8).
The Right Hon. MAURICE WEBB, M.P., Minister of Food (Item 4).

Secretariat:
Sir NORMAN BROOK.
Mr. A. JOHNSTON.
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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 22nd May there would be a debate on the building industry. This would be based mainly on the report of the Working Party on Building Operations which had been published on 1st May; but it was desirable that account should also be taken of the report on building by the Productivity Team of the Anglo-American Council on Productivity. The Chief Whip was invited to arrange that (if this had not already been done) copies of this latter report would be made available to Members before the debate.

Parliament would be adjourned for the Whitsun Recess on 26th May, and would re-assemble on 13th June.

2. Mr. Anthony Eden, M.P., had suggested that he should put a Private Notice Question to the Prime Minister that day asking whether the United Kingdom Government could not afford some practical assistance to relieve the suffering caused by the widespread floods in Manitoba. The Cabinet were also informed that the Mayor of Maidenhead was proposing to open a fund for the same purpose.

The Secretary of State for Commonwealth Relations said that he had already sent a telegram to the Canadian Government asking whether the United Kingdom could help in any way by sending clothing or medical supplies or skilled helpers. The Cabinet agreed that any assistance given should take a material form: any offer of financial assistance (as, for example, from Maidenhead to Winnipeg) would raise awkward exchange difficulties. It might be useful if such things as blankets, household textiles and medical supplies could be sent from the United Kingdom to Manitoba; but, before this was publicly suggested, it would be advisable to verify that the Canadian Government would welcome such an offer. The question might usefully be raised in the meetings with Canadian Ministers which were to be held in London later in the week, unless in the meanwhile a reply had been received to the telegram already sent to the Canadian Government.

It was the view of the Cabinet that, for the time being, further discussion of this question in the House of Commons should be discouraged.

3. The Cabinet considered a memorandum by the Minister of National Insurance (C.P. (50) 100) asking for authority to proceed with the arrangements necessary for bringing into force on 1st October, 1951, the increased rates of contribution provided under the National Insurance Act, 1946.

The Minister of National Insurance explained that it would be necessary to issue in the course of November, 1950, the first instalment of national insurance cards for the period from December, 1950, to December, 1951, and that these would show the increase in contributions, amounting to 4d. for adults, which under the provisions of the Act of 1946 would become payable from 1st October, 1951. If they were to be ready in time, the printing of the cards would have to be put in hand almost at once. She thought it unlikely that there would be much public interest in the increased contributions until they became payable in October, 1951. On the other hand, the introduction of an amending legislation which would be required if contributions were to be maintained at their present rates would stimulate pressure for the grant of increased benefits to spinsters, old age pensioners and other classes who would be eager to draw upon the large surplus in the National Insurance Fund.
The Chancellor of the Exchequer said that the surplus in the Fund was primarily due to the low rate of unemployment. But retirement pensions and widows’ benefits would, within the next twenty or thirty years, impose an increasing burden on the Exchequer, rising in 1978 to a figure which varied between £260 million and £338 million according to the level of unemployment which was assumed. The Government Actuary was due to submit, towards the end of the year, a report on the working of the scheme up to March, 1950; and it was arguable that, if this showed that the original assumption about the rate of unemployment had given rise to a large surplus in the Fund, any relief which could be given (in reduced contributions or increased benefits) should be confined to employed persons. A decision not to increase contributions generally in October, 1951, would give the benefits resulting from the lower rate of unemployment to all insured classes, whereas it would no doubt be argued on behalf of employed persons that any benefits should accrue to them rather than to the self-employed and non-employed.

In further discussion the following points were made: —

(a) As a matter of timing, it was awkward to have to announce towards the end of 1950 that the increases in contributions for which the Act of 1946 provided would come into operation in the following autumn, and to publish about the same time a report on the working of the scheme which, by disclosing the large surplus in the Fund, suggested that there were grounds for some reduction in contribution rates.

(b) It was doubtful whether employed persons, who constituted by far the largest number of contributors to the Fund, would distinguish between the position of the Fund as respects unemployment benefit and as respects retirement pensions. They would expect the Government to take their decision on a comprehensive view of all the risks which the scheme covered.

(c) Various assumptions made in the original actuarial calculations had been falsified by events. The Government had themselves decided to base the scheme on an average rate of 8½ per cent. of unemployment. Sickness claims had been less than had been expected. On the other hand, it could be argued that the lengthened expectation of life was increasing the prospective burden of retirement pensions.

(d) Faced with arguments based on the mounting cost of retirement pensions over the next thirty years, many contributors to this scheme would doubtless contend that they ought not to be required to contribute to the cost of pensions of a later generation. Against this it could be pointed out that many of the present contributors would be receiving pensions in thirty years’ time, and that to a considerable extent the heavy burden on the Exchequer was due to the decision to pay retirement pensions in the early years of the operation of the scheme to persons who had not made contributions throughout their working life, as all young people entering the scheme would now have to do.

(e) It was arguable that it was no longer justifiable to base national insurance strictly on actuarial calculations. A comprehensive scheme of insurance was, in fact, a form of taxation or forced saving by which persons contributed to increase the capital equipment of the country and later, in retirement, drew their share of the increased national income resulting from that capital investment. At the same time it had to be remembered that the Act of 1946 had been framed as a scheme of insurance, and the reports on the working of the scheme would be judged on that basis.

(f) The prospective burdens on the Exchequer through the cost of retirement pensions in the next thirty years was so heavy that it was difficult to believe that, on a general review of the position, it would be found practicable to forgo the increased contributions envisaged in the Act of 1946.
The general view of Ministers was that the printing of cards covering the period from December 1950 to December 1951 should proceed on the basis that increased contributions became payable, as provided in the statute, after 1st October, 1951. The position would be reviewed before the cards were issued; and, to enable this to be done, the preparation of the Government Actuary’s report on the operation of the scheme up to March 1950 should be expedited. If, as a result of a general review of the scheme in the autumn of 1950 it was decided that the rates of contribution payable after 1st October, 1951, should be different from those laid down in the Act of 1946, the Government could announce their intention to introduce amending legislation and the cards could be over-stamped, before issue, with the proposed new rates.

The Cabinet—

(1) Authorised the Minister of National Insurance to arrange for the insurance cards for 1951 to be printed with the contribution rates envisaged by the National Insurance Act, 1946.

(2) Invited the Chancellor of the Exchequer to expedite the preparation of the Government Actuary’s report on the first year’s operation of the scheme under section 39 (1) (b) of the National Insurance Act, 1946, and to ask the Government Actuary to frame his report in a manner which would present to the public the full facts about current and prospective claims on the Fund, and the extent to which Exchequer contributions would be required in future years.

(3) Invited the Chancellor of the Exchequer and the Minister of National Insurance to bring forward general proposals, based on the Government Actuary’s report, before the time came to issue insurance cards for 1951.

4. The Cabinet considered a further memorandum by the Minister of Food (C.P. (50) 111) recommending the withdrawal of the points rationing scheme.

The Minister of Food said that after the Cabinet’s previous discussion on 6th April a number of foods which were plentiful had been taken out of the points rationing scheme, and the monthly allocation of points had been reduced to sixteen. It was now clear, however, that the scheme was failing to secure equitable distribution of the foods remaining within it. Supplies of these foods were not evenly distributed between retailers; and an allocation of only sixteen points a month made it difficult for the smaller households to make profitable use of their points. This situation was giving rise to widespread complaints from both consumers and traders; and its continuance was likely to bring into disrepute, not only the points scheme, but the whole machinery of food rationing. The Minister was satisfied that equitable distribution of these foods was now more likely to be secured by a system of allocating supplies to retailers according to the number of their registered customers and leaving it to them to distribute those supplies fairly among their customers. He therefore recommended that the points rationing scheme would now be withdrawn entirely.

In discussion attention was drawn to the following aspects of this problem:—

(a) The President of the Board of Trade said that he was sorry that the Minister of Food had not seen fit to make the experiment,
which he had suggested in the Cabinet’s earlier discussion, of introducing a moderate amount of inflation into the points scheme in order to test the strength of the demand. If this had been done, the Cabinet would now be in a better position to judge whether the withdrawal of the control would be followed by a sharp increase in the demand for the foods still covered by it.

_The Minister of Food_ said that he had considered this suggestion but had concluded that its adoption would lead to an even greater degree of disorganisation in the distribution of these foods.

(b) _The Chancellor of the Exchequer_ feared that withdrawal of all rationing control over these foods would sharpen the demand for an increased supply of sugar to manufacturers; and additional sugar could not be made available without further dollar expenditure.

_The Minister of Food_ said in reply that more sugar was required for manufacturing purposes and he would be obliged to ask for authority to increase sugar imports. That question would, however, have to be considered on its merits, whether or not the points rationing scheme was withdrawn.

(c) If there was a shortage of the foods still subject to this control, the retention of points rationing would at least ensure that no one was able to get more than his fair share of them. On the other hand, the scheme was already failing to secure that everyone did get his fair share of these foods. In most areas the consumer could only get such points goods as were available at the shop where he was registered, and the retailer was sharing out what was available among his registered customers. In these circumstances there was much to be said for putting distribution frankly on that basis.

(d) Although the headquarters of the Co-operative Wholesale Society favoured the withdrawal of the scheme, a different view was taken by some of the branch managers, who were reluctant to assume responsibility for distributing these foods fairly among their customers.

(e) There was undoubtedly great dissatisfaction with the current working of the scheme; and many housewives would be glad to be relieved of its inconveniences. But this had to be weighed against the complaints which would be directed against the Government if, after the withdrawal of the scheme, there were serious shortages of the foods to which it now applied.

The discussion showed that the advantages and disadvantages of withdrawing the scheme were nicely balanced. The predominant view in the Cabinet was, however, in favour of withdrawing the scheme. It was recognised that great care would have to be taken in the public presentation of this decision. It would be unwise to give the impression that the scheme could now be withdrawn because there was an abundant supply of these foods. On the other hand, if it was admitted that the demand exceeded the supply, there would be a run on the shops and the shortage would be aggravated. One of the strongest arguments for the decision was perhaps that a points rationing system could not work smoothly unless it covered a fairly wide range of goods, and that the scope of this scheme had now become so restricted that it was no longer profitable to continue it.

The Cabinet—

Approved the proposal of the Minister of Food that points rationing should be discontinued.
5. The Foreign Secretary made a brief preliminary report on the work of the current meeting of the North Atlantic Council.

The main questions under discussion at this meeting had been the policy of building up balanced Forces for the Atlantic Treaty Powers as a whole, the creation of machinery for the continuing study of all matters of common concern to the Treaty Powers, and the arrangements to be made for the co-ordination of the economic effort of the Treaty Powers after the end of the European Recovery Programme in 1952. A full report on the meeting would be circulated for the Cabinet’s consideration as soon as possible. The United Kingdom Government were not finally committed by the proceedings at the Council, to any increased expenditure on defence.

There might be some difficulty in deciding how much of the Council’s proceedings could be communicated to other Commonwealth Governments. On this point the Foreign Secretary would consult with the Secretary of State for Commonwealth Relations.

The Cabinet—

Took note of the Foreign Secretary’s statement.

6. The Cabinet had before them a memorandum by the Minister of Fuel and Power (C.P. (50) 106) reporting the results of the further discussion of the gas workers’ wage claim by the National Joint Industrial Council for the Gas Industry.

This showed that a national wage structure had been agreed for labourers in the gas industry. At their earlier discussion on 24th April the Cabinet had expressed the hope that any consequential increases for more highly-paid workers in the industry (i) would be delayed as long as possible; (ii) would be restricted within the narrowest possible limits; and (iii) would not be allowed to operate retrospectively from the date of the increase granted to the labourers. Subsequently, however, it had been found that the Gas Council were already committed to back-dating, not only the increases for labourers, but also any increases subsequently granted to the more highly-paid workers in the industry. In these circumstances it was now suggested that there would be no advantage in delaying discussion of the consequential increases for the more highly-paid workers.

In the Cabinet’s discussion some regret was expressed that it had not been found possible to secure in this socialised industry, that an increase in the wage rates of the lowest-paid workers was not followed by consequential increase for other workers designed to preserve the full range of wage differentials throughout the industry.

The Cabinet—

(1) Took note of the progress of the discussions of the wage claim by workers in the gas industry as reported in C.P. (50) 106.

(2) Invited the Prime Minister to arrange for the boards of all socialised industries to be reminded, by the responsible Ministers, of the Government’s attitude towards wage claims designed to preserve existing wage differentials in an industry following an award of increased wage rates to the lower-paid workers in the industry.

7. The Cabinet had before them a memorandum by the Minister of Fuel and Power (C.P. (50) 103) explaining that a serious fall in the summer-stocking of house coal by domestic consumers involved a danger of a breakdown in the winter distribution of domestic coal. He therefore proposed that in the south of England merchants should
reduce prices by 5s. a ton in summer and increase them by 5s. a ton in the winter, with corresponding but smaller price differentials in the north.

The Minister of Fuel and Power said that the National Coal Board, the Coal Merchants' Federation and the co-operative societies had warned him of the grave danger of a breakdown in the supply of household coal to domestic users during the winter of 1950–51. All those with experience of coal distribution advised him that the main remedy must be for those members of the public who had facilities for storing coal to stock it in the summer. Propaganda would be useful but would not be enough. Consumers would only stock coal if summer prices were substantially lower than winter prices, as had been the commercial practice before the war. The difficulty about this proposal was that 10 per cent. of domestic consumers throughout the country had no storage space; but he believed that this difficulty would have to be faced if a breakdown of coal distribution was to be averted. In any event, those who could not store coal in the summer would only have to pay about 3d. per cwt. more in the winter (an increase which was no more than the difference in price to which consumers were already accustomed owing to variations in the quality of coal) and the total cost to a person who bought all his coal in small amounts in the winter would be about 6s.

The Minister of Health said that, when this matter had been discussed by the Production Committee, a majority of its members had seen serious objection to the scheme proposed by the Minister of Fuel and Power. In various parts of London and other large towns, considerable numbers of the poorer people had no facilities for storing coal, and it seemed unfair that they should have to pay increased charges in order to induce those who had storage facilities to buy in the summer. Reliance should be placed primarily on effective propaganda and the threat could be held out that, if those with storage facilities failed to buy coal in the summer, preference in the sale of coal in winter would be given to those who had no storage space. Moreover, it seemed reasonable that the amount (£380,000) which the National Coal Board were prepared to give to facilitate the operation of a scheme of price differentials should be spent on subsidising coal merchants for stocking coal in the summer for winter use, as had been done in previous years by the Exchequer.

In further discussion the following points were made:—

(a) The Production Committee had considered whether it would be possible to delimit the urban areas in which a large proportion of householders did not possess storage space and to apply special measures in these areas, but had reached the conclusion that such a scheme was impracticable.

(b) An increase in the quantity of coal available for domestic consumption would go some way to meet the difficulties of the following winter, but it would not suffice to overcome the difficulties which would arise if there were a period of severe cold weather.

(c) Several Ministers felt that the National Coal Board should be pressed to do more to give merchants a financial inducement to build up larger stocks of coal in the summer. The argument so far advanced by the National Coal Board against this course (that by subsidising stocking by one set of customers they would lay themselves open to similar claims from other customers) was not considered to be conclusive.

(d) Some Ministers thought it would be reasonable to return to the pre-war custom of charging different prices for coal in summer and winter, particularly in view of the support which this policy had received from the co-operative societies and from the Domestic Coal Consumers' Council. At the same time it was pointed out that the policy of refusing to allow a householder to receive his whole year's stock in the summer, based on the fear that he might burn it before
the winter, detracted seriously from the results likely to be achieved from any appeal to householders to stock up in the summer for winter needs.

The Cabinet—

Agreed to resume their discussion of C.P. (50) 103 at a later meeting.

8. The Cabinet again had before them the memorandum by the Secretary of State for Scotland on Scottish Affairs (C.P. (50) 101) and also had before them a further memorandum (C.P. (50) 107) containing proposals regarding the composition of the Committee which was to examine the practicability of producing a return of Scottish revenue and expenditure and an economic balance-sheet for Scotland.

*The Secretary of State for Scotland* said that he had ascertained that the Leader of the Opposition was not proposing to receive the deputation of Commissioners from the so-called "Scottish National Assembly." He therefore presumed that the Cabinet would not think it appropriate that, on the Government side, this deputation should be received by the Prime Minister.

The Cabinet—

1. Agreed that the deputation from the "Scottish National Assembly" should be received by the Secretary of State for Scotland.

2. Invited the Secretary of State for Scotland to consult with the Lord President and the Chancellor of the Exchequer regarding the composition and terms of reference of the proposed Committee on Scottish revenue and expenditure; and in the light of those consultations to submit his proposals for final approval by the Prime Minister.

*Cabinet Office, S.W. 1,*

*18th May, 1950.*