CABINET 50 (50)

CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W. 1, on Tuesday, 25th July, 1950, at 11:30 a.m.

Present:

The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair)


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. Sir Stafford Cripps, K.C., M.P., Chancellor of the Exchequer.


The Right Hon. J. Chuter Ede, M.P., Secretary of State for the Home Department.


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 Hon. K. G. Younger, M.P., Minister of State.

The Right Hon. William Whiteley, M.P., Parliamentary Secretary, Treasury (Item 5).


Lord Ogmore, Parliamentary Under-Secretary of State for Commonwealth Relations (Items 1–3).

Secretariat:

Sir Norman Brook.

Air Marshal Sir William Elliot.

Mr. A. Johnston.
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1. The Home Secretary said that the next meeting of the Inter-Parliamentary Union was to be held in Dublin. Officials were to address the members of the all-Party delegation from the Westminster Parliament on some of the matters which would be raised at this meeting; and it had been suggested that these officials might advise the members of the delegation on the line to be taken if the issue of Partition were raised. He himself felt that this was not a matter on which officials could properly advise the members of this delegation.

The Cabinet endorsed the Home Secretary's view and invited him to arrange for the leader of the delegation (Major J. Milner, M.P.) to give suitable advice on this subject to the members of the delegation.

2. The Prime Minister said that, in the light of the Korean situation and the possible developments which might follow from it, the Minister of Defence and the Chiefs of Staff had reviewed the state of preparedness of the Armed Forces; and the Defence Committee had considered their recommendations in the light of President Truman's recent Message to Congress. The proposals put forward by the Minister of Defence were that a further £30 million should be spent in the current financial year in meeting immediate deficiencies and that this should be a first instalment in an accelerated programme which would call for an expenditure in 1951–52 of £980 million, including £30 million for increases in Service pay. The Defence Committee had not been prepared at this stage to settle finally the Defence Estimates for 1951–52. They had, however, agreed to recommend the Cabinet to authorise at once an additional expenditure of £100 million, of which something like £30 million might have to be spent in the current financial year and met by a supplementary estimate in February 1951; and they recommended that an announcement to this effect should be made in the course of the Defence Debate in the House of Commons on 26th July. When the time came to consider the Defence Estimates for next year in detail, Ministers should consider what further expenditure would be required to enable this country to play its full part under the North Atlantic Pact.

In the course of the debate something would have to be said about the measures proposed for remedying the man-power deficiencies of the Forces. The most pressing needs were for air-crews and tradesmen; and it might prove possible to meet these by offering financial inducements to these special classes which would not involve any increase in the basic rates of Service pay. Alternatively, if recruitment to the regular Forces could not be sufficiently improved by these and other means, it might become necessary to consider extending the period of national service. This would, however, give rise to political, as well as administrative, difficulties; and the Minister of Defence had therefore appointed a special working party to consider urgently the man-power problems now confronting the Services and the possible ways of remedying them.

The Cabinet first discussed the necessity for a substantial increase in the current rate of defence expenditure. There was general support for the proposal that the expenditure of an additional £100 million should at once be authorised to meet immediate deficiencies and thus put the Forces in a better position to face any emergency that might develop in the near future. Some misgivings were, however, expressed about the effects of raising defence expenditure in 1951–52 and the following years to a level of £980 million a year. Defence expenditure at that level would, it was suggested, absorb all the benefits of the estimated increase in industrial productivity, and would force the Government to choose between a lower standard of living or longer dependence on United States aid. It was important that the social and economic implications of this accelerated programme should be fully considered, and that every effort should be made to
ensure that the additional munitions production was so arranged as to conform, so far as practicable, with the Government's economic plans.

In reply, it was pointed out that these major questions could be reserved for discussion when Ministers considered the Defence Estimates for 1951–52. They were not pre-judged by the present proposal to spend an additional £100 million on meeting immediate deficiencies. Although much of the equipment urgently required for this purpose would have to be manufactured, if it was to be ready in time, by firms already handling this class of work, care would be taken to place as many of the orders as was practicable in areas where there was already some unemployment and to avoid unnecessary dislocation of civil production, particularly for export. The Prime Minister undertook to include some reference to this point in his speech in the forthcoming debate.

In further discussion it was pointed out that the immediate increase in the Navy programme would have a beneficial social effect in deferring the unemployment which was beginning to develop in the ship-building and ship-repairing industries. And, in the longer term, if a substantially increased programme of munitions production was undertaken, the orders should be carefully spread and factories in development areas should be reopened or built in the interests both of industrial dispersal and of social policy. These points were already under discussion between the Central Economic Planning Staff and the Admiralty and Ministry of Supply.

Service Pay.

On the question of Service pay, the Cabinet recognised that something would have to be said in the forthcoming debate to indicate that the Government would take effective steps to remedy the manpower deficiencies in the Services, particularly in specialist classes such as air-crews and tradesmen. At the same time, it was important that nothing should be said which might be construed as committing the Government to any general increase in the basic rates of Service pay. The most convenient course would probably be to refer to the improved career and trade structure which had recently been introduced in the Royal Air Force and to say that the Government were considering what comparable measures could be applied to secure the requisite number of specially-skilled men in the other two Services. The Minister of Defence undertook to consult the Chancellor of the Exchequer regarding the precise terms of the statement to be made on this point in the course of the debate.

Civil Defence.

The Prime Minister said that the Defence Committee had also considered a programme of essential expenditure on civil defence, which had been submitted by the Ministerial Committee on Civil Defence, and had agreed in principle that over the next four years expenditure on civil defence should be of the order of £136 million. The details of this programme would be further considered, with special reference to their effects on economic recovery and on the capital investment programme. The aim should be to select, in the first instance, projects which would serve the double object of improving the country's capital equipment and at the same time serving the requirements of civil defence.

The Cabinet—

(1) Authorised the three Service Departments and the Ministry of Supply to incur additional expenditure totalling £100 million in meeting the immediate deficiencies of the Armed Forces, as notified to the Defence Committee, on the assumption that such portions of this sum as were spent in the current financial year would be covered by Supplementary Estimates in February, 1951, and that the remainder would be included in the Defence Estimates for 1951–52.
(2) Took note that, when the time came to consider the Defence Estimates for 1951-52, the Government would have to consider what additional expenditure would be required in order to enable this country to play its full part under the North Atlantic Treaty.

(3) Agreed that the substance of the two foregoing conclusions should be announced in the debate on defence in the House of Commons on 26th July.

(4) Took note that, while steps would have to be taken to remedy the man-power deficiencies in the Services, particularly in specialist classes such as air-crews and tradesmen, nothing would be said in the debate to commit the Government to any general increase in the basic rates of Service pay.

(5) Agreed in principle that during the period 1951-55 civil defence measures would have to be undertaken involving a total expenditure of the order of £136 million.

3. The Prime Minister said that His Majesty's Ambassador in Washington had represented very strongly that an early offer by the United Kingdom Government to send some land forces to Korea would make a valuable contribution to Anglo-American solidarity. The Defence Committee had reviewed the position, in consultation with the Chiefs of Staff. They adhered to the view that it would be unsound to divert to Korea troops required to meet other Communist threats in this area, in Hong Kong and in Malaya. They also recognised the military disadvantages of operating in Korea a mixed force with separate supply lines. They had, however, come to the conclusion that this disadvantage was outweighed by the political advantages which would be secured by an announcement that some British land forces were to be sent to Korea. Such an announcement would have a valuable effect upon public opinion in the United States, and it would also give a useful lead to other members of the United Nations. The Defence Committee had therefore recommended that the War Office should arrange for a Brigade Group to be formed, without reducing the strength of the forces now available in Hong Kong and Malaya, and sent out as soon as possible to operate in Korea under United States command. They further recommended that the decision to send these land reinforcements to Korea should be announced in the course of the debate on 26th July.

The Cabinet—

Endorsed the recommendation of the Defence Committee that the United Kingdom Government should offer to provide a Brigade Group for service in Korea under United States command.

4. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C.P. (50) 176) proposing that a Royal Commission should be set up, under the Chairmanship of a Judge, to enquire into the present system of taxation of profits and income, with particular reference to the taxation of business profits and of salaries and wages, keeping in mind the need to maintain the present yield in relation to the national income.

The Chancellor of the Exchequer said that a committee was examining various technical issues arising out of the computation of net trading profits for income tax and profits tax, and there were various other issues which required examination. He had reached the conclusion that the only satisfactory procedure was
to set on foot a comprehensive enquiry into the present structure of taxation of income. If this was accepted, and The King's approval was obtained, the Prime Minister could announce in Parliament before the Summer Recess the intention to set up a Royal Commission on the subject.

In discussion the following points were made:

(a) The terms of reference should include some indication that the burden of taxation was to be distributed fairly among the different sections of the community. This might be done by the insertion of the word “fairly” after “tax burden” in the eighth line of the draft terms of reference set out in paragraph 2 of C.P. (50) 176.

(b) Should Members of Parliament be included in the Royal Commission? A number of Members were knowledgeable on the subject: on the other hand, on a complicated subject of this kind, it was awkward if a Member of Parliament in debate on a Royal Commission’s report could claim first-hand knowledge, which the responsible Minister could not pretend to have, of what the Commission had in mind.

(c) In any public announcement made at this stage, it should not be disclosed that the Chairman was to be a Judge. In the present pressure of business in the Courts the Lord Chancellor would have some difficulty in securing the services of a senior Judge, though he would endeavour to do so.

The Cabinet—

(1) Agreed that a Royal Commission should be set up to enquire into the taxation of income.

(2) Invited the Prime Minister to seek The King's approval to this step, and to announce the intention to set up a Royal Commission in the House of Commons before the Summer Recess.

Interference with Military Supplies.

(Previous Reference: C.M. (50) 49th Conclusions, Minute 3.)

5. The Cabinet resumed their discussion of a memorandum by the Home Secretary (C.P. (50) 183) proposing that it should be an offence for any person to interfere with supplies destined for use by units of His Majesty's Forces engaged overseas in active operations at a time when the country was not technically in a state of war. The Cabinet had also before them a revised draft of the Overseas Operations (Security of Forces) Bill (C.P. (50) 185).

The Lord Advocate said that, in pursuance of the Cabinet's decision on 24th July, the Minister of Labour and he had consulted representatives of the Trades Union Congress on the question whether legislation on the lines of clause 2 (5) of the draft Bill annexed to C.P. (50) 185 was likely to prove acceptable to organised labour. In the time available the General Secretary of the Trades Union Congress had not been able to make very full consultations, but he had indicated that the General Council would be likely to prefer a form of wording, based on war-time Defence Regulations, to the effect that a person should not be guilty of an offence under the new Bill “by reason only of his taking part in, or peacefully persuading any other person to take part in, a strike.” The General Secretary had indicated that, if this proposal was not acceptable to the Government, the alternative might be considered of omitting the words “between employers and workmen” in clause 2 (5) of the draft Bill annexed to C.P. (50) 185. It had been suggested to the General Secretary that a third course would be to omit subsection (5) on the ground that, in order to secure a conviction under clause 2, it would be necessary to prove intent to interfere with military supplies, and that it was unlikely that this intent could be proved against a person taking part in any ordinary industrial dispute;
but it seemed to be clear that the Trades Union Congress would wish some specific safeguard in respect of industrial stoppages to be introduced into any legislation.

In discussion there was general agreement that the form of proviso favoured by the Trades Union Congress General Council in their provisional consideration of this matter would deprive the Bill of its usefulness. Active sabotage, and incitement to it, were already offences under the existing criminal law. What was required was a provision aimed specifically at the incitement of workers to take action which would impede the passage of military supplies for overseas operations. The Bill would fail to deal with this mischief if there was a general exemption for persons peacefully persuading other persons to take part in a strike. In view of the shortage of Parliamentary time, and the absence of a satisfactory understanding with the Trades Union Congress, it would not be practicable to pass the Bill through all its stages before the Summer Recess. At the same time, in view of the risk that the Communist Party might endeavour to impede the despatch of military supplies to the Far East, it was desirable that the Bill should be brought to a stage at which it could be introduced and passed at short notice if Parliament were recalled at any time before 17th October. For this purpose, a Committee of the Ministers primarily concerned should examine the nature of the mischief which had to be countered, how far the criminal law already covered the position and to what extent further powers were required. The Committee should conduct discussions with the Trades Union Congress General Council to ensure that any Government measure would not attract opposition from organised labour. To deal with the kind of circumstances which were envisaged, the Bill might have to be drastic in form and might have to deal with the policy of systematic incitement to obstruction which the Communists were likely to adopt.

The Cabinet—

Invited the Prime Minister to arrange for a Cabinet Committee, consisting of the Lord President, Lord Chancellor, Home Secretary, Minister of Labour, Secretary of State for Scotland, Attorney-General and Lord Advocate to revise the draft of the Overseas Operations (Security of Forces) Bill in the light of the Cabinet's discussion, and to arrange for further consultations with the Trades Union Congress General Council so that, if legislation on the subject were required at short notice in the ensuing months, a Bill likely to command general support could be introduced in Parliament.

Cabinet Office, S.W.1,