CABINET 22 (51)

CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W. 1, on Thursday, 22nd March, 1951, at 10 a.m.

Present:
The Right Hon. HERBERT MORRISON, M.P., Secretary of State for Foreign Affairs (in the Chair)
The Right Hon. ERNEST BEVIN, M.P., Lord Privy Seal.
The Right Hon. HUGH DALTON, M.P., Minister of Local Government and Planning.
The Right Hon. VISCOUNT ALEXANDER OF HILLSBOROUGH, Chancellor of the Duchy of Lancaster.
The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Labour and National Service.
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. J. NOEL-BAKER, M.P., Minister of Fuel and Power (Items 4-8).
The Right Hon. G. R. STRAUSS, M.P., Minister of Supply (Items 4-8).
The Right Hon. MAURICE WEBB, M.P., Minister of Food (Item 9).
The Right Hon. NESS EDWARDS, M.P., Postmaster-General (Item 2).
The Right Hon. H. T. N. GAITSKELL, M.P., Chancellor of the Exchequer.
The Right Hon. VISCOUNT ADDISON, Lord President of the Council.
The Right Hon. VISCOUNT JOWITT, Lord Chancellor.
The Right Hon. E. SHINWELL, M.P., Minister of Defence.
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 Right Hon. HECTOR MCNEIL, M.P., Secretary of State for Scotland.
The Right Hon. P. C. GORDON-WALKER, M.P., Secretary of State for Commonwealth Relations.
The Right Hon. G. A. ISAACS, M.P., Minister of Pensions (Item 1).
The Right Hon. EDITH SUMMERSKILL, M.P., Minister of National Insurance (Item 1).
The Right Hon. H. A. MARQUAND, M.P., Minister of Health (Item 1).
The Right Hon. LORD HENDERSON, Parliamentary Under-Secretary of State for Foreign Affairs (Items 4-5).
The following were also present:
The Right Hon. P. C. GORDON-WALKER, M.P., Secretary of State for Commonwealth Relations.

Secretariat:
Sir NORMAN BROOK.
Mr. A. JOHNSTON.
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1. The Chancellor of the Exchequer said that, in framing his Budget, he had hoped to be able to secure economies in civil expenditure to offset the higher expenditure on defence; but, after a rigorous pruning of the estimates submitted, the Vote on Account still showed an increase in civil expenditure. Some of the increase was attributable to expenditure related to the defence programme and some to special circumstances; but there were substantial increases in a number of services, including an increase of £3.8 million on the Social Services.

The Chancellor said that there was a strong case for increasing the rates of old-age pensions, and he had worked out a scheme of increases in consultation with the Minister of National Insurance. This would provide an increase of four shillings a week in the basic rate for men over seventy and women over sixty-five, so that single pensioners would receive thirty shillings a week, and a married couple fifty shillings a week. It was also proposed that the increments payable to persons remaining at work beyond the normal retiring age should be £1.6d. (instead of £1.0d.) for every six months worked after the retiring age. A married man who remained at work until the age of seventy would thus be entitled to a pension of £3 15s. a week. Those who retired at sixty-five would also be allowed to earn £2 (instead of £1) a week without abatement of their pension. The allowance for a widowed mother with one child would be increased from 33s. 6d. to 40s. 0d. a week and there would be 2s. 6d. for each additional child; and 2s. 6d. a week more would be allowed for the children of persons receiving sickness or unemployment benefit. It was not proposed to increase the basic rate of war pensions, but concessions would be made in certain cases of hardship which would cost £500,000.

The Chancellor of the Exchequer said that he had hoped to meet the cost of these pensions proposals by savings on other social services. After an exhaustive enquiry into possible alternatives, he had reached the conclusion that the only practicable source of savings was the National Health Service. Estimated expenditure on the National Health Service in the present financial year had been £393 million and actual expenditure would reach approximately that figure. For the new financial year the Health Ministers had put forward estimates totalling £423 million. After discussion with them, he had reluctantly come to the conclusion that it would not be possible to reduce expenditure in the coming year below this year's figure, and the National Health Service Committee had agreed that a figure of £393 million should be included in the Vote on Account. The National Health Service Committee had later considered whether 1951–52 expenditure on the National Health Service could in fact be held at £393 million and had agreed to this on the basis that savings would be found by (i) a reduction of £10 million in hospital expenditure, (ii) charges for dentures and for spectacles and (iii) the revival of the proposal for a shilling charge on prescription forms. Discussions with other Ministers had, however, shown the difficulty of reaching full agreement on these proposals; and the Lord Privy Seal had suggested a compromise on the basis of fixing a ceiling of £400 million for Exchequer expenditure on the National Health Service. On that basis it would not be necessary to proceed with the shilling charge for prescriptions but it would be necessary to retain the proposed charges for dentures and spectacles and to secure the proposed savings in hospital expenditure. Even with these savings, hospital expenditure would be £16 million above the expenditure in the current financial year.

The Lord Privy Seal said that he did not feel that in present circumstances the country could afford an expenditure of more than £400 million on the National Health Service. He believed that this figure was sufficiently generous to leave scope to the Health Ministers for the exercise of ingenuity in the adjustments which had to be made. He believed that public opinion would accept charges for dentures and
spectacles, since there was a widespread impression that some abuses had occurred in this part of the Health Service.

The Minister of Health said that the reduction of £10 million on hospital expenditure would involve postponement of necessary works which would have to be carried out in future years. If the ceiling of £400 million was to be applied to 1952-53 and future years, the revenue to be secured from a system of charges would be required in order to prevent a falling off in the standard of hospital service. He did not feel that charges for dentures and spectacles would be regarded as a serious infringement of the principle of a free service. Those who required them were normally at work and in a good state of general health. It was a different matter to impose charges on people who were sick; and he would have been much more concerned about a charge for prescriptions. In 1949-50, as much as 61 per cent. of the expenditure on the dental service had been for dentures and a charge for dentures should shift the demand towards conservation work. The Standing Dental Advisory Committee had asked him to place a limit on the issue of dentures and, when asked what they had in mind, had explained that they favoured a system of charges. He could not advance any similar professional support for a charge for spectacles; but, if economies had to be secured, he considered that charges for dentures and spectacles represented the least harmful of the many proposals which had been considered. If the Health Departments were to give effect to the proposed charges in April, they would require an immediate decision so that the necessary preparations could be put in hand. Legislation would have to be introduced as soon as possible after Budget Day, viz., on 12th April, since it would have to provide that charges should become payable on all orders placed after the Bill had been introduced. The printed forms and circulars would have to be prepared at once and would have to indicate 12th April as the operative date.

The Secretary of State for Scotland said that, while he regretted the proposed charges, it was his view that they represented the least objectionable way of securing the economies which the Chancellor of the Exchequer required.

The Foreign Secretary said that the Prime Minister recommended the Cabinet to accept the revised proposals now put forward by the Chancellor of the Exchequer. Something must be done to relieve the hardships imposed on old age pensioners by the rising cost of living, and he believed that the Chancellor's proposals under this head would be widely supported. In view of the rising expenditure on other services, notably defence, he felt obliged to accept the Chancellor's reasoning that any concessions made to pensioners would have to be met by economies elsewhere. He did not regard a scheme of charges for dentures and spectacles as a serious infringement of the principles for which the Government stood. Schemes of charges had been a feature of Socialist policy before the National Health Service came into existence. There should be no great difficulty in persuading Government supporters in the House of Commons to endorse these proposals. Public opinion would accept the need for them; for it was widely known that the free supply of dentures and spectacles had given rise to some abuses.

The Minister of Labour said that the National Health Service had been launched at a time of rising prices which had made it difficult to frame reliable estimates. Nevertheless, for the year 1950-51 it had been practicable to frame an estimate which had proved to be an accurate forecast of the expenditure actually incurred. The estimate had not been exceeded, notwithstanding the abandonment of the proposal to make a charge for prescriptions and in spite of various Whitley awards which had increased expenditure on wages. In view of the degree of accuracy now reached in estimating the cost of the Service, he regretted the suggestion that a financial ceiling should be imposed since in a time of rising prices this was bound to have the
effect of reducing the standard of service. Moreover, he thought it
deplorable that, for the sake of £23 million in a very large Budget, the
principle of a free service should be abandoned and economies on the
hospital service should be enforced. If a saving of £100 million had
been necessary, it might have been excusable to abandon the principle
of a free service, though even then he would not himself have been
ready to adopt such a course; but the Government were now proposing
to depart from Labour Party principles for the sake of a paltry increase
in revenue. He found it difficult to believe that the reasons for the
proposals were entirely financial in character, since suggestions for a
scheme of charges had been put forward persistently during the last
three years. It would be wrong to represent the proposed scheme of
charges as required to finance the scheme of increased old age
pensions. The real cause was the cost of the increased defence pro­
gramme; and, if the Chancellor of the Exchequer was not prepared to
accept a tolerance of a few millions in his budgeting, he should meet
his difficulties by reducing defence expenditure. Shortages of raw
materials would in any event make it impossible to spend wisely the
amount now allocated for defence. Hitherto, the Government had
adhered to the view that the defence programme would not compel
reductions in the social services though it would retard some desirable
expansions of those services. In Parliament a system of charges
would not receive adequate support from the Government's sup­
porters and the Government would be compelled to rely on Oppo­
sition votes to carry these proposals. In the country at large, Labour
Party propaganda would have to be revised, if the conception of a
free National Health Service were no longer to be one of the principal
features of their programme.

The Minister of Local Government said that he did not propose
to question the Chancellor's general proposition that the improvement
in old age pensions must be set against the proposed charges for
dentures and spectacles. On that basis he had no doubt that the
balance of national advantage lay in meeting some of the difficulties
which faced pensioners at the present time.

The Lord President and the Chancellor of the Duchy of
Lancaster said that they agreed with that view, and on that account
supported the Chancellor's proposals.

The Secretary of State for the Colonies said that he accepted
with reluctance the need for charges for dentures and spectacles. This
would involve some encroachment on the principle of a free and
comprehensive Health Service, and on that account would give rise
to some political difficulties. He accepted the need to limit expendi­
ture on the Health Service to £400 million in 1951–52; but he was
concerned at the suggestion that such a limit might be maintained
for some years to come. If it were rigidly enforced in a time of rising
costs, further charges would have to be imposed before long. While
he agreed that something should be done for old age pensioners, he
hoped the Cabinet would bear it in mind that, by increasing these
benefits in isolation from other benefits under the National Insurance
scheme, they were depriving themselves of the argument, which had
proved useful in the past, that rates of benefit could not be con­
sidered separately and that anything done for old people would have
to be matched by similar concessions to the sick and the unemployed.
There was a risk that further pressure would be brought to bear on
the Government for special concessions to old age pensioners, without
regard to the position of other beneficiaries under the National
Insurance scheme.

The Minister of National Insurance said that she had always
opposed the suggested charge for prescriptions and she was glad that
it had now been abandoned. She saw much less objection to
charges for dentures and spectacles. At the same time, one could
not ignore the fact that there was gross over-prescribing of medicines throughout the country and the Health Ministers would have to tackle this problem by prohibiting the prescribing of proprietary drugs and by other means. On the question of principle, she found it difficult to reconcile the objection which was now being raised to charges for dentures and spectacles with the fact that a shilling charge for prescriptions had been authorised by the National Health Service (Amendment) Act, 1949. As regards old age pensioners, the 3,250,000 pensioners who were not in receipt of national assistance would receive substantial benefit from the Chancellor's proposals. As regards the 900,000 pensioners who received national assistance, it would admittedly be necessary to weigh the risk that any increase in pensions would be offset by a decrease in assistance and to consider what should be done about the level of assistance in these cases.

The President of the Board of Trade said that he found it difficult to take a final view of the Chancellor's proposals without having full information about the Budget. He agreed with the Minister of Labour that a question of principle was involved and that a free National Health Service was a symbol of the Welfare State. If the proposal for charges was accepted, it would be widely said in the United States and elsewhere that this country had abandoned one of the main principles of the Welfare State. He thought there would be difficulty in spending the amounts allocated for defence in the next financial year because of raw materials shortages and other shortages; and he would therefore have preferred to see a cut in defence expenditure rather than a scheme of charges under the National Health Service.

The Minister of Defence said that he could not accept the view that the defence estimates were inflated. Nor did he consider that expenditure on the National Health Service, whatever the level of defence expenditure, could be allowed to rise indefinitely without regard to what the country could afford. He believed that, even if defence expenditure had remained at the level of £780 million a year, it would have been necessary to consider economies in the National Health Service. It had never been a free and comprehensive service in practice, since the physical resources were not available to secure this; and it had always been necessary for those who needed urgent treatment to consider whether to take advantage of the paid facilities which were available. It was unthinkable that at the present juncture in international affairs the United Kingdom Government should endeavour to meet the serious financial difficulties with which the Chancellor of the Exchequer was faced by cutting a defence programme to which the Government had pledged themselves in pursuance of their obligations to Allied Governments.

The Minister of Pensions said that, in view of the general position of the nation's finances, he was prepared to accept the Chancellor's view that no increase could be made in the basic rates of war pensions, though some relief would be given in cases of special hardship.

Other Ministers said that they could not dispute the Chancellor of the Exchequer's general contention that he must find some savings on the social services to meet the expenditure involved in the increased payments to old age pensioners. While they regretted the need to impose charges for dentures and spectacles, they considered that these charges would be widely accepted as necessary and that the public good would be better served by the benefits to be given to old age pensioners.

The Cabinet—

(1) Agreed that for the time being expenditure on the National Health Service should be subject to an upper limit of £400 million.
(2) Agreed that charges should be imposed for the supply of dentures and spectacles under the National Health Service, and authorised the Health Ministers to draft the necessary legislation and to make such advance preparations as were required to bring the scheme of charges into operation on 12th April.

(3) Approved the proposed increases in old age pensions, allowances for widowed mothers and allowances in respect of the children of persons receiving other benefits, and the proposed concessions to certain categories of war pensioners.

2. On 19th March the Cabinet had asked the Postmaster-General to discuss further with the Chancellor of the Exchequer what alterations should be made in Post Office charges at the present time and to submit revised proposals to the Cabinet. The Cabinet had now before them a further memorandum by the Postmaster-General (C.P. (51) 90) proposing that various increases in charges amounting to £6,320,000 in the financial year 1951-52 should be announced in advance of the Chancellor's Budget statement, and that an announcement of increases in telephone rentals should be deferred pending examination by the Lord President's Committee of legislation to alter the nature of the agreement between the Postmaster-General and individual telephone users.

The Postmaster-General said that, in view of rising costs and the probability that Post Office workers would receive some increase in wages under an arbitration award, he felt obliged to ask that a number of increases in Post Office charges should be announced forthwith. He realised that, since the Commercial Accounts (as distinct from cash accounts) would show a substantial surplus, these increases might lead to further wage demands from the Post Office Unions. He considered, however, that by announcing the increases in two stages and holding back an announcement of the proposed increase in telephone rentals until a later date, he could base what he proposed to do on rising costs of materials rather than on an increased wages bill.

The Chancellor of the Exchequer said that he was in agreement with the revised proposals put forward by the Postmaster-General. He was not seeking any further revenue from the Post Office but he wished to safeguard the revenue which he was already receiving.

The Secretary of State for Commonwealth Relations said that he hoped that in the increases proposed in the overseas parcels rates the existing difference in charge between gift parcels and other parcels would be retained.

The Cabinet—

Approved the proposals in C.P. (51) 90 on the understanding that every endeavour would be made to avoid relating the increases in charges which were to be announced immediately to any expectation that increased wages would result from the forthcoming arbitration award.

3. The Cabinet considered a memorandum by the Foreign Secretary (C.P. (51) 78) on two questions affecting the discussion of a Peace Treaty for Japan—(i) the problem of China's participation in the negotiations and (ii) the disposal of Formosa.

The Foreign Secretary said that the United States Government were anxious to make progress towards the conclusion of a Peace Treaty for Japan and it was necessary to make clear to them our position on these two points. China should be a party to the negotiations for the Peace Treaty, and should be represented by the Central
Integration of French and German Coal and Steel Industries.

(Previous Reference: C.M. (50) 42nd Conclusions, Minute 2.)

4. The Cabinet had before them a memorandum by the Foreign Secretary (C.P. (51) 83) on certain decisions which would have to be taken by the Council of the Allied High Commission in Germany on questions arising from the outcome of the Paris negotiations on the Schuman Plan.

The Parliamentary Under-Secretary of State for Foreign Affairs said that, as a result of the Paris negotiations, the French and United States Governments, with some support from the Federal Government of Germany, were proposing to allow German steel concerns to own People's Government and not by Chiang Kai-shek's Government. It was possible that the Central People's Government would decline to take part in the negotiations but it could not be assumed that they would do so. As regards Formosa he thought that the United Kingdom Government should suggest to the United States Government unofficially that Japan should renounce her sovereignty and cede Formosa to "China," with a reservation that this should not prejudice the attitude of the parties on the question what Chinese authority was entitled to exercise sovereignty over Formosa.

In discussion emphasis was laid on the advantages of delaying further negotiations on the Japanese Peace Treaty, if that were practicable. The United States Government might insist on Chiang Kai-shek's Government being regarded as the de jure Government of China. This would undoubtedly cause great offence to some of the other members of the Commonwealth and to the Chinese populations in Malaya and other British possessions in the East. Moreover, there was some unreality in discussing such a treaty while the Korean conflict continued. Final agreement had not been reached among Commonwealth countries about the line to be adopted in regard to a Japanese Peace Treaty and these divergencies of policy would come to light if negotiations went on. It was doubtful whether such divergencies of policy could be concealed by legal devices such as providing for Chinese participation in an accession clause of the Treaty or elaborate provisions as to the time when Formosa should be ceded to China.

As regards procedure, it was suggested that an approach should be made at the appropriate time to other Commonwealth Governments, notably the Government of India, who would be in a good position to indicate the probable reactions of the Central People's Government. It might also be possible to secure a greater measure of agreement between the Commonwealth countries if His Majesty's Ambassador, Washington, before approaching the State Department on this subject, had consultations with other Commonwealth representatives in Washington.

The Cabinet—

(1) Agreed that the United Kingdom Government should make it clear to the United States Government that in their view the Central People's Government of China should be invited to participate in any negotiations for the conclusion of a Peace Treaty for Japan.

(2) Agreed that in any such Peace Treaty Japan should renounce her sovereignty over Formosa and cede it to China.

(3) Invited the Foreign Secretary to seek means of delaying further proceedings for the discussion of a Japanese Peace Treaty; and suggested, in particular, that he should for the time being refrain from pursuing with the United States Government the hypothetical questions raised in paragraphs 6 and 11 of C.P. (51) 78.

(4) Invited the Secretary of State for Commonwealth Relations to arrange that other Commonwealth Governments were kept fully informed of any approaches made to the United States Government on these questions.
coal mines to an extent which might amount to about one-fifth of a quarter of the Ruhr coal industry. He proposed to insist that the combined ownership should take the form of holding companies, with separate subsidiaries, as proposed by the German trade unions, rather than completely integrated coal and steel companies as desired by the Americans. It was also contemplated that the German Central Coal Sales Agency should be replaced by a wider marketing organisation under the Schuman Plan; and it was understood that the German trade unions (who were in favour of retaining the sales agency) had reluctantly agreed to accept its abolition by stages spread over two or three years. All these proposals represented some infringement of Law 27; but, if the United Kingdom Government continued to resist them, they would be represented as impeding the introduction of the Schuman Plan.

In discussion the Cabinet were informed that, from the point of view of the iron and steel and coal industries of the United Kingdom, there was no serious objection to the Foreign Secretary's proposals in C.P. (51) 83. The Central Sales Agency, like the marketing organisation of the National Coal Board, was a means by which relatively uneconomic mines were kept in production, and its abolition without replacement might mean a reduction in European coal output. Presumably, however, the marketing arrangements contemplated under the Schuman Plan would ensure that there was no serious fall in output. Pre-war experience of German iron and steel cartels was bound to cause a certain amount of uneasiness about the ultimate effects of the arrangements now proposed, but it was difficult to press objections to them if the plans ultimately adopted were acceptable to the German trade unions. It was also important that this country should not appear to be obstructing the progress of the Schuman Plan.

The Cabinet—

Approved the proposals in C.P. (51) 83.

Germany:
Ownership of Basic Industries.

(Previous Reference: C.M. (50) 16th Conclusions, Minute 2.)

5. The Cabinet considered a memorandum by the Foreign Secretary (C.P. (51) 81) on the attitude which the United Kingdom High Commissioner should adopt towards a proposal to allow the transfer to private owners of shares in one of the new steel companies formed under the Allied High Commission Law No. 27 for the reorganisation of the German coal, iron and steel industries.

The Foreign Secretary said that it had been the policy of the United Kingdom Government that the form of ownership of basic industries in Germany was a matter for the German Government and Parliament. When the matter came before the Council of the Allied High Commission, the United Kingdom High Commissioner would accordingly take the line that, by Law 27 and by their own constitution, the Federal Government were obliged to arrange for the Bundestag to take a general decision on the ownership of these industries before any shares in the new companies passed from the hands of trustees and were sold in the open market. If the High Commissioner was unable to carry the point, he would be instructed to ask for an appeal to the three Allied Governments. The United Kingdom Government should then re-affirm their view that the whole matter was one for decision by the German Government and Parliament.

The Cabinet—

Approved the proposals in C.P. (51) 81.
6. The Foreign Secretary said that he had been reviewing the current situation in Korea. The United Nations forces had now advanced to positions within a few miles of the 38th Parallel and had not met with any strong resistance. He was inclined to think that the time was now ripe for some fresh initiative in seeking a political settlement; and a heavy responsibility would rest on the United Kingdom Government if they let this favourable opportunity pass. One possible course might be to issue a fresh declaration of United Nations aims in Korea, and to seek to open direct negotiations for a settlement between, on the one hand, the United Kingdom and the United States in association, perhaps, with France and India and, on the other, the Peking Government and possibly the Soviet Government. Unless some fresh political initiative were taken, there seemed to be some risk that the United Nations Commander in Korea might again advance north of the 38th Parallel and seek to justify that course on military grounds.

The Minister of Defence said that the Chiefs of Staff had been consistently opposed, on strategic grounds, to any advance beyond the 38th Parallel; and they still adhered to that view. They believed that the sound strategic course was for the United Nations forces to establish a stabilised line along the waist to the south of the 38th Parallel, covering Seoul and Inchon.

In discussion the Cabinet reaffirmed their view that, on both military and political grounds, it would be most inexpedient for the United Nations forces to advance north of the 38th Parallel. They also agreed that the United States Government should be left in no doubt of the strength of the views held by the United Kingdom Government on this point.

On the question of a fresh initiative to promote a political settlement, there was some division of opinion in the Cabinet. Some Ministers thought it best that the United Nations forces should hold a stabilised line to the south of the 38th Parallel and, by making no attempt to preserve contact with the Chinese and North Korean forces, should allow the hostilities to die away. Meanwhile the search for a political settlement could be left to the Good Offices Committee appointed by the United Nations. On the other hand, it was pointed out that the Good Offices Committee showed no signs of making any progress with their task; and the Peking Government had made it clear that they were not prepared to have any dealings with the Committee. It seemed unsatisfactory to leave this situation to continue much longer; and there was a substantial body of opinion in the Cabinet in favour of attempting some fresh initiative. Doubts were, however, expressed about the expediency of taking any course which might appear to remove from the United Nations the responsibility for promoting a political settlement. Account should also be taken of the influence which India might be able to exercise over the Peking Government; and we should be well-advised to take the Indian Government fully into our confidence at every stage.

The Cabinet—

(1) Invited the Foreign Secretary to take whatever steps were necessary to ensure that the United States Government were not left in any doubt about the strength of the views held by the United Kingdom Government against allowing United Nations forces in Korea to advance north of the 38th Parallel.

(2) Took note that the Foreign Secretary would consider, in the light of the Cabinet's discussion, whether some fresh initiative to promote a political settlement in Korea could now be taken, in consultation with the United States Government and other Governments specially interested in this problem.
7. The Foreign Secretary said that in pursuance of the Cabinet’s decision of 14th December, 1950, the Chiefs of Staff had prepared detailed proposals for maintaining a base and an air defence organisation in Egypt and withdrawing all other troops. These proposals had been considered on 19th March by the Defence Committee, who had approved them as a basis for resuming the negotiations for the revision of the Anglo-Egyptian Treaty. He asked whether the Cabinet would wish to have an opportunity of discussing this plan before he resumed the negotiations.

After a short discussion the Cabinet agreed to consider this question immediately after the Easter Recess. They also agreed that it would be convenient if they could have before them at the same time a general memorandum on the political problems of the Middle East as a whole.

The Cabinet—

Invited the Foreign Secretary to submit, for their consideration immediately after the Easter Recess, a memorandum explaining the basis on which he proposed to reopen the negotiations for the revision of the Anglo-Egyptian Treaty, and a general memorandum on the political problems in the Middle East.

8. The Cabinet had before them a note by the Chancellor of the Exchequer (C.P. (51) 77) covering a draft of the Economic Survey for 1951. This draft had already been discussed in detail by the Production Committee, and various amendments would be incorporated in the text as a result of that discussion.

The Cabinet—

Approved the draft of the Economic Survey for 1951 annexed to C.P. (51) 77; and invited the Chancellor of the Exchequer to incorporate in the text the amendments approved by the Production Committee and thereafter to present the Survey to Parliament.

9. The Minister of Agriculture said that every effort had been made to reach an agreement with the representatives of the National Farmers’ Union within the financial limit authorised by the Cabinet on 19th March; but it was now clear that, unless there could be a modest increase above the maximum figure of £30 million hitherto approved by the Cabinet, a breakdown in the negotiations was inevitable. The President of the National Farmers’ Union had given a personal undertaking that, if a further £2 million could be added in food prices, he would do his utmost to persuade the farmers to accept the settlement. This additional sum would be added to the price of milk: it represented an increase of ½d. a gallon. The Minister said that, without such an increase, there was a serious risk of a shortage of milk in the coming winter; for, owing to rising costs, some farmers were already beginning to cull their dairy herds. He strongly urged that he should be authorised to offer this additional £2 million.

The Minister of Food said that he was opposed to this further increase in farm prices.

The Cabinet—

Authorised the Chancellor of the Exchequer to settle on their behalf, in consultation with the Agriculture Ministers and the Minister of Food, whether the Government’s final offer to the farmers for food prices in the Annual Review under Part I of the Agriculture Act, 1947, could be increased from £30 million to £32 million.
10. **The Home Secretary** said that the Parliamentary Labour Party had been greatly encouraged by the stand which the Government had taken against the tactics of the Conservative Opposition in tabling negative resolutions on delegated legislation as a Parliamentary manoeuvre to exhaust the Government and their supporters. The Conservative leaders had been put at a tactical disadvantage by the Government's offer to discuss with representatives of the other Parties means of ensuring that these negative resolutions could be debated in an orderly fashion. But they were at present declining to enter into those discussions because of the action taken by the President of the Board of Trade in suspending all current negotiations with trade organisations on maximum price orders. The President's action had helped in bringing matters to a head; but it would be useful if he could now make some statement to the general effect that these price negotiations would be resumed as soon as the Parliamentary difficulties over negative resolutions has been resolved.

The President of the Board of Trade said that Government supporters would be greatly disheartened if he now withdrew from the position which he had taken up with the approval of the Cabinet. He was, however, prepared to issue a conciliatory statement. This might perhaps take the form of promising that price negotiations would be resumed as soon as representatives of the political Parties began their discussions on the Parliamentary problem, and that the making of maximum price orders would be resumed as soon as agreement had been reached in those discussions.

The Cabinet—

Invited the President of the Board of Trade to make a public statement on the lines which he had indicated in the Cabinet's discussion, and asked him to settle the terms of that statement in consultation with the Home Secretary.

*Cabinet Office, S.W. 1,*

*22nd March, 1951.*
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