CABINET 25 (51)

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Monday, 9th April, 1951, at 10-30 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 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. H. T. N. GAITSKELL, M.P., Chancellor of the Exchequer.
The Right Hon. VISCOUNT ADDISON, Lord President of the Council.
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. C. GORDON-WALKER, M.P., Secretary of State for Commonwealth Relations.

The following were also present:
The Right Hon. MAURICE WEBB, M.P., Minister of Food. (Item 1.)

The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury. (Items 2-3.)

Secretariat:

Sir NORMAN BROOK.
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1. The Chancellor of the Exchequer said that the mission under the leadership of the Economic Secretary, Treasury, which was at present seeking to negotiate a new meat agreement with the Argentine Government, was now within sight of securing supplies of 200,000 tons of Argentine meat over the next twelve months at an average price of £132·8 per ton. About 35,000 tons of the meat would be chilled beef, and the average price for frozen meat would be somewhere between £125 and £130 a ton. Moreover, it was possible that about £7·6 of the average price of £132·8 might be paid under some other head of the general commercial agreement; and, if this could be arranged, the meat price would look more reasonable. It was true that this average price would be compared with the price of £120 a ton which the Argentines had been thought to be offering in December; but they now claimed that they had never intended that offer to cover anything but the lower grade of frozen beef. The Chancellor said that he was satisfied that we should not get meat from the Argentine at a lower price than that now proposed; and, in his view, the political difficulties of paying this price were less than those of allowing the meat ration to remain at the low level to which it had fallen. He therefore recommended that the mission should be authorised to accept a price of £132·8 per ton for all Argentine meat, including chilled beef.

The Minister of Food supported this recommendation. Supplies of imported meat had fallen, not only because of the continuing deadlock in the negotiations with the Argentine Government, but also because of strikes in New Zealand; and, although the supplies of home-killed meat would afford some immediate relief in the summer and autumn, the position in the following winter would be extremely serious unless we could count on substantial shipments from the Argentine. Even if a new agreement were reached with the Argentine Government on the basis now proposed, it might be some weeks before shipments could be resumed, as shipping had been diverted elsewhere and would have to be moved back into position to take up these supplies.

The Cabinet were informed that the terms proposed would involve some increase in retail meat prices, though this would probably not exceed the figure mentioned when the Cabinet had discussed on 19th March (C.M. (51) 21st Conclusions, Minute 3) the general question of increases in retail food prices. It had, however, been contemplated that any such increase in the retail price of meat would be accompanied by an increase in the size of the weekly ration. The Cabinet agreed to consider at a later meeting the timing of the announcement of increased meat prices.

The Cabinet—

(1) Agreed that the Economic Secretary, Treasury, should be authorised to accept an agreement with the Argentine Government involving the payment of an average price of £132·8 per ton for Argentine meat (including chilled beef).

(2) Invited the Minister of Food to consult the Cabinet again before announcing any increase in the retail price of meat.
3. After the Chancellor of the Exchequer had explained his Budget proposals the Cabinet reverted to the question, which they had discussed at their meeting on 22nd March, of the level of Government expenditure on the social services. One of the assumptions on which the Chancellor had constructed his Budget was that, in pursuance of the Cabinet’s decision of 22nd March, expenditure on the National Health Service would be subject for the time being to an upper limit of £400 million. Before that decision was taken expenditure on the Health Service in the financial year 1951–52 had been estimated at £423 million; and, in order to keep it within the upper limit approved by the Cabinet, the Health Ministers had agreed to effect economies in hospital administration totalling £10 million and to introduce charges for dentures and spectacles which, in the coming year, would produce £13 million. In a full year these charges would produce a much larger revenue; but the saving on the hospitals’ service was non-recurrent and the revenue from charges would be needed in future years, if the total expenditure was to be kept below the upper limit of £400 million, in order to offset increasing costs in all parts of the Service.

The Minister of Labour said that he had always been opposed to the introduction of charges for dentures and spectacles. In his view it would be undesirable in principle, and politically dangerous, for the Labour Party thus to abandon the conception of a free Health Service. Now that he was aware of the details of the budgetary position he was able to add the further argument that this step was not financially necessary. In a Budget of over £4,000 million it should not be difficult to find so small a sum as £13 million in some other way which would not breach the principle of a free Health Service. He was specially disturbed at the prospect that this inroad on the Health Service would be justified by the argument that the money to be saved was needed for the increased defence programme. He himself believed that shortages of raw materials and machine tools would make it impossible in practice to spend effectively all the money which was to be allocated under this Budget to the defence programme; and in this view he had the support of the President of the Board of Trade and the Minister of Supply. The Defence Estimates for the coming financial year totalled £1,250 million; and of this the estimated cost of defence production amounted to £510 million. These were large figures and must be subject to a substantial margin of error. He believed that, within that margin, the Chancellor could have found the savings which he proposed to secure by introducing charges under the Health Service. The Minister reminded the Cabinet that such charges could not be imposed without fresh legislation. Believing, as he did, that such charges would involve a serious breach of Socialist principles, and having on numerous occasions proclaimed in public speeches his opposition to such a course, he did not see how he could be expected to vote in favour of such a Bill. If the Cabinet reaffirmed their decision that these charges should be imposed, he would be obliged to resign from the Government.

The Chancellor of the Exchequer said that it was his special duty, in framing the Budget, to determine how the necessary revenues should be raised to meet essential Government expenditure and also, in present circumstances, to form a judgment on the figure of the Budget surplus at which the Government should aim in order to keep inflationary tendencies in check. The Budget which he had outlined to the Cabinet was a carefully constructed and integrated plan for regulating the national finances over the coming year; and it would be difficult for him to modify at the last moment any essential feature of that plan. The Cabinet should, in particular, be content to leave it to his judgment to determine the size of the Budget surplus at which he should aim. He believed that the estimates of defence expenditure were as reliable as any such estimates could be: he could not accept the suggestion that he should frame his budget on the assumption that the out-turn of this expenditure would be something less than the estimate. He had taken the view from the outset that some part...
of the rising cost of the defence programme must be met by reductions in other Government expenditure; many of his efforts to secure such reductions had been frustrated; and he had now reached a point at which he could not make any further concessions. The Cabinet had agreed, on 22nd March, that expenditure on the Health Service should be subject for the time being to an upper limit of £400 million; he was satisfied, from his consultations with the Health Ministers, that the cost of the Service could not be kept within that limit without the imposition of charges; he believed that, of the various charges which might be made, these would be the least unpalatable politically; and in all the circumstances he felt obliged to ask the Cabinet to maintain their earlier decision.

A long discussion ensued. The following is a summary of the main points made in it: —

(a) The Minister of Labour and the President of the Board of Trade thought that the Government would find great difficulty in persuading their supporters in the House of Commons to accept this departure from the principle of a free Health Service. They considered that some Government supporters would abstain from voting in favour of the legislation authorising the imposition of these charges; and they pointed out that, if only a few Government supporters abstained, the Conservative Opposition, by voting against the Bill, could bring about a major Government defeat. In that event the Government would face a General Election in circumstances which would enable the Conservative Party to pose as the champions of a free Health Service. The Home Secretary also feared that there might be considerable Parliamentary difficulty in securing the passage of this legislation.

On the other side it was pointed out that, so far as concerned legislation, the principle of a free Health Service had already been breached by the National Health Service (Amendment) Act, 1949, which authorised the imposition of a shilling charge for prescriptions. This legislation, which the present Minister of Labour had himself introduced, had encountered no substantial opposition from Government supporters. It was not until it had been passed into law that the Government had decided not to proceed with their plan for making a charge for prescriptions.

The preponderant view in the Cabinet was that the Government, if they remained united on this issue, would have no substantial difficulty in persuading the Parliamentary Labour Party to support legislation authorising charges for dentures and spectacles supplied under the National Health Service.

(b) The Minister of Labour said that, in a Budget totalling over £4,000 million, there must be tolerances which would allow the Chancellor, if he wished, to forego his insistence on a saving of only £13 million on the Health Service. By the exercise of ingenuity, means could surely be found to avoid having to impose these charges. Thus, for the coming financial year, the relatively small amount required might be obtained by increasing the contribution made to the Health Service by the National Insurance Fund. Alternatively, the Chancellor might reduce by £13 million the Budget surplus at which he was aiming.

The Chancellor of the Exchequer said that he was not prepared to adopt either of the courses suggested by the Minister of Labour. They would both be inflationary in effect. Moreover, if he had such a sum at his disposal, he would certainly wish to consider to what purpose it could most usefully be applied. He was by no means satisfied that, even within the social services, the Health Service had the first claims on any additional money that might be available.

(c) Several Ministers expressed the view that, if the Minister of Labour resigned from the Government on this issue, an acute political crisis would develop. With their present Parliamentary majority the Government could not afford any diminution in their voting strength in the House of Commons. And, if the Government fell, as a result
of divided counsels within the Cabinet, the Labour Party's prospects at the following General Election would be very gravely prejudiced.

After a prolonged discussion the Foreign Secretary said that it seemed clear that the Cabinet would not be able to reach an agreed conclusion at that meeting. He therefore proposed that the discussion should be resumed at a further meeting later in the day. In the interval he would see the Prime Minister (who was in hospital) and would report to him the course which the discussion had so far taken.

The Cabinet—

Agreed to resume their discussion at a meeting later in the day.

_Cabinet Office, S.W. 1,
9th April, 1951._