65th Conclusions.

CABINET 65 (45).

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 20th December, 1945, at 4 p.m.

Present:
The Right Hon. C. R. ATTLEE, M.P., Prime Minister (in the Chair).
The Right Hon. HERBERT MORRISON, M.P., Lord President of the Council.
The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.
The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.
The Right Hon. LORD PETHICK-LAWRENCE, Secretary of State for India and Secretary of State for Burma.
The Right Hon. VISCOUNT STANSGATE, Secretary of State for Air.
The Right Hon. E. SHINWELL, M.P., Minister of Fuel and Power.
The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.

The following were also present:
The Right Hon. P. J. NOEL-BAKER, M.P., Minister of State (Items 1-2).
Mr. GEORGE BUCHANAN, M.P., Joint Parliamentary Under-Secretary of State, Scottish Office (Items 3-4).

Secretariat:
Mr. NORMAN BROOK.
Mr. W. S. MURRIE.
Mr. C. G. EASTWOOD.

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1. The Prime Minister gave the Cabinet an account of the course of the discussions at the meeting of Foreign Ministers in Moscow.

Up to now these discussions had been concerned mainly with the procedure for the preparation of Peace Treaties with the ex-enemy States. The Soviet Government were still maintaining the thesis, which they had advanced at the London meeting of the Council of Foreign Ministers, that the preparation of the Treaties should be entrusted exclusively to the States signatory to the armistice terms, other Allied Powers being invited subsequently to sign the Treaties. This procedure would not be acceptable to Dominion Governments; and the United Kingdom Government had consistently opposed it as being wrong in principle and likely to prove unworkable in practice. The Prime Minister said that he had advised the Foreign Secretary not to give way on this point.

The Cabinet—

(1) Endorsed the action taken by the Prime Minister in this matter.

The United States Government were putting forward at Moscow the proposal that the Peace Treaties should be considered by a Conference, broader than the Council of Foreign Ministers and representing the Powers which had made a substantial military contribution towards the Allied victory. M. Molotov was urging that the number of States to be represented at such a Conference should be reduced and was pressing, in particular, for the exclusion of India on the ground that India was not a sovereign State and had not an independent responsibility in matters of foreign policy. He argued that, if India were invited to such a Conference, he would have to claim that invitations should be extended to the three Baltic States. Mr. Byrnes would apparently be prepared to acquiesce in the exclusion of India, but was opposed to the inclusion of the Baltic Republics. The Foreign Secretary was disposed to insist on the inclusion of India, but had asked whether the Cabinet would be prepared to accept in return the inclusion of the three Baltic Republics. Alternatively, would they agree that India should be excluded from the Conference, provided that the Ukraine and Byelo-Russia were also excluded?

In discussion there was general agreement that, in view of India's contribution to the victory and the extent to which she had been separately recognised in international affairs since 1919, there could be no question of our acquiescing in her exclusion from the proposed Peace Conference. The Cabinet could not accept the alternative solution, favoured by Mr. Byrnes, of excluding India in return for the exclusion of the Ukraine and Byelo-Russia.

Discussion then turned on the question whether we need object to the inclusion of the Baltic Republics among the States to be invited to the proposed Peace Conference. It was the general view of the Cabinet that there was no serious objection to making this concession, if it proved necessary in order to secure the inclusion of India in the proposed Peace Conference—though it was recognised that such a concession might subsequently make it necessary for us to recognise the inclusion of the Baltic Republics within the Soviet Union.

The Secretary of State for Dominion Affairs recalled, however, that in connection with the recognition of the separate States of the Ukraine and Byelo-Russia we had promised Dominion Governments that we would not agree to similar treatment of other federal units of the Soviet Union without prior consultation with them. We should, therefore, explain the position to Dominion Governments and should, if possible, give them an opportunity of expressing their views before we agreed that the Baltic Republics should be included among those to be invited to the proposed Peace Conference.
The Cabinet—

2. Invited the Prime Minister to inform the Foreign Secretary that in the view of the Cabinet it was essential that India should not be excluded from the proposed Peace Conference; but that, subject to prior consultation with Dominion Governments, he was free to agree to the inclusion of the three Baltic Republics if he considered that such a concession was necessary in order to secure agreement to the inclusion of India.

3. Invited the Secretary of State for Dominion Affairs to explain the position to Dominion Governments and ascertain their views on the question of including the three Baltic Republics among the States to be invited to the proposed Peace Conference.

Japan.

2. The Prime Minister said that at the meeting of Foreign Ministers in Moscow agreement was being sought between the three Commonwealth Powers on the composition of the Allied Council in Tokyo. It had previously been suggested that more than one member of the British Commonwealth might be represented on this Council; and the Governments of both Australia and India had been anxious to obtain separate representation. The Foreign Secretary had now reported that there was little prospect of securing separate representation for both the United Kingdom and Australia and even less chance of securing separate representation for India. In the circumstances he was proposing to say that he would recommend to his Government and to the interested Dominion Governments that there should be a single British member on the Council, who would jointly represent those parts of the British Commonwealth (including India) whose forces might participate in the occupation of Japan.

In discussion there was general agreement with the line which the Foreign Secretary was proposing to take. It would probably be convenient that all the Governments of the Commonwealth (including India) should be represented on this Council by Australia.

The Cabinet—

Agreed that the interests of the British Commonwealth might be represented on the Allied Council in Tokyo by a single British member who, in view of Australia's close interest in this area, might be nominated by the Australian Government.

National Health Service.

3. At their meeting on the 18th October the Cabinet had agreed that the proposals for the future organisation of the hospital service should be considered in detail by the Social Services Committee. The Cabinet now had before them:

(i) a memorandum by the Minister of Health (C.P. (45) 339) submitting his general proposals for a National Health Service; and
(ii) a memorandum by the Secretary of State for Scotland (C.P. (45) 345) explaining the application of these proposals to Scotland.

The Minister of Health said that he had felt it right that his scheme for the hospital service should be presented to the Social Services Committee in the wider framework of his proposals for the health service as a whole; and the Committee had approved these proposals. He drew attention to the provision which he had made for the decentralisation of the hospital service by the creation of regional hospital boards and local hospital management committees; and pointed out that the assignment of the health centres to county and county borough councils would make it easier for the work of the centres to be correlated with the activities in the
clinics which would remain the responsibility of these local authorities. The proposals set out in Part IV of the Appendix to C.P. (45) 339 would, he believed, secure an even distribution of doctors over the country without involving direct control from the Ministry of Health; and the proposed basis of remuneration for doctors should eliminate the worst features of the capitation rate system and lead eventually to a full-time salaried service. He had explained to Government supporters in Parliament who were interested in non-orthodox forms of medicine why such forms could not at present be made a part of the National Health Service; and he had been able to persuade the Labour Members of Parliament who were doctors to accept his proposals for the remuneration of doctors, although they had originally pressed strongly for a full-time salaried service.

The Joint Parliamentary Under-Secretary of State for Scotland said that his Secretary of State was in full agreement with the general scheme put forward by the Minister of Health, although in its application to Scotland it would have to be modified in one or two respects. For example, the ambulance service in Scotland would be associated with the hospital service instead of being a function of the major health authorities; and the health centres would, as proposed in the White Paper (Cmd. 6502), be the direct responsibility of the Secretary of State. During the war the Department of Health for Scotland had run a number of hospitals directly, and on the basis of this experience the Secretary of State was confident that a State hospital service was feasible in Scotland.

The Lord Privy Seal said that, although the proposals had been approved by the Social Services Committee, he doubted whether, in view of the difficult negotiations which would have to be undertaken, it would be possible to pass the necessary legislation in the current Session. The Government had already found it impossible to adhere to their original programme for the National Insurance Bill, and it would be unfortunate if the time of Parliamentary Counsel and of Parliament were wasted on legislation which, in the event, had to be postponed until the following Session. He also pointed out that no guarantee could be given that the supplementary legislation referred to in paragraph 7 of C.P. (45) 339 could be passed in the 1946-47 Session.

The Secretary of State for Dominion Affairs said that he was in general agreement with the proposals of the Minister of Health. He hoped that the Minister would give special attention to the improvement of the general practitioner service through the provision of greater facilities for post-graduate training, and would take steps to reduce to a minimum the inducements to general practitioners to engage in practice outside the public service. He also attached importance to the proposal, made in paragraph 51(e) of the Appendix to C.P. (45) 339, that specialists should be enabled to see their private patients in hospitals and to admit them to pay-bed accommodation, and thought that if a scheme on these lines could be developed it would be right to prohibit specialists employed in the public service from carrying on private work in nursing homes.

Further discussion turned mainly on the question whether, in view of the amount of opposition which the proposals were likely to excite, the time which would necessarily be consumed in negotiations with the various interests, and the further consideration which would have to be given to the financial implications of the proposals, there was a reasonable prospect of passing legislation to give effect to this scheme in the current Session.

The Lord President said that, while he did not seek to re-open the Cabinet's decision to approve in principle the proposals regarding the hospital service, he must reaffirm the misgivings which he had expressed when that decision had been taken. There was bound to be very strong opposition, not only from the voluntary hospitals but also from the local authorities, and when this was
added to the opposition which would be provoked by other elements in the scheme (e.g., the transfer of certain health services from metropolitan borough councils to the L.C.C. or from district councils to county councils), the difficulties which would face the Minister of Health would be very formidable indeed. He was also concerned about the financial aspects of the proposals. Neither the chairmen of the regional hospital boards nor their principal officers would be appointed directly by the Minister of Health, and they would be tempted to press for more and more lavish expenditure at the expense of the Exchequer, particularly since there would be no contribution from the rates to provide an incentive to local economy. The figures given in Part VII of the Appendix to C.P. (45) 339 showed a very large transfer of liability from the ratepayer to the taxpayer and, judging by what had happened after the transfer of hospitals from boards of guardians to county and county borough councils, there was likely to be a sharp rise in expenditure once the hospitals had been taken over by the State. In view of the weight of opposition to be expected, the Minister would, in his view, be well advised to spend some time in negotiating with the interests concerned before embarking on the actual preparation of the Bill.

The Chancellor of the Exchequer said that, while he was generally in favour of the proposals, he must reserve his position on their financial aspect. Although the total expenditure was not greatly in excess of the total given in the White Paper presented by the Coalition Government, the new proposals involved a very large transfer of liability from the ratepayer to the taxpayer, and he could not agree to them without first examining them as part of the whole question of the financial relations between the Exchequer and local authorities. He was not satisfied with the existing formula for distributing the block grant and had intended to review it with the object of increasing the amounts allotted to the poorer authorities. It might, however, be difficult to make a re-allocation of this kind if, at the same time, he had to reduce the block grant to anything like the extent required to compensate the Exchequer for such a large shifting of the burden from local rates as was involved in these proposals. He could not, therefore, be committed to the proposals until he had obtained a more accurate estimate of the amounts involved and had been able to consider the distribution of the burden between the taxpayer and the ratepayer in connection with the whole financial relationship between the Exchequer and local authorities. In any event, it seemed to him essential that there should be very close financial control by the Health Departments and the Treasury over the regional hospitals boards and that an efficient system of comparative costing should be set up.

The Home Secretary supported the views expressed by the Lord President. He was convinced that the proposals would excite very strong opposition, not merely from voluntary hospitals, but also from local authorities. With regard to finance, he pointed out that the hospitals element in the existing block grant was relatively small, and that there would be the greatest possible difficulty in getting the local authorities to agree that the block grant should be adjusted on account of the transfer of this service by more than this existing amount.

The Minister of Health said that, in his view, it was important that the National Health Service Bill should be passed during the current Session, so as to enable him to bring the new service into operation concurrently with the new scheme of national insurance. He had been led to believe that if his proposals were submitted to the Cabinet in December it would be possible for him to give instructions to Parliamentary Counsel immediately, with a view to having the Bill ready for introduction in February; and he must press for authority to give instructions forthwith for the drafting of the Bill. If the Cabinet approved his proposals, his intention was to enter into negotiations with the interests concerned on the basis that all the main features of the proposals must stand and that any
concessions made should be such as could be put into effect in administration. He could not go forward on these lines, however, unless he were assured of firm support from the Cabinet.

So far as finance was concerned, he was prepared to enter into negotiations on the understanding that he would not hold out any hope to local authorities of a net reduction in their rate burden as a result of the transfer of hospital services to the State. Although his scheme would undoubtedly meet with considerable opposition, he believed that the hospital service proposals would be favourably received by many members of the medical profession and would tend to diminish their general antagonism. He also believed that some, at least, of the local authorities would favour them; and that, although they would be strongly opposed by the voluntary hospitals, the great majority of Government supporters, both in the country and in Parliament, would welcome them with enthusiasm.

The Joint Parliamentary Under-Secretary of State for Scotland supported the Minister of Health. In Scotland, those local authorities in which there was a Labour majority would not oppose the hospital service proposals and the only serious opposition was likely to come from the voluntary hospitals.

The Prime Minister said that, while the Cabinet appreciated the difficulties of the Minister of Health, it was reasonable that they should have an opportunity of considering the legislative content of his proposals in the light of possible opposition, and it was desirable that the Minister should submit to them the heads of the proposed legislation before Parliamentary Counsel began the preparation of the Bill. This would not involve any loss of time since he could concurrently embark on his negotiations with the local authorities and other interests.

The Cabinet—

(1) Gave general approval to the proposals for a National Health Service set out in C.P. (45) 339 and 345 and authorised the Health Ministers to initiate negotiations with the interests concerned.

(2) Agreed that concurrently with these negotiations the Minister of Health should prepare the heads of the proposed National Health Service Bill and submit them to the Cabinet. A report should also be made to the Cabinet, at the same time or subsequently, on the degree of opposition disclosed by the negotiations.

(3) Invited the Chancellor of the Exchequer and the Health Ministers to report on the financial implications of these proposals, in the general framework of the financial relations between the Exchequer and the local authorities, and agreed that pending consideration of this report the Health Ministers should not hold out any hope to local authorities that the proposed transfer of the hospitals service would lead to any net reduction in the rate burden.

Review of Budgetary Position.

4. In connection with the discussion recorded in the preceding minute the First Lord of the Admiralty said that he was concerned at the extent to which the Cabinet were discussing and approving on their individual merits particular schemes involving substantial expenditure, without having the advantage of relating these financial commitments to any general picture of the budgetary position as a whole. He doubted whether the yield from a given rate of taxation could be maintained at the high levels reached during the war years; and he asked whether the Treasury could not submit to the Cabinet an estimate of the total financial commitments involved in the projects which the Government proposed to bring forward during the present Parliament together with an estimate of revenue during that period.
The Chancellor of the Exchequer said that the Treasury had this point very much in mind, and he gave the Cabinet a broad indication of the probable course of revenue and expenditure on the assumption that the main projects involving heavy expenditure were being put forward during the early part of the lifetime of the present Parliament.

The Prime Minister said that it would be desirable that the Cabinet should review the general financial position in greater detail before the time came for the Chancellor to introduce his next Budget.

Cabinet Office, S.W. 1.
20th December, 1945.