CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 20th December, 1951, at 11 a.m.

Present:
The Right Hon. WINSTON S. CHURCHILL, M.P., Prime Minister and Minister of Defence (in the Chair).
The Right Hon. ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs.
The Most Hon. the MARQUESS OF SALISBURY, Lord Privy Seal.
The Right Hon. Sir DAVID MAXWELL FYFE, K.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.
The Right Hon. LORD ISMAY, Secretary of State for Commonwealth Relations.
The Right Hon. LORD LEATHERS, Secretary of State for Co-ordination of Transport, Fuel and Power.
The Right Hon. Sir WALTER MONCKTON, K.C., M.P., Minister of Labour and National Service.
The Right Hon. PETER THORNEycroft, M.P., President of the Board of Trade.

The following were also present:
The Right Hon. VISCOUNT SWINTON, Chancellor of the Duchy of Lancaster.
The Right Hon. DUNCAN SANDYS, M.P., Minister of Supply.

Secretariat:
SIR NORMAN BROOK.
Mr. T. PADMORE.
<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coal Prices</td>
<td>91</td>
</tr>
<tr>
<td>2</td>
<td>Korea</td>
<td>91</td>
</tr>
<tr>
<td>3</td>
<td>The Economic Situation</td>
<td>91</td>
</tr>
<tr>
<td>4</td>
<td>Civil Investment in 1952</td>
<td>94</td>
</tr>
<tr>
<td>5</td>
<td>Ministers' Cars</td>
<td>95</td>
</tr>
<tr>
<td>6</td>
<td>Man-power</td>
<td>95</td>
</tr>
</tbody>
</table>
Coal Prices.

1. The Cabinet were informed that, in view of the recent increase in miners’ wages and the rising cost of materials, the National Coal Board considered it necessary to raise the pit-head price of coal by 10 per cent. This would mean an average increase of 5s. a ton to the consumer. The Economic Policy Committee, who had considered the matter on the previous day, were satisfied that the increase was inevitable and recommended that it should take effect from 31st December in order to coincide with the increase in railway freight charges.

In discussion it was pointed out that, if price increases and ration cuts could be announced in batches, they could be presented as part of a considered plan for handling the economic situation. If they continued to be announced piecemeal, the Government would appear to be at the mercy of events. It was, however, recognised that this particular price increase could not have been made until the settlement of the wages claim had been accepted; and that the National Coal Board could not now postpone it without incurring serious financial loss.

The Cabinet—

Agreed that the pit-head price of coal should be increased by 10 per cent. from 31st December, 1951; and authorised the Minister of Fuel and Power to take forthwith the necessary preliminary steps for bringing this increase into operation.

Korea.

2. The Foreign Secretary informed the Cabinet of the results of his further consultations with the United States Government regarding the warning statements which were to be made if an armistice were concluded in Korea without effective arrangements for supervising compliance with its terms. The United States Government now proposed that the material part of the warning should state that, if there were further aggression, “it would in all probability not be possible to confine hostilities” to Korea. They had accepted the other amendments which he had suggested. Moreover, the United States Government had themselves communicated their proposals to the Governments of Canada, Australia, New Zealand and South Africa. The Foreign Secretary proposed to accept the revised formula suggested by the United States Government.

The Cabinet endorsed the Foreign Secretary’s proposal.

The Economic Situation.

3. The Cabinet resumed their consideration of the memorandum by the Chancellor of the Exchequer (C. (51) 48) covering a first report by the Sub-Committee of the Economic Policy Committee appointed to formulate proposals for remedying the economic situation.

The Cabinet first examined, on the basis of a list of possible savings handed round by the Chancellor of the Exchequer, the proposals mentioned in paragraph 2 (g) of C. (51) 48, aimed at reducing civil expenditure in the coming year below the level provided for in the current year.

(a) Health Services

The Chancellor of the Exchequer showed in his list possible savings on the Health Services totalling alternative maxima of £39 million or £35.5 million. These totals represented the aggregate savings which might be achieved in a full year by the following measures:

(i) A charge of 1s. on prescription forms, estimated to save £12 million in a year. The Cabinet favoured this proposal as a minimum. There would be advantage in adopting
the figure of 1s. as being the charge proposed by the previous Government. It might be practicable to contemplate an even higher charge, though the saving to be made would not rise proportionately with the increase in charge, since any increase would stimulate recourse to public assistance and consequently would have a smaller deterrent effect on excessive use of the Health Services.

(ii) A suggestion, which the Cabinet did not favour, for the suspension of the general dental service which would save £20 million a year. The Cabinet preferred that the Minister of Health, in consultation with the Chancellor of the Exchequer, should examine alternative ways of reducing the cost of the dental service, either by the imposition of a charge on users of the service or by other methods. The measures to be worked out for this purpose should be designed, not only to reduce the cost of the service, but to increase its efficiency and to improve the treatment afforded to children and to expectant and nursing mothers; and they should be defended on those grounds. A charge to the public of the first £1 of the cost of each course of treatment would yield £7·5 million. If other measures were taken in substitution for this, the saving might be smaller.

(iii) The suspension, which the Cabinet did not favour, of the supplementary ophthalmic service, saving £5·5 million a year.

(iv) Charges for certain appliances and an adjustment in the charge for “amenity beds” in hospitals, yielding a saving of £1·5 million a year. The Cabinet gave provisional approval to these proposals.

(v) An increase, which the Cabinet also favoured, in the National Insurance contribution towards the Health Service, equivalent to an increase of 2d. on the stamp. This would yield an additional revenue of £9 million in a full year, but only a part of this sum in the coming year.

It was suggested to the Cabinet that the need for any of the measures suggested above, other than the imposition of a charge of 1s. on prescriptions, might be avoided if the financial provision for the hospital services were limited to the amount provided in the current year. The Cabinet did not, however, favour this suggestion, as they were informed that it would, because of the rise in costs, lead to a substantial lowering of the standards of the hospital service and the closing of beds.

The Cabinet approved the further examination of the proposals listed by the Chancellor of the Exchequer with a view to savings being made under those mentioned in (i), (ii), (iv) and (v) above reaching a total of some £25 million in 1952-53.

(b) Education

Savings on education shown in the paper prepared by the Chancellor of the Exchequer amounted to nearly £25 million a year, of which £20 million represented direct budgetary saving. This total was made up of the following items:

(i) Savings, which might yield £1·6 million a year, to be made on the administration of school meals, without affecting either their food content or the charges to parents.

(ii) Reduction by 5 per cent. of the expenditure of local education authorities, which should be possible without fundamental damage to the education service. This would save £8·5 million a year in the grants made to them. A reduction of £2 million a year could similarly be made in grants made by the Ministry of Education to directly assisted institutions.
(iii) An increase in the contributions made for teachers' superannuation required to put the superannuation finances on a sound basis: this, if made later in the year, might increase revenue in 1952-53 by £1·4 million. The Cabinet felt that this proposal should be considered again in some months' time in the light of the general economic situation and of the savings which it had been possible to make in the meantime; though it would be necessary for the finances of teachers' superannuation to be put on a self-supporting basis.

(iv) Miscellaneous savings, which might amount to £3·8 million a year, obtained mainly by revision of the grants payable to education authorities in respect of expenditure in the current year.

(v) Savings in Scotland corresponding to the savings on education, listed above for England and Wales and amounting to £2·5 million a year.

(vi) In addition to the budgetary savings listed above, a reduction in the school building programme by £90 million over the next seven years. This could be achieved by economies which would not reduce the number of school places provided and would reduce expenditure not entering into the budget by £4 million or more in the coming year.

The Cabinet gave provisional approval to savings on education to be achieved by the changes listed above. The Chancellor of the Exchequer was asked, however, to give further consideration, in consultation with the Minister of Education, to the optional reduction by one year of the school-leaving age during the period of rearmament, and to submit to the Prime Minister a memorandum examining the advantages and disadvantages of such a course.

(c) Other Civil Expenditure

The examination of other estimates had not proceeded sufficiently far to enable the Chancellor of the Exchequer to say what total savings might be achieved on them. The Cabinet were, however, informed of the following proposed savings under individual heads:

(i) A reduction in the subsidies required by the Airways Corporations, combined with other savings achieved by the Minister of Civil Aviation, reducing expenditure by the Ministry in the coming year by £6 million below that of the current year.

(ii) Cuts in the Information Services saving at least £1·2 million.

(iii) First reductions in Civil Service numbers, saving some £3 million a year, which it was hoped would be followed by further staff economies.

The Cabinet—

(1) Subject to the views recorded in paragraphs (a)(ii), (a)(iii) and (b)(iii) above, gave general approval to the preparation of civil estimates which would reflect the savings discussed by them.

(2) Invited the Chancellor of the Exchequer, in consultation with the Ministers concerned, to examine all the civil estimates in the light of Conclusion (1) above and of their discussion, with the object of reducing total civil expenditure substantially below the level of expenditure in the current year.

(3) Agreed to reconsider the level of civil expenditure and the savings made in the estimates with a view to reaching final conclusions in the latter part of January.
(4) Agreed that the financial provision to be made in the coming year for the hospital service should be settled between the Minister of Health, the Secretary of State for Scotland and the Chancellor of the Exchequer on a basis which would not require the closing of hospital beds.

The Cabinet had before them a memorandum by the Chancellor of the Exchequer and the President of the Board of Trade (C. (51) 50) relating to the purchase tax and the utility scheme. This matter was also mentioned in paragraph 2(d) of the memorandum by the Chancellor of the Exchequer (C. (51) 48) on the economic situation. The Cabinet were informed that the existing operation of the utility scheme, with its total exemption from purchase tax for utility goods, was seriously hampering the export trade in textiles, and certain other commodities, because of the unwillingness of manufacturers to produce goods of medium quality which would be subject to full rates of purchase tax. The matter was under examination by a Committee, under the Chairmanship of Sir William Douglas, which was expected to report shortly in favour of a modified system of purchase tax designed to produce a charge more evenly graduated between goods of lower and of higher quality. It was urgently necessary to prepare and to introduce legislation to bring this scheme into effect.

The Cabinet—

(5) Authorised the Chancellor of the Exchequer and the President of the Board of Trade, in consultation with the Lord President and the Home Secretary, to examine the proposals of the Douglas Committee when received and to put in hand the preparation of legislation to amend the purchase tax and utility schemes on the lines proposed.

(6) Agreed to consider the matter further when the proposals had been more fully worked out.

The memorandum by the Chancellor of the Exchequer (C. (51) 48) included a proposal in paragraph 2(e) that, in order to reduce the overload on the engineering and metal-using industries, the level of production of certain goods made for the home market by the metal-using industries should be reduced by £60 million a year. In view of the importance of the export trade in these goods and the reductions which were to be made in the demands of the fighting services on the production of the metal-using industries, it was essential that home consumption in these goods should be curtailed.

The Cabinet—

(7) Agreed that the production of goods made for the home markets by the metal-using industry should be reduced by £60 million a year.

4. The Cabinet had before them the following memoranda on civil investment in 1952:

C. (51) 45: a note by the Chancellor of the Exchequer covering a report on the investment programme prepared by officials at the request of the Sub-Committee of the Economic Policy Committee;

C. (51) 52: by the Chancellor of the Exchequer commenting on the proposals in the officials' report;

C. (51) 43: by the Minister of Housing and Local Government on the effect of these proposals on the housing programme and the building industry.

The Cabinet had some preliminary discussion about the effect which these general investment proposals were likely to have on the housing programme. In this the Minister of Housing and Local
Government developed his objections to restrictions on investment which would prevent him from attempting to reach the housing target to which the Government were pledged. There was general sympathy with the view that the Housing Ministers should be free to try to build as many houses as they could within whatever allocation of labour and materials might be made to them.

The Chancellor of the Exchequer said that, before the Cabinet took final decisions on the issues raised by these memoranda, he would be glad of an opportunity to discuss them with the Housing Ministers, the Minister of Works and some of the other Ministers most directly concerned.

The Cabinet—

1. Invited the Chancellor of the Exchequer to discuss these memoranda with the Ministers most directly concerned.
2. Agreed to resume their consideration of these memoranda at a later meeting.

5. The Cabinet’s attention was drawn to a circular issued by the Ministry of Supply regarding the Ministerial use of official cars. The arrangements proposed in this circular seemed to be inconvenient, if not impracticable. The Minister of Supply said that the circular had been issued without his knowledge. He would arrange for it to be recalled and would send the Prime Minister a report covering, not only this question, but also the proposals for reducing the number of car pools in London and restricting the use of cars by officials.

6. The Minister of Labour recalled that on 13th December the Cabinet had invited him to submit a draft of the announcement which he proposed to make about the re-introduction of a Regulation of Engagement Order and the revival of labour supply inspection. He could not settle the terms of this announcement until he had discussed his proposals with both sides of industry; and, subject to the views of his colleagues, he now proposed to proceed with those consultations.

The Cabinet—

Authorised the Minister of Labour to discuss with representatives of both sides of industry his proposals for re-introducing a Regulation of Engagement Order and reviving labour supply inspection.

Cabinet Office, S.W. 1,
20th December, 1951.