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SECRET

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C.C. (51)

4th Conclusions

**CABINET**

*CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Monday, 5th November, 1951, at 3 p.m.*

Present:

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| The Right Hon. WINSTON S. CHURCHILL, M.P., Prime Minister and Minister of Defence ( <i>in the Chair</i> ). |   |
| The Right Hon. LORD WOOLTON, Lord President of the Council.  | The Most Hon. the MARQUESS OF SALISBURY, Lord Privy Seal.   |
| The Right Hon. LORD SIMONDS, Lord Chancellor.  | 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. R. A. BUTLER, M.P., Chancellor of the Exchequer.  | The Right Hon. LORD ISMAY, Secretary of State for Commonwealth Relations.   |
| The Right Hon. OLIVER LYTTTELTON, M.P., Secretary of State for the Colonies.                               | The Right Hon. JAMES STUART, M.P., Secretary of State for Scotland.   |
| The Right Hon. LORD LEATHERS, Secretary of State for Co-ordination of Transport, Fuel and Power.           | The Right Hon. H. F. C. CROOKSHANK, M.P., Minister of Health.   |
| The Right Hon. Sir WALTER MONCKTON, K.C., M.P., Minister of Labour and National Service.                   | The Right Hon. HAROLD MACMILLAN, M.P., Minister of Housing and Local Government.  |
| The Right Hon. PETER THORNEYCROFT, M.P., President of the Board of Trade.                                  | The Right Hon. LORD CHERWELL, Paymaster-General.  |

The following were also present:

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| The Right Hon. DUNCAN SANDYS, M.P., Minister of Supply ( <i>Items 5-6</i> ).                  | The Right Hon. GEOFFREY LLOYD, M.P., Minister of Fuel and Power ( <i>Items 5-6</i> ).                |
| The Hon. JOHN S. MACLAY, M.P., Minister of Transport and Civil Aviation ( <i>Items 5-6</i> ). | The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary, Treasury ( <i>Items 1-4</i> ). |

The Most Hon. the MARQUESS OF READING, Parliamentary Under-Secretary of State for Foreign Affairs (*Items 5-6*).

Sir NORMAN BROOK.....Secretary.

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**The King's Speech on the Opening of Parliament.**  
(Previous Reference: C.C. (51) 3rd Conclusions, Minute 4.)

*The Prime Minister* invited the Cabinet to review their decision that legislation to restore the University franchise should be introduced in the first Session of the present Parliament. If, as the Government intended, there was to be no representation of the Universities in the present Parliament, this legislation was not of such urgency that it must be passed in the current Session. And, if this Bill were now given a prominent place in the legislative programme for the first Session, it might be represented as a mere manoeuvre in Party politics.

In discussion there was general support for the view that it would be preferable to postpone this legislation until a later Session. This would give the Government more time to consider the difficulties involved in restoring the University franchise on the basis of one vote only by each voter. It would also enable them to ascertain what views were held on this question by Government supporters generally.

*The Prime Minister* said that in the course of his speech in the Debate on the Address he would make it clear that it was the Government's intention to legislate on this subject, though not in the current Session. He would also state that the legislation would not provide for University representation in the present Parliament, and that, as at present advised, the Government considered that the University franchise should be exercisable in future on the basis of one vote only by each voter.

*The Lord Privy Seal* said that another matter which, he hoped, would be taken up in a later Session was the reform of the House of Lords. The Government should not allow it to be inferred that, because this was not mentioned in The King's Speech on this occasion, the Government had abandoned the idea of dealing with it during the life-time of the present Parliament.

*The Prime Minister* said that he had one further amendment to propose in the text of The King's Speech which the Cabinet had approved on 2nd November. He suggested that the paragraph on the social services should refer, not to "promoting economy," but to "providing value for money spent."

The Cabinet—

- (1) Agreed that The King's Speech on the Opening of Parliament should contain no reference to the restoration of the University franchise, and that the paragraph on this subject should be deleted from the draft which they had approved on 2nd November.
- (2) Agreed that the paragraph in The King's Speech dealing with the social services should be amended to read: "In their policy towards the social services My Government will pursue the aim of ensuring efficiency and providing value for money spent."

**Parliament.**  
Business in the House of Commons.

2. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

*The Minister of Health* said that, as little legislation would be ready for introduction in the early weeks of the Session, it might be convenient that in the period before the Christmas Recess the House should not sit on Fridays. There was reason to believe that such an arrangement might be acceptable to the Leaders of the Opposition. On the other hand, it was pointed out that back-benchers on both sides of the House might think it unreasonable for the Government to take Private Members' time and then make no use of it for Government business. It was the general view of the Cabinet that it would be inexpedient to put forward the proposal that until after Christmas the House should not sit on Fridays.

The Minister of Health said that this made it even more urgent that a Standing Committee of the Cabinet should be appointed to supervise the Government's legislative programme. This Committee should as their first task put in hand the preparation of a number of small Bills suitable for introduction early in the Session.

The Cabinet—

Instructed the Secretary of the Cabinet, after consultation with the Minister of Health, to submit to the Prime Minister proposals for the constitution of a Standing Committee of the Cabinet to supervise the Government's legislative programme.

**Ministers' Salaries.**  
(Previous Reference: C.C. (51) 1st Conclusions, Minute 6.)

3. *The Prime Minister* said that it had been brought to his notice that there might be some doubt whether a provision in the Ministers Salaries Act, 1946, which enabled a Minister whose salary was less than £5,000 a year to draw £500 a year as a Member of the House of Commons, might apply to Ministers who had accepted a voluntary reduction in salary. Any arrangement enabling them to draw part of their House of Commons salary would of course defeat the Cabinet's intention. He had therefore thought it right to mention the matter to the Cabinet so that all Ministers who had undertaken to draw only £4,000 of their Ministerial salary would understand that they were also expected to refrain from drawing any salary as Members of the House of Commons even if, on a strict construction of the law, they might be technically entitled to do so.

The Cabinet—

Took note of the Prime Minister's statement.

**Economic Situation.**  
(Previous Reference: C.C. (51) 2nd Conclusions, Minute 3.)

4. The Cabinet resumed their discussion of the economic situation.

They first considered a note by the Chancellor of the Exchequer (C. (51) 3) covering a draft of what he proposed to say about Government expenditure in his speech in the Debate on the Address. In discussion of this draft the following points were made:—

(a) The draft dealt mainly with economy in administration, and it might perhaps be taken to imply that no savings were to be sought by changes in policy. It was recognised that the Chancellor would not be in a position, when he spoke in the Debate, to announce any specific changes in policy; but it would be expedient that he should make it clear in his statement that changes of policy were not excluded.

(b) The draft included a promise that the Government would announce their economy measures as soon as they had been determined. It would be preferable to omit this phrase, since it might lead to repeated requests for information about the progress of the Chancellor's proposed review of Government expenditure.

(c) *The Chancellor of the Exchequer* said that he was anxious to emphasise the fact that in his efforts to reduce Government expenditure he could count on the full support of all his Ministerial colleagues. The Cabinet agreed that this point should be stressed in the statement.

(d) *The Prime Minister* said that he relied upon the Treasury to be specially vigilant on this occasion in their scrutiny of the Estimates for the coming financial year. The Chancellor of the Exchequer should not hesitate to bring to the Cabinet any questions on which he could not reach agreement with the Departmental Minister concerned.

The Cabinet—

- (1) Subject to amendment on the points noted in paragraphs (a) and (b) above, approved the general lines of the draft statement annexed to C. (51) 3.

The Cabinet then considered what should be said in the Debate about dividend limitation and the excess profits tax.

*The Chancellor of the Exchequer* said that he must make it clear that he did not intend to proceed with his predecessor's proposals for dividend limitation, and that he would bring forward in the next Budget measures imposing special taxation on excess profits earned during the period of rearmament. He had been advised that he should state at the outset that these measures would apply retrospectively from 1st January, 1952. He himself was inclined to think that it might suffice if he called on firms to follow a cautious policy in the distribution of profits. He intended to see representatives of employers and trades unions on the day following his speech, and he could take that opportunity of offering informal advice to employers on this question. He would, however, be glad to know what his colleagues thought about this.

In discussion the point was made that it would be undesirable to give the impression that firms would enjoy until April a free period in which to declare large dividends. The Government would also be vulnerable to political criticism if it could be said in the Budget Debates that they were introducing retrospective legislation without having given adequate warning in advance.

The Cabinet—

- (2) Invited the Chancellor of the Exchequer to make it clear in the Debate on the Address that the excess profits legislation would apply retrospectively from 1st January, 1952.

In the Cabinet's discussion on 1st November the question had been raised whether the proposed suspension of strategic stockpiling would have an adverse effect on the defence programmes. *The Chancellor of the Exchequer* said that he had looked further into this question and had sent the Paymaster-General a note dealing with it. *The Paymaster-General* said that in his view the proposed suspension of strategic stockpiling was a regrettable necessity and, so far as he could see, it would not have any adverse effect on the defence production programmes.

The Cabinet next discussed the monetary measures which were to be taken.

*The Chancellor of the Exchequer* said that, after further discussions with the Governor of the Bank of England, he had come to the conclusion that it would not be right to increase the bank rate by more than 0.5 per cent. In discussion the point was made that, if reliance were being placed solely or mainly upon an increase in the bank rate to reduce investment and to check current inflationary tendencies, the increase would have to be so large that it would impose a disproportionate burden on the Exchequer through increased interest on the floating debt. *The Chancellor of the Exchequer* said that he recognised this, but he was satisfied that even the small increase which he proposed would have a valuable psychological effect on the market. There had been no movement in the bank rate since 1939, and salutary results would flow from the mere knowledge that the Government were prepared to use this monetary instrument for countering inflation. *The Secretary of State for the Colonies* endorsed this view.

The Cabinet were informed that the Chancellor of the Exchequer had held further discussions with the Housing Ministers regarding the effect of this increase in the bank rate upon the rate of interest on borrowing by local authorities. As a result of these discussions it had been agreed that local authorities should be required to pay

the current market rate on borrowings for all purposes, including housing, but that special steps must be taken to prevent the increased cost of loans for housing purposes from leading automatically to an increase of rents. It was now proposed that the Government should at once announce that they proposed to bring forward the annual review of the housing subsidy, which would otherwise take place in June, and to open discussions forthwith with the local authorities. The increase in the interest rates would be one factor in these discussions, which would go as wide as was needed, and might lead to a change in the present structure of the subsidy. *The Minister of Housing and Local Government* and *the Secretary of State for Scotland* said that, while they expected that there might be some political criticism based on the fear of an increase in the rents of local authority houses, they were satisfied that in all the circumstances the formula which the Chancellor of the Exchequer was proposing to use in his speech in the Debate was the best that could be devised. They thought it right to warn the Chancellor that, once they had embarked upon a general review of the housing subsidy, the Government were likely to be strongly pressed by the local authorities to bring into account increased costs due to causes other than the rise in the rate of interest on local authority borrowings, e.g., the increased cost of repairs and maintenance.

In connection with the proposed reduction of the import programme *the Chancellor of the Exchequer* said that, in order to prevent forestalling, some of the open general licences to import which were now in force would need to be revoked simultaneously with his statement in the Debate on the Address. He asked for the Cabinet's authority to arrange for the Departmental Ministers concerned to give the necessary instructions.

The Cabinet—

- (3) Authorised the Chancellor of the Exchequer to arrange for the revocation of open general licences necessary to implement the approved reductions in the import programme.

**Coal.**  
Imports from  
the United  
States.

5. The Cabinet had before them (i) a note by the Secretary of State for the Co-ordination of Transport, Fuel and Power (C. (51) 5) covering a memorandum by the Minister of Fuel and Power proposing that immediate steps should be taken to import half a million tons of coal from the United States; and (ii) a memorandum by the Minister of Supply (C. (51) 6) on the possible effects of this plan on steel production in the United Kingdom.

*The Secretary of State for the Co-ordination of Transport, Fuel and Power* said that, in order to avert a breakdown in coal supplies during the coming winter, he would have liked to be able to import 1 million tons of foreign coal. At this late date not more than half a million tons could be imported in time to be of service; but it was essential that all practicable steps should be taken to secure this limited amount without delay. This was bound to involve some interference with other import programmes; but he hoped to be able to mitigate this to some extent by the use of United States reserve shipping and possibly by the diversion of coal shipments already allocated to France.

In discussion the following points were raised:—

- (a) *The Minister of Supply* drew attention to the reduction in shipments of iron ore which had resulted from the importation of coal from the United States in the previous winter. If the present proposal were carried through at the expense of iron ore shipments, United Kingdom steel production in 1952 might be reduced by some 200,000 ingot tons. This deficiency, if it fell entirely on exports by the engineering industries, might reduce our export earnings by as much as £50 million.

*The Prime Minister* said that every effort should be made to compensate for this by obtaining increased supplies of finished steel from the United States.

(b) The cost of importing half a million tons of coal from the United States would be in the neighbourhood of £4 million, including freight charges.

(c) This emergency programme of coal imports was likely to encourage some general increase in freight rates.

(d) The United States Government would find great difficulty in increasing substantially the rate at which they were repairing and manning ships from their reserve fleet. It was not likely that the United Kingdom could help by providing crews for these ships: there was already some difficulty in manning existing British ships.

(e) This proposal to import coal might have some adverse effect on food imports, especially the import of oil seeds from West Africa.

(f) Ministers should at an early date review the coal budget for the coming year. Exports of coal and steel were an important bargaining-counter in trade negotiations, and our bargaining position had been seriously weakened by the failure to provide an adequate amount of coal for export. Special difficulties were arising from our inability to supply Sweden with the coal which she needed.

(g) *The Prime Minister* said that statements on the coal situation should be made in both Houses of Parliament during the Debate on the Address. These statements should make it clear that the Government had been compelled to import foreign coal in order to avert a crisis with which they had been faced on assuming office; and that, if this crisis had been foreseen, the coal could have been imported during the summer with far less risk of dislocating other import programmes.

#### The Cabinet—

Approved the proposal made in C. (51) 5, and authorised the Secretary of State for the Co-ordination of Transport, Fuel and Power, in consultation with the Ministers of Transport and Fuel and Power, to take immediate steps to secure the early importation into this country of half a million tons of coal from the United States.

**Iron and Steel Industry.**  
(Previous Reference: C.C. (51) 3rd Conclusions, Minute 2.)

6. *The Minister of Health* said that his Committee on the future of the iron and steel industry were satisfied that the Minister of Supply should give formal directions to the Iron and Steel Board requiring them to refrain from making any further changes in the organisation of the industry pending the legislation which the Government proposed to introduce after Christmas. He read to the Cabinet a draft of the direction which the Minister was proposing to give.

*The Minister of Supply* said that he was under a statutory obligation to consult the Board before giving this direction. This he proposed to do on the following day. He thought it important that the terms of the direction should be made public during the Debate on the Address; but, before he finally issued the direction, he would submit it for the Prime Minister's approval.

The Minister said that, as the Iron and Steel Board would shortly be abolished, he saw no advantage in changing its composition at this stage. There would in any event be some difficulty in persuading responsible people to accept appointment to a Board which would so soon be discontinued. The direction which he was proposing to give would, however, prevent the existing Board from doing any further damage to the industry.

#### The Cabinet—

Took note of these statements by the Minister of Health and the Minister of Supply.

*Cabinet Office, S.W. 1,*  
*5th November, 1951.*

