CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Thursday, 24th July, 1952, at 11 a.m.

Present:

The Right Hon. WINSTON S. CHURCHILL, M.P., Prime Minister (in the Chair).

The Right Hon. LORD WOOLTON, Lord President of the Council.

The Right Hon. LORD SIMONDS, LORD Chancellor.


The Right Hon. OLIVER LYTTELTON, M.P., Secretary of State for the Colonies.

The Right Hon. LORD LEATHERS, Secretary of State for Co-ordination of Transport, Fuel and Power.


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The following were also present:

The Right Hon. VISCOUNT SWINTON, Chancellor of the Duchy of Lancaster.

The Right Hon. the EARL DE LA WARR, Postmaster-General (Item 6).

The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary Treasury (Items 1-4).

Lieut.-General Sir NEVIL BROWNJOHN, Vice-Chief of the Imperial General Staff (Item 5).

The Right Hon. Sir THOMAS DUGDALE, M.P., Minister of Agriculture and Fisheries (Item 10).

The Right Hon. SELWYN LLOYD, Q.C., M.P., Minister of State (Items 5-9).

Admiral Sir RHODERICK McGRIGOR, First Sea Lord and Chief of Naval Staff (Item 5).

Air Chief Marshal Sir JOHN BAKER, Deputy Chief of the Air Staff (Item 5).

Secretariat:

Sir NORMAN BROOK.

M. G. MALLABY.
### Contents

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Parliament</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Business in the House of Commons.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Parliament</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Salaries of Members.</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Counsellors of State</td>
<td>57</td>
</tr>
<tr>
<td>4</td>
<td>Meat Ration</td>
<td>57</td>
</tr>
<tr>
<td>5</td>
<td>Egypt</td>
<td>58</td>
</tr>
<tr>
<td>6</td>
<td>Charges for Overseas Telegrams</td>
<td>59</td>
</tr>
<tr>
<td>7</td>
<td>Import Programme</td>
<td>59</td>
</tr>
<tr>
<td>8</td>
<td>Investment in 1953</td>
<td>60</td>
</tr>
<tr>
<td>9</td>
<td>Trade Agreement with Czechoslovakia</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td>Import of Textiles</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The Fishing Fleet</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Financial Assistance for Reconstruction.</td>
<td></td>
</tr>
</tbody>
</table>
1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.

The debate on the economic situation would be held on 29th and 30th July. The Chancellor of the Exchequer would open the debate, and the Prime Minister would speak first on the second day. Unless the Opposition objected, the debate should be held on a Government motion.

The debate on the ratification of the German settlements would take place on 31st July and 1st August.

It was hoped that Parliament would be adjourned for the summer recess on 1st August. It would reassemble on 14th October. The date provisionally fixed for the reopening of the new session in November need not be announced at this stage.

2. The Cabinet's attention was drawn to a motion by Miss Irene Ward, M.P., deprecating the suggestion that a committee should be appointed to examine the salaries and allowances of Members of Parliament.

The Prime Minister said that the Leader of the Opposition had suggested to him that a proposal to increase Members' salaries would be favourably received in many quarters of the House. He himself considered, however, that the moment was not opportune for proposing any review of Members' salaries; and he had ascertained that his view was shared by a substantial body of Government supporters. He had therefore told the Leader of the Opposition that the Government were not prepared to take this matter up at the present time.

The Commonwealth Secretary said that similar representations were being made to him on behalf of Members of the House of Lords. There was no question of payment of a salary; but it was arguable that, in addition to receiving their railway fares, Peers should be allowed to treat some of the other costs incidental to their attendance at the House of Lords as expenses for purposes of taxation. The Prime Minister said that this was a matter which might be taken up either in connection with proposals for the reform of the House of Lords or at the time of any future review of salaries of Members of the House of Commons.

The Cabinet agreed that no time should be found for the discussion of Miss Ward's motion in the House of Commons. They also agreed that the Commonwealth Secretary should take note of the representations made to him on behalf of Peers, but should hold out no hope that any early action would be taken in response to them.

3. The Cabinet were informed that a Bill has now been prepared to amend the Regency Act, 1937, so as to include Queen Elizabeth, The Queen Mother, among the persons qualified for appointment as Counsellors of State. The Cabinet agreed that in view of the congestion of the Parliamentary time-table this Bill should not be introduced in the current session.

4. The Cabinet noted with approval that the Minister of Food proposed to announce that evening an increase in the weekly meat ration from 1s. 9d. to 2s.
5. The Minister of State said that Her Majesty's Chargé d'Affaires in Cairo had received a message from a member of the former Egyptian Government suggesting that the coup d'Etat by General Naguib was the result of a movement inspired by Communists and the Moslem Brethren and aimed at the introduction of a revolutionary anti-capitalist régime. This suggestion, though possibly exaggerated, had enough substance to justify the alerting of British forces in the area. It was the Foreign Secretary's view that Her Majesty's Ambassador, now on leave, should return to Egypt and that the British forces earmarked for action in Cairo and Alexandria in the event of British lives being endangered should be brought to twenty-four hours' notice. He thought that if this was done, the Egyptian Government should be informed that the sole object of any British troop movements was to ensure that British lives could be protected if they became endangered.

In discussion the following points were made:

(a) If these forces were brought to twenty-four hours' notice, men as well as stores would be embarked in the ships. If the notice were put at forty-eight hours, the ships could be loaded with the necessary stores and equipment, and the men could be quickly embarked if an emergency developed. The ships required for operations at Alexandria were at present dispersed, some of them being on a visit to Istanbul. If they were to be brought to forty-eight hours' notice this visit would have to be cancelled, and this could not be done without publicity. It was the view of the Cabinet that the present movement of ships should not be altered, but that the Commander-in-Chief, Mediterranean, should be asked to do what he could to reduce the period of notice for the operation as far below ninety-six hours as possible.

(b) It was too early to tell whether General Naguib himself controlled the situation or whether he was the tool of unreliable political figures. If a threat of Communist dictatorship developed it might be necessary to take action for the protection of British lives; and we might then secure the assent and approval of the free world for intervention designed to preserve a democratic régime. In the meantime, however, so long as there was no danger to British lives, any move by British forces would be regarded as an 'intervention in Egypt's domestic affairs.

(c) It was questionable whether any formal announcement of our intentions should be made at this stage to the present Egyptian Government. It might be preferable to give an informal assurance to General Naguib through military channels that we had no intention of intervening unless British lives were endangered.

Later in the meeting the Cabinet were informed that the Foreign Secretary endorsed the suggestion that movements of Her Majesty's ships should not be interrupted at this stage. He agreed that British forces in the Canal Zone should be brought to forty-eight hours' notice. He would consider further, in the light of events, whether any information of our intentions should be given to the Egyptians about the purpose of these preparations.

The Cabinet—

(1) Authorised the Minister of Defence to arrange that the British forces in the Canal Zone earmarked for operations in Cairo should be brought to forty-eight hours' notice.

(2) Agreed that for the present the movements of units of the Mediterranean fleet should not be interrupted but that, short of this, all practicable steps should be taken to ensure that they would be ready to take part in operations in Alexandria at the shortest possible notice.

(3) Took note that the Foreign Secretary would consider further whether any information should be given to the Egyptians about the purpose of these preparations.
6. The Postmaster-General said that he had discussed with the Chancellor of the Exchequer and the Minister of State the proposed increase in the rate of charges for telegrams to the United States and Canada. A refusal to allow this increase, which was in fact less than half of what the American companies had asked for, would be resented as discrimination against these companies, which had been required over a long period to operate at a considerable loss. It was true that their receipt of additional revenue would mean that they would no longer be obliged to import dollars to make good their losses on their operations in this country, but this could not be represented as a direct loss of dollars to the United Kingdom. The United Kingdom could not be self-sufficient in overseas telegraphic services and, if a satisfactory service was to be provided, there must be close co-operation with other countries. For these reasons he and the Chancellor of the Exchequer and the Minister of State had agreed to recommend that the increase in the North American rates should be allowed, and that he should arrange for the general increase in charges for overseas telegrams to be announced, before Parliament rose for the summer recess, in reply to a Question in the House of Commons.

The Cabinet—

(1) Approved the proposed rate of increase for telegrams to the United States and Canada.

(2) Authorised the Postmaster-General to arrange for the increase in charges for overseas telegrams to be announced in the House of Commons, before the summer recess, on a date to be agreed in consultation with the Chancellor of the Duchy of Lancaster.

7. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C. (52) 251) summarising the final outcome of his efforts to close the estimated gap of £175 million in the balance of payments during the second half of 1952.

The Chancellor of the Exchequer said that the total estimated savings, by reduced imports and increased exports, now amounted to £123 million. These included a reduction of £4 million on imports of coarse grains; and he hoped that, if the home harvest was good, he would be able to make a further cut of £1 million before the end of the year. The import cuts involved no reduction in the consumption levels of rationed food. In his speech in the forthcoming debate on the economic situation he would not specify the import cuts in detail, nor would he disclose present stock levels, although the general stock position was in fact better than in July 1951. He wished to stress in the debate the increase in coal exports, and he understood that the Secretary of State for Co-ordination of Transport, Fuel and Power, no longer raised objection to this. He hoped to show that, as a result of the great efforts made, the sterling area should be in balance by the end of 1952. He would, however, emphasise that this was no more than the beginning of a long and arduous operation to build up our reserves and increase our exports. He hoped that the remaining gap between £175 million and £123 million would be filled by waiver of the interest on the United States and Canadian loans, but the decision on that point would not be taken before the end of the year.

The Cabinet—

(1) Approved the total savings of £123 million shown in the memorandum by the Chancellor of the Exchequer (C. (52) 251) and invited the Ministers concerned to put them into effect forthwith.
8. The Cabinet considered a memorandum by the Chancellor of the Exchequer (C. (52) 249) recommending further adjustments in the investment programme for 1953.

The Chancellor of the Exchequer said that the demands of the Departments for building in 1953 totalled £110 million of new building in excess of the programme for 1952. This would involve an unwarrantable diversion of resources from exports. He considered that the limit for new building work in 1953 should not exceed £900 million, but he was prepared to take the risk of allowing a figure of £933 million, which might be achieved if all Departments would accept a 5 per cent reduction on the allocations hitherto proposed. This would mean a lower housing programme, but he thought it would be difficult to justify the cuts proposed in defence works and other programmes if no cut were made in housing. If no money limits were imposed on the building programmes, it was certain that building resources would be diverted to inessential purposes and probable that much work would be started which, for lack of materials, could not be finished.

The Minister of Housing and Local Government said that the foundations for the houses to be built in 1953 were already laid and that unless contracts were cancelled and materials withheld, 260,000 houses would be built in that year. If expenditure on housing in 1953 were limited to £395 million, the resources now employed on the programme would not be transferred to other building work: the sole result would be that productivity would decrease and the momentum of the programme would be lost. The political effects would also be serious: the public, as well as the building industry, would be greatly discouraged. He was therefore unwilling to agree to any reduction in the housing target for 1953. The programme for 1954, to which he was not yet committed, could be reviewed in November. It should be possible to include in that a much larger number of houses of new designs which would secure great economies in imported materials, and it was his aim to build in 1954 as many as 300,000 houses with no more timber than was being used for 230,000 houses in 1952.

In discussion the following points were made:

(a) The Minister of Housing and Local Government said that, whatever decisions were reached he hoped that the investment programme would not be made public. The publication of these limits on the various sectors of the building programme could not fail to cramp the expansion of productivity in the building industry. There was general agreement with the view that the programme should not be made public.

(b) The Prime Minister said that in his view it would be unwise to curtail the housing programme in the critical year 1953. If the momentum was lost in that year, it would be more difficult to achieve the economies planned for 1954 by the use of novel designs.

(c) It was suggested in paragraph 9 of C. (52) 249 that the housing programme should in future be brought within the starting-date control operated by Regional Building Committees. The Minister of Housing and Local Government said that this procedure was inappropriate for single houses, but he was ready to agree that it should be applied to large housing schemes. He was also willing to co-operate in special interdepartmental discussion of the building problems of
particular areas, such as Coventry, where it appeared that building resources were being drawn into housing work at the expense of productive industry or other projects of national importance.

(d) The President of the Board of Trade said that the imposition of a further cut on new building for manufacturing industry was not consistent with the efforts which were being made to expand exports. He hoped that manufacturing industry might be allowed a total of £100 million, which was less than his original demand.

The Prime Minister said that he thought it would be wrong to accept any reduction in the housing programme for 1953. The target of 260,000 houses should be retained, but within that target every effort should be made to reduce the use of building labour and imported materials. The reductions proposed in C. (52) 249 for other building programmes might be accepted as a general guide, subject to a margin not exceeding £10 million which would give the Chancellor of the Exchequer some discretion in judging additional demands for work of particular importance, e.g., the manufacturing industry devoted to the export trade.

The Cabinet—

(1) Agreed that the limitations imposed by the investment programme should not operate to prevent the Housing Ministers from reaching their target of completing 260,000 houses in 1953.

(2) Subject to Conclusion (1), approved in principle the reductions in the investment programme proposed by the Chancellor of the Exchequer in C. (52) 249, as a general guide to the distribution of building resources in 1953.

(3) Authorised the Chancellor of the Exchequer to discuss with the President of the Board of Trade and other Ministers concerned the possibility of increasing the limits proposed in C. (52) 249 by an amount not exceeding £10 million for projects likely to assist in redressing the adverse balance of payments.

9. The Cabinet had before them a memorandum by the President of the Board of Trade (C. (52) 256) on the course of the recent negotiations in Prague with a view to establishing quotas for the next twelve months under the trade agreement with Czechoslovakia.

The President of the Board of Trade said that, in view of the current unemployment in Lancashire, there was some public anxiety about the continued import of textiles from Czechoslovakia. His representatives had, however, been successful in persuading the Czechs to agree that their exports of textiles and clothing to this country in the coming year should be reduced to £200,000, or even £150,000, as compared with the current year's quota of £300,000, provided that compensating increases were given in the quotas for other less essential commodities. He was satisfied that, if we attempted to cut off altogether the import of textiles from Czechoslovakia, we should seriously jeopardise the prospects of concluding an agreement which in other respects was greatly to our advantage.

The Minister of State asked that care should be taken to ensure that the compensating increases in other import quotas were such that they could be defended against criticism by other European countries. The President of the Board of Trade said that he had this point in mind.
The Cabinet—

Approved the proposals in C. (52) 256 regarding the rate of import of textiles and clothing from Czechoslovakia in the coming year, and took note that the President of the Board of Trade would explain the position in a statement to be made in the House of Commons in the following week.

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10. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (52) 252) on the provision of financial incentives to induce owners of fishing boats engaged in herring fishing and trawling in near and middle waters to replace obsolete boats.

This problem had been discussed by the Home Affairs Committee. There was general agreement that some financial incentive should be provided, but there were differences of view about the method of doing so. The Treasury were unable to agree that loans should be provided at a reduced rate of interest, since this would be inconsistent with the Government's credit policy. Other Ministers were, however, opposed to the alternative that the Government should take shares in the companies owning these boats, since this would involve direct Government participation in private industry.

The Chancellor of the Exchequer said that in the circumstances he was ready to give further consideration to the possibility of devising some special system of Exchequer grants.

The Cabinet—

Took note that the Chancellor of the Exchequer would review this question and submit further proposals for the Cabinet's consideration at a meeting in the following week.

Cabinet Office, S.W.1.
24th July, 1952.