CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Wednesday, 1st October, 1952, at 11 a.m.

Present:

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

The Right Hon. ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs.

The Most Hon. the MARQUESS OF SALISBURY, Secretary of State for Commonwealth Relations.

The Right Hon. R. A. BUTLER, M.P., Chancellor of the Exchequer.

The Right Hon. the EARL ALEXANDER OF TUNIS, Minister of Defence.

The Right Hon. JAMES STUART, M.P., Secretary of State for Scotland.

The Right Hon. Sir WALTER MONCKTON, Q.C., M.P., Minister of Labour and National Service.

The Right Hon. PETER THORNEYCROFT, M.P., President of the Board of Trade.

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

The Right Hon. Sir DAVID MAXWELL FYFE, Q.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs.


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.

The Right Hon. HAROLD MACMILLAN, M.P., Minister of Housing and Local Government.

The Right Hon. LORD CHERWELL, Paymaster-General.

The following were also present:

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

The Right Hon. GEOFFREY LLOYD, M.P., Minister of Fuel and Power (Item 7).

The Right Hon. DUNCAN SANDYS, M.P., Minister of Supply (Items 3–5).

Sir REGINALD MANNINGHAM-BULLER, Q.C., M.P., Solicitor-General (Items 1–6).

Secretariat:

Sir NORMAN BROOK.

Mr. R. M. J. HARRIS.
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1. The Prime Minister drew attention to the large excess of expenditure over revenue in the out-turn of the Exchequer accounts for the first half of the financial year. Was this an unexpected movement, and were there balancing factors which would come into operation in the second half of the year?

The Chancellor of the Exchequer said that he had been watching this development closely. He was particularly disturbed at the large increase in expenditure by local authorities. It was now clear that it would be one of the Government's main preoccupations over the coming months to restrict public expenditure.

The Cabinet—
Took note of this statement by the Chancellor of the Exchequer.

2. The Prime Minister said that considerable public interest was being shown in the fact that Alfried Krupp von Bohlen und Halbach had not only been released from imprisonment as a war criminal but was now to receive substantial compensation for the loss of his industrial interests. This seemed likely to be the subject of comment in Parliament after the recess.

The Foreign Secretary said that Krupp had been tried by a United States military court, and it was the United States High Commissioner in Germany who had decided, as an act of clemency, to remit the remainder of his sentence as a war criminal and to revoke the order for the confiscation of his property. His industrial interests had been sequestrated by the Allies in pursuance of their policy of breaking up the largest industrial organisations in Western Germany on which the power of the Nazis had been partly founded. He knew of no grounds on which compensation could have been withheld from Krupp. Though the amount of the compensation was large, some of it would probably go to pensioners of the Krupp organisation, and the remainder might be subject to Federal taxation. In any event no criticism could properly be directed on this account against the present Government of the United Kingdom. For Krupp's imprisonment had been terminated by the United States authorities; and the payment of compensation was due under a law approved by the United States and French Governments and the previous Government of the United Kingdom. He would take a suitable opportunity of making a public statement on this point.

The Cabinet—
Took note of the Foreign Secretary's statement.

3. The Cabinet had before them a memorandum by the Minister of Housing and Local Government (C. (52) 304) covering a provisional draft of a White Paper explaining his proposals for amending the financial provisions of the Town and Country Planning Act, 1947, and a memorandum by the Commonwealth Secretary (C. (52) 312) outlining his objections to certain features of these proposals.

In discussion attention was directed mainly to two aspects of the problem:

(a) The Limited Compensation Scheme

The Commonwealth Secretary said that he would find it difficult to defend a system under which owners of land who were refused planning permission for developing it or whose land was compulsorily purchased by a local authority received for all time
compensation for “development value” at the 1947 rate while other owners could obtain the current market value for their land. This seemed to him to be inequitable and inconsistent with Conservative Party principles. Many small landowners were involved and the conception of a property-owning democracy would be undermined if justice were denied to them. With the passage of time and a possible further decline in the value of money the inequity of this feature of the scheme might well increase. He therefore favoured arrangements under which an owner who sold his land would receive for it whatever might be a fair price at the time, whether the purchaser was a public authority or another private individual, and an owner who was refused planning permission to develop his land would receive fair compensation. It was an illusion to suppose that, in transactions for the sale of land, public authorities were always reasonable and private individuals always extortionate. When an owner of land stood out for an unduly high price from a public body the matter could be referred to arbitration by an independent body of experts.

The Minister of Housing said that he recognised that his proposals involved the differential treatment of owners of land to which the Commonwealth Secretary took exception. It had to be remembered, however, that owners who were refused planning permission or whose land was compulsorily purchased would under these proposals receive 100 per cent. of the 1947 “development value” of their land, as compared with the 80 per cent. which they were at present expecting to receive. The Commonwealth Secretary’s views did not, moreover, appear to take sufficient account of the fundamental change in the land-owner’s position resulting from the passing of successive Town and Country Planning Acts the underlying assumption of which was that an owner was no longer free to do what he liked with his land without regard to the public interest. Nor was it reasonable that a public authority should have to pay for land which it might require for public purposes the current market value which might be due at least in part to public development and provision of services. His proposals must be considered as a whole. Many landowners would benefit from the abolition of development charge: some would gain from the freedom to sell their land at the current market value; others would receive compensation for “development rights” at 100 per cent. of their 1947 value.

The Chancellor of the Exchequer said that he shared the view of the Commonwealth Secretary on the inequity of this feature of the limited compensation scheme but did not agree with him in thinking that the remedy lay in adopting current market value as the basis for both compensation and compulsory purchase. That would be likely to involve excessive charges on the Exchequer. He would prefer to preserve equity by retaining development charge at a reduced rate.

(b) Development Charge

The Minister of Housing said that the scales were heavily weighted against the private developer, particularly the house-builder. Thus, interest rates were high, there was a large programme of subsidised building and a large pool of houses available at frozen rents. If, in addition, the private developer had to pay development charge, there was little prospect that house-building by private enterprise would be resumed on any substantial scale. Hence his anxiety to see the charge abolished.

Considerable support was expressed for the view that development charge ought to be abolished. It was feared that a reduction of the charge would not act as a sufficient stimulus to development, and there would also be a risk that a later Government would restore the rate of charge to 100 per cent.
The Home Secretary said that he had for long held the view expressed by the Chancellor of the Exchequer that the right means of preserving equity as between one owner of land and another was to secure a contribution from the land-owner who made a profit rather than to enable all owners to obtain the current market value. He had been assured, however, that there was no satisfactory way of achieving this object without seriously impeding development. In support of this view it was argued that development charge was paid in practice, not by the owner who sold his land at a profit, but by the developer, who in many cases had already paid for the land more than its existing use value and therefore in effect paid for “development right” twice over. Could not a form of tax be devised which would be paid by the owner of land out of the unearned increment which he might obtain from its sale?

The Chancellor of the Exchequer said that, while it might be possible to devise a suitable tax for this purpose, it would set a dangerous precedent for a capital gains tax in respect of transactions in securities. Some Ministers thought that there should be no difficulty in preventing what might be done in respect of land in the context of the Town and Country Planning Acts from being used as a precedent for action in respect of securities or other forms of property. A more serious objection to replacing development charge by some form of tax on land sales was that in practice the latter would almost certainly act as no less an impediment to development than development charge, since any tax, wherever it was imposed, tended to be passed on to the ultimate consumer.

The Cabinet—

Invited the Prime Minister to arrange for the issues raised in C. (52) 304 and 312 to be further considered by a smaller body of Ministers in the light of the Cabinet’s discussion and with the object of formulating the broad principles on which any settlement should be based.

4. The Cabinet had before them a memorandum by the Minister of Housing and Local Government (C. (52) 299) outlining a short-term policy of relaxing rent control for the purpose of encouraging the owners of house property to carry out essential repairs.

The Prime Minister said that any legislation amending the Rent Restriction Acts must be so designed as to bring no financial benefit to landlords: it must be made evident that the Government had no other purpose than to increase the number of habitable houses. The Labour Party, in a recent pamphlet, had admitted that the controlled rent of some houses did not provide an income sufficient to maintain the property in a proper state of repair, and that tenants would benefit by some amendment of the Acts which would enable a proportion of the rent to be spent on the improvement and maintenance of the dwelling. There might therefore be a political opportunity in the coming session to pass amending legislation which could fairly be represented as designed to increase the national stock of habitable houses.

The Minister of Housing said that the scheme outlined in his memorandum had been framed with this in view. It would not bring any additional profit to the owners of house property. It would, however, serve the national interest by helping to prevent existing houses from falling further into disrepair.

In discussion there was general support for the scheme outlined in C. (52) 299. The Chancellor of the Exchequer said that he accepted the scheme in principle, and he undertook to communicate
to the Minister of Housing certain comments on technical aspects of the scheme connected with income tax and assessment for rates. He observed, however, in the final paragraph of the Minister's paper, a reference to slum-clearance; he could not agree that any new programme of slum-clearance should be added to the existing housing programme.

The Cabinet—
(1) Approved in principle the scheme outlined in C. (52) 299 for amending the Rent Restriction Acts.
(2) Invited the Minister of Housing to work out this scheme in further detail, in consultation with other Ministers concerned, and to proceed with the preparation of amending legislation.

5. The Cabinet had before them a memorandum by the Minister of Supply (C. (52) 311) drawing attention to a Parliamentary Question about his action in appointing a Communist as a member of one of the advisory bodies attached to his Department. The Minister explained in his memorandum that the members of this body were nominated, for appointment by him, by the appropriate employers' associations and trade unions; and that, if he had rejected this particular nomination, the union concerned would probably have declined to put forward any alternative. The individual in question had served on this and another advisory body for many years, and no secret information was made available to either of the bodies of which he was a member. He proposed to defend his action on these grounds in reply to the Parliamentary Question.

The Minister of Labour said that the arguments which he had advanced, in the Cabinet's discussion on 13th March, 1952, against the appointment of a Communist to an arbitration board had no application to the appointment of Communists to Departmental Advisory Councils. The Chancellor of the Exchequer endorsed this view.

The Cabinet—
Approved the substance of the reply which the Minister of Supply was proposing to give to a Parliamentary Question about the appointment of a Communist to one of the advisory bodies attached to his Department.

6. The Prime Minister recalled that on 19th June the Cabinet had agreed that no Service Reviews should be held in connection with the Coronation in 1953. This decision had been taken on the assumption that heavy expenditure would be involved; but he had recently been informed that a Naval Review could be held without any additional cost beyond that of a firework display and the charter of a liner in which distinguished visitors could steam round the Fleet. He thought that the matter might be reconsidered on this basis: there need be no question of corresponding Coronation Reviews by the other two Services.

The Cabinet—
Invited the First Lord of the Admiralty to consider whether arrangements could be made to hold a Naval Review at the time of the Coronation without incurring special expenditure otherwise than on the two particular items mentioned by the Prime Minister.
7. The Minister of Fuel and Power said that he and the Chancellor of the Exchequer had agreed in principle that the wartime system of pooling all petrol supplies could now be discontinued and that the oil companies could revert to the normal system of marketing their petrol under brand names. Although this change could not be brought into operation until after Christmas, he had himself been anxious to announce the decision at once. The Chancellor of the Exchequer had, however, suggested that, in view of the additional burden which this change would impose on our balance of payments, the announcement might be delayed until after the departure of the Commonwealth officials now meeting in London to prepare for the Commonwealth Economic Conference.

After discussion the Cabinet agreed that the balance of advantage lay on the side of announcing this decision before the opening of the Conservative Party Conference in the following week.

The Cabinet—

(1) Took note with approval of the decision to resume the pre-war system of marketing petrol in this country, and authorised the Minister of Fuel and Power to make an early announcement of this decision.

(2) Invited the Minister of Fuel and Power to arrange, in consultation with the Commonwealth Secretary, for other Commonwealth Governments to be informed of this decision in advance of the public announcement.

Cabinet Office, S.W.1.
1st October, 1952.