CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 6th November, 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 (Items 1-5).

The Right Hon. Sir DAVID MAXWELL FYFE, Q.C., M.P., Secretary of State for the Home Department and Minister for Welsh Affairs (Items 1-5).


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 following were also present:

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

The Right Hon. THOMAS DUGDALE, M.P., Minister of Agriculture and Fisheries (Item 2).

The Right Hon. GWILYM LLOYD-GEORGE, M.P., Minister of Food (Item 2).

The Right Hon. DAVID ECCLES, M.P., Minister of Works (Items 5-6).

Mr. J. G. FOSTER, Q.C., M.P., Parliamentary Under-Secretary of State for Commonwealth Relations (Items 1-4).

Secretariat:

Sir NORMAN BROOK.

MR. G. MALLABY.

MR. R. M. J. HARRIS.
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1. The Cabinet discussed the arrangements for the remaining stages of the Debate on the Address. They agreed that on 7th November, when the Opposition intended to direct attention to Colonial affairs, the Colonial Secretary should make a statement on his mission to Kenya and should answer any points raised in the Debate. On 10th November the Minister of Labour would speak on behalf of the Government. On the last day of the Debate on 11th November the Government spokesmen would be the Chancellor of the Exchequer and the Lord Privy Seal.

The Cabinet were also informed of the business to be taken in the House of Commons in the remainder of that week.

2. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (52) 379) about the attitude which the United Kingdom Delegation should take on Development Policy at the Commonwealth Economic Conference.

The Chancellor of the Exchequer said that, in intensifying development directed towards improving the sterling area's balance of payments, a proper balance should be preserved between development at home, where special attention would be given to the expansion of certain parts of the engineering industry, and development in other sterling area countries, towards which, it was suggested, the United Kingdom Government should make a contribution. He was considering how such a contribution could best be made and would submit a further memorandum on that point in due course.

The following points were made in discussion:

(a) The Chancellor of the Duchy of Lancaster drew attention to the statement in paragraph 16 (d) of the memorandum that we might hope that the recent fall in the outflow of private capital from the United Kingdom to the sterling area would continue. The flow of private capital was essential to development of certain raw materials.

(b) The Minister of Agriculture said that the statement in paragraph 10, that no special measures were called for in respect of the agricultural expansion programme, should not exclude the development of, for example, rural electricity and water supplies.

(c) The Minister of Supply asked that civil aircraft might be added to the engineering products mentioned in paragraph 10 of the memorandum.

The Cabinet—

(1) Approved the recommendations in C. (52) 379, subject to the points noted in paragraphs (a)-(c) above.

The Cabinet also had before them a memorandum by the President of the Board of Trade and the Chancellor of the Duchy of Lancaster (C. (52) 380) about the line to be taken by the United Kingdom Delegation on Commodity Policy.

The President of the Board of Trade said that the three possible courses open to us were set out in paragraph 8 of the memorandum and that, for the reasons given in paragraph 11, it was recommended that we should adopt the third of these, namely, that we should proceed as at present with the empirical examination of individual commodities, case by case, within the internationally-accepted framework of principles and procedures. Thus, we should continue to participate in international discussions of wheat, sugar, rubber and cotton and, when the time was ripe, of tin, wool and possibly other commodities.

The Foreign Secretary said that the suggestion in paragraph 11 that we should follow this line "with no positive bias in favour of an agreement in principle in any particular case" implied, in his view,
rather too negative an approach. The only international commodity agreement at present in operation, namely, the Wheat Agreement, had proved more favourable in practice to us than we had expected, and he would prefer that we should be rather more forthcoming in our attitude towards international discussions on other commodities. It was explained that the guarded wording of the recommendation before the Cabinet reflected a compromise reached at the preparatory meeting between a wide variety of conflicting views. There was, however, general support in the Cabinet for the view expressed by the Foreign Secretary.

The Cabinet—

(2) Approved generally the proposals in C. (52) 380 but agreed that at the forthcoming Conference the United Kingdom Government should indicate that in principle they were disposed to favour the conclusion of international commodity agreements in appropriate cases.

United Nations.

Handling of Colonial Questions.

(Previous Reference: C.C. (52) 90th Conclusions, Minute 3.)

Relations with South Africa.

(Previous Reference: C.C. (52) 81st Conclusions, Minute 7.)

The Foreign Secretary said that the United States Government had now indicated that, on juridical grounds, they would vote in favour of the competence of the United Nations to discuss the Tunisian issue. This was a serious development and he intended to discuss the position with the Foreign Ministers of the United States and France as soon as he arrived in New York. If the matter were raised in the House of Commons that afternoon he would express support for the French Government's point of view.

It was possible that the competence of the United Nations to discuss the racial policy of the South African Government might also be raised in the Debate on the Address. The repercussions of that policy outside the boundaries of the Union made it difficult to enlist support for the view that this was a domestic South African issue. But in framing any statement which it might be necessary to make in the House he would give full weight to the assurances already been given to the South African Government, following the Cabinet's discussion on 26th September, about the attitude which we should adopt towards this in the debates in the Assembly.

The Cabinet—

Took note of the Foreign Secretary's statements.

Sudan.

(Previous Reference: C.C. (52) 54th Conclusions, Minute 2.)

The Cabinet had before them a memorandum by the Foreign Secretary (C. (52) 388) covering the draft of a reply which he proposed to have sent to a letter he had received from Mr. Omar, the Secretary of the Sudan Party, which hoped that the Sudan would eventually adhere to the British Commonwealth.

The Foreign Secretary said that the reply could only be non-committal but it was for consideration whether it would not be wise to take preliminary soundings of other Commonwealth Governments on their attitude towards a possible application by the Sudan to join the Commonwealth.

The Parliamentary Under-Secretary of State for Commonwealth Relations said that the South African Government would certainly oppose the admission of the Sudan to the Commonwealth. Canada, Australia and New Zealand, also, would be reluctant to agree to the admission of the Sudan, not on racial grounds, but because any increase in the number of small member countries would weaken the Commonwealth's coherence and detract from the value of Commonwealth discussions.
In discussion the view was expressed that a study should be made of the general implications from this point of view of our Colonial policy of developing Colonies to the stage at which they could attain "independence within the Commonwealth." There was no difference in principle between admitting the Sudan to Commonwealth membership and accepting, say, the Gold Coast as a full member.

The view was also expressed that, while the reply to Mr. Omar must be non-committal, it might be made more acceptable if the sentence: "It is not possible for Her Majesty's Government in the United Kingdom at this time to express any opinion about the form which that relationship should take" were modified to read as follows: "This is not, however, the time for Her Majesty's Government in the United Kingdom to express an opinion about the form which that relationship should take."

The Cabinet—

(1) Approved generally the draft letter attached to C. (52) 388 but invited the Foreign Secretary to consider the modification suggested in discussion.

(2) Invited the Commonwealth Secretary, in consultation with the Foreign Secretary and the Colonial Secretary, to consider and report to the Cabinet on the problems involved in admitting to full Commonwealth membership Colonial territories which might in future attain the status of "independence within the Commonwealth."

Atomic Energy Organisation.

5. The Cabinet had before them a memorandum by the Paymaster-General (C. (52) 317) recommending the establishment of an independent Corporation to take over from the Ministry of Supply the responsibility for all atomic research and production. They also had before them a memorandum by the Colonial Secretary (C. (52) 363) supporting this recommendation, and one by the Minister of Supply (C. (52) 364) recommending that, before a decision was taken, the advantages and disadvantages of the proposed change should be further examined.

The Paymaster-General said that the change which he recommended had been urged by Lord Portal of Hungerford, the first Controller of Atomic Energy, and was favoured by the present senior staff in the Atomic Energy Establishments. Atomic energy development in this country had plainly suffered from delays: we had taken much longer to make an atomic bomb than either the Americans or the Russians. This was due, in his opinion, to the decision to entrust atomic development to a Government Department, whose structure and procedures were unsuited to the special needs of this work. The Ministry of Supply had been unable to recruit adequate numbers of first class production-engineers and there had been losses of experienced staff which could have been avoided if it had been possible to offer generous gratuities to those completing the period of service provided for in their contracts. The normal Civil Service security procedure was also too cumbersome for application to staff engaged on atomic work. This was an opportune moment for transferring responsibility from the Ministry of Supply, because the industrial application of atomic energy was only just beginning. The Atomic Energy Establishments were approaching half the size of Imperial Chemical Industries and needed a comparable Board of Directors enjoying a large measure of freedom from detailed interference. Adequate Treasury and Parliamentary control could be ensured if the proposed organisation were financed by means of grants-in-aid. It was significant that in no other country did responsibility for atomic development now rest with a Government Department. He did not, however, wish to press his suggestion that a
separate Ministry should be set up with responsibility for carrying out the proposed transfer of responsibility: this might be effected under the aegis of the Lord President.

The Minister of Supply said that he was concerned, not to defend a preserve of his Ministry, but rather to ensure that the future atomic energy organisation would promote the maximum degree of efficiency. It seemed to him essential that, before a decision was taken on so vital an issue, the facts should be more fully investigated. For instance, his information did not suggest that the present senior staff in the Atomic Energy Establishments favoured a change on the lines suggested by the Paymaster-General, although there might be some desire among them for rather greater freedom from control. Again, the statistics of staff losses in the Atomic Energy Establishments did not compare unfavourably with those in comparable industrial firms. It seemed likely to be a year at least before a Bill on the subject could be introduced in Parliament; and in these circumstances the case for any change in the existing arrangements, which would be bound to cause some disorganisation, ought to be fully established before a decision was taken.

The Foreign Secretary said that he was inclined to favour the change recommended by the Paymaster-General, both because a non-Departmental form of organisation would allow greater flexibility, subject to broad Government direction, and because the United States Atomic Energy authority would probably find it easier to co-operate with such an organisation.

The Chancellor of the Exchequer said that in his view the Paymaster-General’s memorandum tended to underestimate the achievements of the existing organisation and to exaggerate its drawbacks. It was important that the Atomic Energy organisation, which at present cost the Exchequer some £30-£40 million a year, should remain subject to effective financial control. The Atomic Energy organisation in the United States, although non-Departmental, was subject to detailed financial control by Congress. He thought it undesirable to do anything which would impede contact between the Atomic Energy organisation and the many Government Departments intimately affected by its work. Care must also be taken to preserve some balance between the conditions of service of staff engaged on atomic work and staff engaged on other projects of almost equal importance.

The Minister of Defence said that the experience of the Canadian Government, which had recently and with success transferred responsibility for atomic energy from a Government Department to a State Company, was of interest.

The Minister of Works said that it would be necessary to consider how the building programme of the Atomic Energy organisation would be carried out if responsibility were transferred from the Ministry of Supply. The staff of the Ministry of Works at present engaged on this work was large and possessed experience which was not available in any other quarter.

In further discussion other Ministers spoke in favour of the proposal put forward by the Paymaster-General in C. (52) 317.

The Prime Minister, summing up the discussion, said that the general opinion in the Cabinet appeared to favour the change recommended by the Paymaster-General, but he thought that, before any final decision was taken, the facts should be more thoroughly investigated and presented to the Cabinet. This could best be done by a small body of Ministers who would hear the arguments on both sides and advise the Cabinet whether a change in the existing arrangements was desirable. If the Cabinet approved the proposed transfer in principle, a small Committee of Experts could be appointed to consider in detail how responsibility should best be transferred to a non-Departmental organisation.
The Cabinet—

(1) Appointed a Committee comprising:—

The Lord Privy Seal (Chairman),
The Minister of Labour,

The Minister of Housing and Local Government,

to consider with the Ministers concerned and to report
to the Cabinet whether responsibility for atomic research
and production should be transferred from the Ministry
of Supply to a non-Departmental organisation.

(2) Agreed that, if the Cabinet should decide in favour of trans­
fering responsibility, the form of non-Departmental
organisation to be established for the purpose and the
arrangements for effecting the transfer of responsibility
should be made the subject of further study by a small
body of experts.

6. The Cabinet had before them memoranda by the Minister of
Housing and Local Government, the Chancellor of the Exchequer
and the Minister of Works (C. (52) 350, 385 and 350) regarding the
limits imposed by the Investment Programme on reconstruction work
in blitzed cities.

The Minister of Housing and Local Government said that,
if this work was to be limited in 1953 to the £2.5 million
already authorised, only £2 million would be available for new
projects, and in the course of the year work on the blitzed cities
would come to a standstill even though there was local unemployment
among building workers in the cities concerned. The slow progress
made in this reconstruction work was already the subject of public
criticism, which might cause the Government considerable embar­
rasement in Parliament. Public funds, both national and local, would
gain rather than lose if this work went forward. For the cost would
be borne by those who undertook the development, and the erection
of shops, cinemas, &c., would increase rateable values and would
relieve the Exchequer of its present obligation to pay grant in respect
of the land acquired for this purpose by the local authorities.

The Chancellor of the Exchequer said that in present circum­
cstances all available building resources should be concentrated on
projects likely to increase our industrial productivity, and it would
be difficult to defend the building of shops rather than factories even
in blitzed cities. He was unwilling, therefore, to increase the alloca­
tion for this work in the Investment Programme for 1953. He would,
however, agree that, if it became clear that under this Programme
there was not enough work in particular localities and that abnormal
unemployment of building workers was likely, ad hoc additions to
the Programme might be made on a local basis.

In discussion the following points were made:—

(a) The Capital Investment Programme imposed limits on build­
ing work of all kinds, and a fair distribution of resources could not be
achieved unless Ministers kept their projects within those limits. On
the other hand, it would be illogical to apply too rigidly a restrictive
system which prevented progress in building projects where local
conditions justified additions to the programme.

(b) Authority to start building projects was given in all cases by
the Minister of Works, and in existing circumstances there was little
difficulty in allotting immediate starting dates in most of the blitzed
cities.

(c) While it would be reasonable to allow an expansion of the
building programme where local employment conditions justified it,
The President of the Board of Trade and The Minister of Supply
argued that first priority for the use of any surplus building labour
should be given to the construction of factories and industrial
premises.
The Prime Minister said that failure to continue and expand work on the reconstruction of blitzed cities would be open to the gravest criticism. He thought that the more flexible system suggested in the discussion might suffice, so long as it was made clear that no opportunity would be lost for expanding this work. The system should allow all claimants on the building programme to receive their fair share of any surplus building resources in accordance with the conditions in any locality.

The Cabinet—

Invited the Chancellor of the Exchequer, in consultation with the Minister of Housing and Local Government and the Minister of Works, to consider what arrangements could be made to give greater local flexibility in the application of the Investment Programme to the work of reconstruction in blitzed cities, and what public announcement could be made on this question, and to submit their recommendations for approval by the Prime Minister.

7. The Chancellor of the Exchequer said that, in the circumstances indicated in his memorandum C. (52) 391, it had become clear that the Ministry of Supply and the War Office were likely to over-spend their Votes this year—the former by £50 to £70 million, and the latter by £25 to £30 million. Owing to the claims on Parliamentary time of the Transport Bill and the Iron and Steel Bill, it would not be possible to make provision for the necessary Consolidated Fund Bill before Christmas. He therefore proposed that, before the Second Reading of the Civil Contingencies Fund Bill which was to be taken in the House of Commons in the following week, he should announce that a large Ministry of Supply supplementary estimate was in prospect, and that the Ministry would be financed from the Civil Contingencies Fund when their present Vote was exhausted. The War Office was likely to be able to finance itself from its existing provision until the middle of February, but before that date a supplementary estimate and a Consolidated Fund Bill would be unavoidable.

It was pointed out in discussion that these supplementary estimates had been made necessary by a combination of factors, including the deliberate placing of orders for textiles to relieve unemployment, increases in prices, the improvement in regular recruiting for the Army which had doubled in the past year, demands from contractors for earlier payment owing to restrictions on credit, and other unforeseen contingencies.

The Lord Privy Seal said that he agreed with the procedure proposed by the Chancellor of the Exchequer, although he foresaw considerable criticism by the Opposition, who would complain that the necessary supplementary estimates should be presented to Parliament in the normal way before Christmas. The prospect of a Consolidated Fund Bill early in the New Year would make it necessary to review the present programme for legislative business in the early part of the session.

The Cabinet—

Authorised the Chancellor of the Exchequer to announce in the House of Commons on 11th November that a large Ministry of Supply supplementary estimate was in prospect, and that the Ministry would be financed from the Civil Contingencies Fund when their present funds were exhausted; and that a supplementary estimate for the Army would also be needed early in 1953.

Cabinet Office, S.W. 1.
6th November, 1952.