CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Tuesday, 13th October, 1953, at 11.30 a.m.

Present:
The Right Hon. Sir WINSTON CHURCHILL, M.P., Prime Minister (in the Chair)
The Right Hon. ANTHONY EDEN, M.P., Secretary of State for Foreign Affairs (Items 1-7).
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. VISCOUNT WOOLTON, Chancellor of the Duchy of Lancaster and Minister of Materials.
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. HAROLD MACMILLAN, M.P., Minister of Housing and Local Government.
The Right Hon. Sir THOMAS DUGDALE, M.P., Minister of Agriculture and Fisheries.
The Most Hon. the MARQUESS OF SALISBURY, Lord President of the Council.
The Right Hon. R. A. BUTLER, M.P., Chancellor of the Exchequer.
The Right Hon. OLIVER LYTTELTON, M.P., Secretary of State for the Colonies.
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. FLORENCE HORSBRUGH, M.P., Minister of Education.
The Right Hon. GWILYM LLOYD-GEORGE, M.P., Minister of Food.

The following were also present:
The Right Hon. Sir DAVID ECCLES, M.P., Minister of Works (Item 6).
The Right Hon. IAIN MACLEOD, M.P., Minister of Health (Item 7).
The Right Hon. PATRICK BUCHAN-HEPBURN, M.P., Parliamentary Secretary, Treasury.

Secretariat:
The Right Hon. Sir NORMAN BROOK.
Mr. R. M. J. HARRIS.

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1. The Foreign Secretary said that he had asked the United States Secretary of State and the Foreign Minister of France to come to meet him in London to discuss current questions of foreign policy affecting the three Governments. Both had accepted this invitation and the talks would open on 16th October. In the announcement, which would be issued that afternoon, this would be presented as a continuation of the meeting held in Washington in July.

2. The Foreign Secretary invited the Cabinet's views on the draft, prepared by officials of the United Kingdom, United States and French Governments, of a reply to the Soviet note of 28th September regarding the proposal of the three Western Powers for a Four-Power meeting on Germany. Copies of this draft were handed round at the meeting.

Discussion turned on the phrasing of a reference, in paragraph 6 of the draft, to the composition of the proposed political conference on Korea. As the attitude of the United States Government towards this had been rather different from our own, care would need to be taken to use a form of words which would be acceptable to both Governments. But the formula should be such as to leave it open to the United States Government to go some way to meeting the views held by other Governments on this point.

The Foreign Secretary undertook to reconsider, in the light of the Cabinet's discussion, the wording of this part of paragraph 6 of the draft.

The Cabinet—

Subject to the point raised in their discussion, approved the terms of the draft reply to the Soviet note of 28th September.

3. The Foreign Secretary said that no further progress had been made in the defence negotiations with the Egyptian Government. It was valuable, from our point of view, that the Egyptians were willing to include in the preamble to an agreement a satisfactory reference to the Suez Canal; but they showed no signs of willingness to meet our requirements on the wearing of uniform by British troops in the Base or on the circumstances in which we should be entitled to resume use of the Base for war purposes. As they were unwilling to agree that the Base should be made available to us in the event of United Nations action to resist an act of aggression, he was considering an alternative formula under which it would become available if, in the light of the general situation, either party considered that the according of such facilities was essential to the safety of the Middle East. This would cover our essential needs, and it was possible that the Egyptians might regard it as less wide in scope than the formula referring to action by the United Nations.

The Foreign Secretary said that he would be seeing on the following day a member of the United Kingdom Delegation in Cairo who was returning to London to report on the stage reached in the negotiations. In the light of this report he would seek further decisions from the Cabinet on 15th October, so that he could give instructions to the Delegation in time for their next meeting with the Egyptians, which was to be held on 19th October.

The Cabinet—

Took note of the Foreign Secretary's statement.
Trieste.
(Previous Reference: C.C. (35) 56th Conclusions, Minute 2.)

4. The Foreign Secretary said that since he reported to the Cabinet on 8th October the Yugoslav Government had intensified their resistance to the Anglo-American plan for bringing about a de facto settlement of the Trieste problem. They had communicated their views to the United Nations and had also proposed that a conference of representatives of the Governments of the United Kingdom, United States, Italy and Yugoslavia should be held at once to consider the situation. The Foreign Secretary said that he did not intend to reply to this proposal until he had had an opportunity of discussing it with the United States Secretary of State and the French Foreign Minister later in the week. Meanwhile, he would remind Marshal Tito, through his Ambassador in London, that the settlement now proposed was little different from that which Tito had been ready to accept a year ago; and he would protest vigorously against the insults which were being offered to the representatives of Her Majesty's Government in Belgrade. The Italians had exploited to the full our failure to make it plain at the outset that we thought this should be a final settlement of the Trieste problem. This was the weakness of our position, and he intended to make every effort to persuade the United States Government to take a firmer line on this point.

The Cabinet—
(1) Took note of the Foreign Secretary's statement.
(2) Invited the Foreign Secretary to lodge with the Yugoslav Government a vigorous protest against the attacks recently made on British official premises in Belgrade.

British Guiana.
(Previous Reference: C.C. (35) 56th Conclusions, Minute 1.)

5. The Colonial Secretary said that the situation in British Guiana still remained quiet. The Governor feared that there might be outbreaks of incendiarism, but this had not yet been attempted on any considerable scale. Mr. Jagan, the spokesman of the dismissed Ministers, had expressed a wish to come to London for discussions with the Colonial Secretary, but he had been told that he should in the first instance see the Minister of State for the Colonies, who was due to arrive in Georgetown on 19th October.

The Prime Minister said that no great harm would be done if Mr. Jagan came to this country and were seen to be associating with Communists here; but it would hardly be appropriate for the Colonial Secretary to receive him immediately after he had been dismissed from office.

The Colonial Secretary said that the Opposition were anxious that the situation in British Guiana should be debated as soon as Parliament reassembled. He proposed to present a White Paper on 20th October: this would obviate the need for any statement before the debate, which was to be held on 22nd October. From soundings which he had taken he believed that, in view of the attitude of the dismissed Ministers towards the trade union movement in British Guiana and of their association with the World Federation of Trades Unions, the Labour Opposition in the House of Commons would not be united in condemning the action which the Government had taken in this matter.

The Cabinet—
Took note of the Colonial Secretary's statements, and invited him to submit to the Prime Minister the draft of his proposed White Paper on the situation in British Guiana.
6. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (53) 212) proposing the closure of regional offices of Government Departments in Cambridge and Reading.

The Chancellor of the Exchequer said that in his view the closing of these Regional offices was an essential element in the Government's declared policy of making such changes in the organisation of Government Departments as would simplify administration and reduce costs. But in order to meet the difficulties of those Departments which could not readily fall in with his proposal he was prepared to defer closure until July 1954 and to agree that the Ministry of Labour might retain small staffs to handle industrial relations both in Cambridge and in Reading.

The Minister of Labour said that he was ready to examine in detail the staffing of his regional offices in both these towns with a view to their being reduced as much as possible. He must, however, insist on retaining in each Region a Controller with enough staff to handle both industrial relations and placing in employment, both of which functions called for close personal contacts with industrial firms.

The Minister of Housing said that in principle he attached great importance to the maintenance of those personal contacts between Civil Servants and local authorities and private individuals which were possible at the regional level. These contacts and the correspondingly close relations which existed in the regions between representatives of his Department and those of the Ministries of Labour and Works would be particularly valuable when private building came to be freed from control. He was, however, prepared to agree to the transfer of his regional staffs from Cambridge and Reading to London provided that they continued to be organised as regional offices and were not merged with the headquarters staffs.

The Minister of Works said that he desired to retain offices in both Cambridge and Reading in connection with the licensing of building work and the provision of services for other Government Departments. He also pointed out that the saving which was expected to accrue from the closure of regional offices in these two places would be offset by the need to hire alternative accommodation in London while retaining a lien upon the regional offices in Cambridge, which would be required in war.

The Lord President said that it seemed to him important to balance against the obvious need for every possible staff economy the desirability of decentralisation as a principle consistent with the general policy of the Conservative Party.

The Chancellor of the Exchequer said that he would try to work out in the light of the Cabinet's discussion a modified plan for effecting some measure of economy by a reorganisation of regional offices in Cambridge and Reading.

The Cabinet—

Took note that the Chancellor of the Exchequer would work out a modified plan for reorganising regional offices in Cambridge and Reading and would report the results to the Cabinet in due course.

7. The Cabinet had before them memoranda by the Minister of Food (C. (53) 271) and the Minister of Labour (C. (53) 276) on the changes in food prices which would be required to keep the total cost of food subsidies close to the limit of £220 millions which had been set for the current financial year.
The Chancellor of the Exchequer said that it would be unfortunate if the Government should fail to carry out their declared intention to restrict the total cost of food subsidies this year to £220 millions. To bring the total cost of the subsidies down to £223 millions would involve making the increases of food prices, yielding £35 millions, which were set out in paragraph 8 of C. (53) 271. He recognised that an increase in the price of bread would be open to serious objections and he was prepared to consider a solution on the lines of making only such price increases as would ensure that by the end of the financial year the subsidies were running at a rate equivalent to an annual total of £220 millions. The increases required under such a plan would be as follows:

- **Beef**: 2d. per pound from 1st December.
- **Milk**: Maintain present price of 7d. a pint.
- **Butter**: 4d. per pound from 1st November.
- **Cheese**: 2d. per pound from 1st November.

These changes would involve an increase of 0.63 in the cost-of-living index.

The Minister of Food said that the Chancellor's proposal would be acceptable to him, although he would have preferred that the Government should not for a third time fail to carry out their declared intention to reduce the price of milk.

The Minister of Labour said that even a rise of only 0.63 in the cost-of-living index in respect of food might have unfortunate effects on wage negotiations, particularly at this season of the year. Responsible trade union leaders were constantly emphasising the importance of keeping the cost-of-living index steady and particularly of avoiding increases in food prices, which led directly to pressure for higher wages. Employers had also made it clear that they could not reasonably be expected to resist wage claims if it could be shown that the price of food had increased. From the point of view of industrial relations, therefore, any further increases should be kept to a minimum and deferred for as long as possible.

The following further points were made in discussion:

(a) It was suggested that the increases in food prices proposed by the Chancellor might be put into operation in two separate stages. As against this, it was pointed out that the proposed increases in the prices of butter and cheese would have to be made in any event by May 1954 if the Government adhered to their present intention to de-control these commodities at that date. It was also suggested that the proposed price increases would not necessarily arouse less criticism if they were introduced gradually.

(b) Although it was true that considerable significance was attached to the cost-of-living index figures, the actual increases in weekly household expenditure on food which would be involved under the Chancellor's proposals would be trivial and it was relevant that in the current year there had been an increase of no less than £60 millions in expenditure on sweets alone.

(c) The food subsidies were, as conditions changed, becoming less a means of keeping down the price of food in the interests of consumers than a means of ensuring an adequate return to British farmers. It might well be desirable before long to make changes in the method of handling and presenting the subsidies which would bring this out more clearly.

The Cabinet—

(1) Agreed in principle that such increases should be made in food prices as would ensure that by the end of the current financial year the food subsidies were running at a rate equivalent to an annual total of £220 millions.
(2) Invited the Chancellor of the Exchequer, in consultation with
the Minister of Labour, the Minister of Food and other
Ministers concerned, to work out a plan for implementing
the decision recorded in Conclusion (1) above on the
general lines proposed by the Chancellor of the Exchequer
but with such modifications in detail and timing as might
be agreed upon.

Raw Cotton.
Importing and
Marketing.
(Previous
Reference:
C.C. (53) 35th
Conclusions,
Minute 6.)

8. The Cabinet considered a memorandum by the Minister of
Materials (C. (53) 278) recommending that Government purchase of
cotton through the Raw Cotton Commission should be discontinued
and that facilities should be given for the re-opening of the futures
market of the Liverpool Cotton Exchange.

The Minister of Materials said that the Government were
pledged to re-open the Liverpool cotton market, and the timing of
this operation had been under discussion with the cotton spinners
and the Liverpool Cotton Association for more than six months.
The industry confidently expected the Government to allow the
market to re-open in 1954. They were ready to assume full
responsibility for the purchase of cotton, and they were confident
that they could discharge this responsibility with success if the futures
market were re-opened. Meanwhile the Raw Cotton Commission,
whose operations in the previous year had resulted in a loss of
£27 millions, were losing the support and confidence of the trade.
Spinners were taking increasing advantage of their new opportunity
to buy their own cotton, and the Commission was now handling only
44 per cent. of total imports. The Chairman had declared his inten­
tion to resign; and, as the scope of the Commission’s activities
decreased, the more efficient members of the staff were beginning to
look elsewhere for their future employment. The Minister was
satisfied that it would not be possible to keep the Commission in
being, as an efficient organisation, for another year. It was certainly
undesirable to continue, if it could be avoided, the present practice
of providing through the Commission Government cover for the
private purchase of cotton by spinners; and this arrangement would
be brought to an end as soon as the futures market was re-opened.
It was true that, if the market were free, we should risk the loss of
up to £11 millions on our dollar balance of payments; but the
Minister considered that, despite this, the balance of advantage lay
on the side of discontinuing the present system of Government
purchase.

The Chancellor of the Exchequer said that he would prefer to
postpone this action for a further year. Though satisfactory progress
had been made in righting our adverse balance of payments, we had
not yet built up a substantial surplus; and other measures of de­
control on which we were now embarking, e.g., the abandonment
of the existing control over softwood, might increase our overseas
expenditure by £50 or £60 millions. Moreover, there was reason to
believe that a trade recession might soon develop in the United
States. This would have a serious adverse effect on our dollar balance
of payments; and, while this was threatening, he was reluctant to
abandon existing controls over our dollar expenditure. The abandon­
ment of too many import controls at this stage would put us in a
position in which commodities were convertible while our currency
remained non-convertible and our gold and dollar reserves were
inadequate.

The Cabinet were informed that the Foreign Secretary shared
the Chancellor’s anxiety on this point. He also feared that in a free
market spinners might buy American cotton in preference to
Brazilian cotton, with the result that Brazil would be unable to dis­
charge her trade debts to this country. If, however, the Minister was
satisfied that the Raw Cotton Commission could not be continued in efficient operation for another year he would be prepared to accept these risks.

In discussion it was argued that the freeing of this market would not necessarily result in a heavy loss on our dollar balance of payments. The price of cotton was now so high that there was little risk of purely speculative transactions. And the Liverpool Cotton Exchange expected to be able to restrain speculators from buying dollar cotton and selling it overseas. Moreover, after the first year, they would be able to apply some restraint on the purchase of American cotton. The risk of a trade recession in the United States was admitted; but in that event the price of American cotton would fall and, as trade slackened in this country, the volume of cotton imports would also decline. The members of the Liverpool Cotton Association had weighed very carefully the difficulties which they would encounter in re-opening the futures market, and they were confident that they could overcome them. If they were again denied the opportunity to go back into this business, they might well lose heart.

The Cabinet also recognised the great political advantages which they would gain by redeeming their pledge to re-open this market. They would thereby re-affirm their belief in the benefits accruing to the consumer from a system of buying and selling in a free market. They considered, however, that the conclusive argument in favour of the course proposed by the Minister of Materials was the difficulty of maintaining the Raw Cotton Commission in efficient operation for another year.

The Cabinet—

Agreed that the futures market of the Liverpool Cotton Exchange should be allowed to re-open in 1954; and invited the Minister of Materials and the President of the Board of Trade to arrange for the discontinuance of Government purchase of cotton through the Raw Cotton Commission.

9. The Prime Minister recalled that at their meeting on 6th October the Cabinet had agreed that the question of restoring the University franchise should be further considered in the light of the debate which was to have been held on this subject at the Party Conference at Margate. In the event, this matter had not been discussed at the Party Conference. He had, however, little doubt that, in view of the difficulties set out in the memorandum by the Home Secretary and the Secretary of State for Scotland (C. (53) 272), the Government would be ill-advised to attempt to carry out the pledge given at the last General Election to restore University representation in the House of Commons.

There was general agreement with the view expressed by the Prime Minister.

The Cabinet—

Decided to take no further action with a view to restoring University representation in the House of Commons.

10. The Chancellor of the Exchequer said that he was much gratified by the success of the operation for floating new Government loans which had been completed on 10th October. A total of £341 millions had been subscribed in cash for the new 3 per cent. Exchequer Stock 1962–63. And £552 millions of the 1¼ per cent. Serial Funding Stock 1953 had been converted, either into 1½ per cent. Serial Funding
Stock 1954 or into a new 2\(\frac{1}{2}\) per cent. Serial Funding Stock 1957. No less than £503 millions of this had been converted into the new 1957 stock. As a result only £25 millions of the 1953 stock remained to be paid off in November. It was gratifying to find so high a proportion of conversion, particularly into the later of the two stocks offered. And the new cash subscription would enable £341 millions to be applied to debt redemption. This would reduce the high level of Treasury Bill indebtedness. It would also tend to contract the liquid reserves of the clearing banks and so reinforce the Government’s credit policy.

The Cabinet—

Took note of this statement by the Chancellor of the Exchequer and invited him to convey to the Governor of the Bank of England an expression of the Cabinet’s appreciation of the success of this operation.

*Cabinet Office, S.W. 1,
13th October, 1953.*