CABINET

CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W. 1, on Friday, 15th February, 1957, at 11 a.m.

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister.

The Most Hon. The MARQUESS OF SALISBURY, Lord President of the Council (Items 1-3).

The Right Hon. PETER THORNEycroFT, M.P., Chancellor of the Exchequer.

The Right Hon. ALAN LENNOX-BOYD, M.P., Secretary of State for the Colonies.

The Right Hon. DUNCAN SANDYS, M.P., Minister of Defence.

The Right Hon. D. HEATHCOAT AMORY, M.P., Minister of Agriculture, Fisheries and Food.

The Right Hon. HENRY BROOKE, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs.

The Right Hon. LORD MILLS, Minister of Power.

The Right Hon. SELwyn LLOYD, Q.C., M.P., Secretary of State for Foreign Affairs.

The Right Hon. The EARL OF HOME, Secretary of State for Commonwealth Relations (Items 1-3).

The Right Hon. JOHN MACLAY, M.P., Secretary of State for Scotland.

The Right Hon. Sir DAVID ECCLES, M.P., President of the Board of Trade.

The Right Hon. IAIN MACLEOD, M.P., Minister of Labour and National Service.

The Right Hon. VISCOUNT HAILSHAM, Q.C., Minister of Education.

The Right Hon. HAROLD WATKINSON, M.P., Minister of Transport and Civil Aviation.

Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

The following were also present:

The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 4).


The Right Hon. DENNIS VOSPER, M.P., Minister of Health (Items 3–4).

The Right Hon. EDWARD HEATH, M.P., Parliamentary Secretary, Treasury.

Secretariat:

The Right Hon. SIR NORMAN BROOK.

Mr. B. ST. J. TREND.

Mr. H. O. HOOPER.

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1. The Cabinet had before them a memorandum by the Secretary of State for Scotland and the Minister of Housing (C. (57) 32) recommending certain changes in the provisions of the Rent Bill dealing with the decontrol of houses of higher value.

The Minister of Housing said that in its present form the Bill would deprive the tenants of these houses not merely of the advantage of a controlled rent but also of all security of tenure after a short period of notice. This had created disquiet among Government supporters and it had been represented that, because of the continued shortage of middle-class housing, the Bill should be amended to provide security of tenure for some period varying between three and seven years. While there was no justification, on economic or political grounds, for postponing the effective decontrol of these properties until after the next General Election, he shared the opinion of his predecessor that the present provisions of the Bill were unduly harsh. Landlords and tenants should be given more time and incentive to reach agreement on the conditions of new tenancies. This could be secured by increasing from six to fifteen months the period of notice to raise rents or to obtain possession, while providing that new tenancy agreements for terms of not less than three years might, if agreed between landlord and tenant, come into effect as soon as they were concluded. It was also proposed to prohibit the exaction of a premium for a new tenancy for a period of three years after the passage of the Bill.

The Minister of Defence supported these proposals. It was particularly important that it should be made illegal to require a premium, and that landlords should be required, in serving notice on their tenants, to inform them of their rights under the Bill.

In discussion the following points were made:

(a) It could be argued that a period of fifteen months’ notice was unduly generous; and that a period of one year would be both adequate in itself and a clear indication of the Government’s intention to adhere firmly to the main principles of the Bill. It was generally felt, however, that the proposed period of fifteen months should be accepted.

(b) It was undesirable that the tenants of houses which would be freed from control should revert to the excessive insecurity of a weekly tenancy, and the opportunity might be taken to provide for a minimum security of tenancy of, perhaps, three months.

The Minister of Housing said that this was a question which would arise primarily in relation to the houses of lower value as they were gradually released from control. In those cases the law relating to security of tenure might well be amended and brought up-to-date, and he proposed to discuss with the Lord Chancellor what action might be taken for this purpose.

(c) It was agreed that the balance of advantage lay in announcing the Government’s proposals and in tabling the necessary amendments to the Bill as soon as possible.

The Cabinet—

1. Approved the proposals in C. (57) 32.
2. Invited the Minister of Housing to settle, in consultation with the Chief Whip, the arrangements for announcing the Government’s intentions and for tabling the necessary amendments to the Rent Bill.
3. Invited the Minister of Housing to consult with the Lord Chancellor about the provision of greater security of tenure for tenants of rented houses.

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2. The Cabinet had before them a memorandum by the Minister of Agriculture (C. (57) 35) covering a schedule of changes in price guarantees and production grants designed to increase the total value of the guarantees by £8 millions.

The Minister of Agriculture said that he remained of the opinion that any settlement which awarded an increase of less than £15 millions in farm price guarantees would endanger the improved relations between the Government and the farmers which had been created by the new system of long-term guarantees. An increase of £15 millions would reflect a rise of no more than 1½ per cent, in the selling prices of farm products—a rise which was not out of scale with the price increases of non-agricultural commodities. In relation to the increases of £28 millions and £25 millions which had been conceded by the awards of the two previous years an increase of only £8 millions was unlikely to be acceptable to the farmers, especially since its distribution among commodities, as illustrated by the schedule to his memorandum, would not suffice to maintain profitability on any of the items in which an increase of production was desirable. If, therefore, the Cabinet adhered to their decision to limit the increase to £8 millions, he was strongly of the opinion that this offer should be made at the outset of the negotiations as a single figure and defended by reference, not to the increases which it would permit in the prices of individual commodities, but rather to the fact that in a year of acute financial stringency there was no case for a total increase greater than the minimum required by the new system of long-term guarantees.

The Chancellor of the Exchequer said that the farmers should recognise that, apart from the proposed increase of £8 millions, the cost to the Exchequer of the existing agricultural subsidies would in any case rise by £13 millions in 1957–58. In addition, the farmers would, in that year, benefit for the first time from the new system of capital grants, authorised at the rate of £5 millions per annum. On a conservative estimate, therefore, the farmers would receive about £24 millions more next year than in the current year. In view of this heavy additional burden on the Exchequer there was no case for granting an increase of more than £8 millions.

In discussion the following points were made:

(a) The difference between the minimum settlement and an offer of £15 millions was only some £7 millions. This would be a relatively small price to pay in order to retain the goodwill of the farming community, which would be alienated if the first price determination under the system of long-term guarantees conceded no more than the minimum. The Cabinet were informed that the Home Secretary considered that some modest increase above the figure of £8 millions might be desirable.

(b) Any improvement on the figure of £8 millions which it might become necessary to consider should be confined strictly to those commodities in which some increase in production was desirable. On the other hand, it could be argued that there was no agricultural commodity in which an increase of production above the current level might not, in terms of its effect on the balance of payments, do more harm than good. From this point of view a tariff on meat might well be preferable, and no less acceptable to the farmers, than any further increase in the subsidies to individual commodities beyond those implied in a total increase of £8 millions.

(c) The total of the guarantees and its distribution among different commodities were important to the small, rather than to the large, farmer. It was for consideration whether the greater part of the proposed increase of £8 millions should not be directed to the small farmer by relating payments to prescribed acreages of land or output of various types of product. This could, however, be represented as a device to subsidise inefficiency and to penalise the efficient and progressive farmer. It was important that the system of agricultural
subsidies should continue to be seen to be based on sound economic principles.

The Prime Minister, in summing up the discussion, said that the negotiations with the farmers should start on the basis that an increase of £8 millions not only discharged in full the Government's obligations under the system of long-term guarantees, but also represented a heavy burden on the Exchequer in a year of particular financial difficulty. If it became necessary to consider some further concession to the farmers, the Cabinet would need to decide whether to adjust the structure of the subsidy system in order to favour the small, rather than the large, farmer; or to permit, by reference to purely economic criteria, some relatively small modification in the prices of individual commodities implied by a total increase of £8 millions; or to impose a tariff on meat. Further consideration of these possible courses of action could wait upon the progress of the negotiations.

The Cabinet—

Invited the Minister of Agriculture to be guided, in his negotiations with the farmers, by the views expressed in their discussion.

Remuneration of Doctors.

(Previous Reference: C.C. (57) 3rd Conclusions, Minute 2.)

3. The Cabinet had before them a memorandum by the Secretary of State for Scotland and the Minister of Health (C. (57) 33) about the composition and terms of reference of the proposed Royal Commission on the pay of doctors and dentists in the National Health Service. They also had before them a memorandum by the Lord President (C. (57) 34) on the need for a corresponding review of the remuneration of doctors employed in research establishments.

The Minister of Health said that the dentists in the National Health Service had now followed the doctors in submitting a claim for an increase in pay of 24 per cent. He was due to resume discussions with the doctors' representatives on 20th February, and it was important that he should be able to inform them at that meeting of the Government's proposal to establish a Royal Commission.

The Lord President said that the advance of medical practice was largely dependent on the contributions made by research workers; yet for the latter, however brilliant, there was no system of distinction awards comparable with that which obtained in the National Health Service. As a result, the difference between the relative rewards of the two sides of the profession was now so great that it was becoming increasingly difficult to persuade the gifted man to devote himself to research. Although it might be impracticable to extend the scope of enquiry of the proposed Royal Commission to cover doctors engaged on research, it was important that some corresponding consideration should be given to their case. He intended therefore, after consultation with the Minister of Health, to circulate proposals on this subject.

In discussion of the proposed terms of reference of the Royal Commission it was suggested that, if the Commission were empowered to make recommendations about the principles which should govern the levels of remuneration of doctors and dentists by the National Health Service and by local authorities, the result might be to perpetuate the unfortunate consequences which had followed the Spens' Reports and the Danckwerits award. Moreover, it was undesirable that the Commission should also be authorised to recommend arrangements for bringing this remuneration under periodical review, since these arrangements might necessitate a regular re-examination of doctors' remuneration on the lines of the agricultural price review. It might be preferable that the Royal Commission should be required merely to make recommendations on
the appropriate level of remuneration for doctors and dentists in present circumstances, and to indicate in general terms how this remuneration might be kept under review.

Against this it was argued that there would be advantage in removing the question of doctors' pay from the field of political controversy. Moreover, the proposals were not likely to be acceptable to the doctors if the Royal Commission were not explicitly empowered to examine the principles which should determine their remuneration.

*The Chancellor of the Exchequer* said that the terms of reference should be drawn in a manner which would leave the Government's hands as free as possible for the future. He would like to give further consideration to them from this point of view.

In further discussion the following points were made:—

(a) The proposed terms of reference might be construed as precluding the Royal Commission from considering the relative levels of remuneration of the different branches of the medical profession engaged in the National Health Service. Consideration should be given to amending the terms of reference to enable this aspect of the matter to be brought under review.

(b) The appointment of a Chairman for the Royal Commission from the legal profession should not be excluded.

(c) *The Chancellor of the Exchequer* said that any improvement in the remuneration of research doctors would have repercussions on the pay of other research scientists and university teachers generally. He would need to give further consideration to this matter, in consultation with the Ministers concerned.

The Cabinet—

(1) Invited the Chancellor of the Exchequer, in consultation with the Secretary of State for Scotland and the Minister of Health, to give further consideration to the terms of reference for the proposed Royal Commission and to submit recommendations to the Prime Minister.

(2) Took note that the Prime Minister, in consultation with the Chancellor of the Exchequer and the Ministers concerned, would consider the composition of the proposed Royal Commission.

(3) Invited the Lord President, after consultation with the Chancellor of the Exchequer and the Minister of Health, to circulate proposals for reviewing the pay of doctors engaged on research.

4. The Cabinet had before them memoranda by the Chancellor of the Exchequer (C. (57) 31) and the Minister of Pensions and National Insurance (C. (57) 36) about the National Health Service.

*The Prime Minister* said that the Cabinet must now decide whether to abandon the attempt to achieve substantial economies in Government expenditure in 1957–58 or to adopt in principle the proposal that the National Health Service should be established on a contributory basis. On the latter hypothesis it would also be necessary to decide whether the necessary legislative and administrative action should be confined to the National Health Service alone or whether, for the reasons given in the memorandum by the Minister of Pensions (C. (57) 36), the opportunity should be taken to deal at the same time with the increase in both the contributions and the benefits of the National Insurance scheme.

* Previously recorded in a Confidential Annex.
In discussion there was general agreement that the National Health Service should be established on a contributory basis, the contribution being initially fixed at twice the figure of that element in the National Insurance contribution which was at present attributable to the National Health Service, i.e., at 1s. 8d. for an employed man over 18. It might be advisable that the legislation should empower the Government to make subsequent increases in this contribution by Order.

The Minister of Pensions said that in the light of the latest movement in the index of retail prices, the current value of the National Insurance retirement pension for a single person in terms of real purchasing power was now 1s. 8d. below its value in 1946 and 3s. 7d. below its value in 1955. Political pressure for an increase in National Insurance benefits was growing rapidly. If a new contribution was introduced for the National Health Service but was recorded, for administrative convenience, by means of the same stamp as the National Insurance contribution, the public would interpret this as increasing their liability under the National Insurance scheme without any compensating increase in their National Insurance benefits. The pressure for an increase in those benefits would be aggravated and the Government would lose the initiative if any increase in benefits which they subsequently decided to make on merits appeared to have been extracted from them by this pressure. It would be wiser, therefore, that the introduction of the new contribution to the National Health Service should be deferred to coincide with the increase in both contributions and benefits under the National Insurance scheme which would sooner or later become inevitable. The precise timing of the combined operation might be left to be settled in the light of movements in the cost-of-living index; and it might be possible to postpone the increase in National Insurance benefits until the next Session. In that case, any announcement in the near future about the Government's intentions for the National Health Service would need to be in general terms.

Discussion showed that the Cabinet, while appreciating the political force of the argument of the Minister of Pensions, considered that the need for a significant reduction in Government expenditure in the forthcoming Budget was the overriding consideration. The proposal to establish a separate contribution in respect of the National Health Service should therefore be announced forthwith, and the contribution should, if possible, come into effect well in advance of the probable increase in controlled rents in October.

The Chancellor of the Exchequer said that on this basis the new contribution might be expected to yield some £20 millions in 1957–58. In addition, he proposed that the charge for school meals should be increased to 1s.; that this increase should, if possible, be brought into effect forthwith by Order; and that the charge for welfare milk should be raised to 4d. (with a comparable charge for national dried milk), this increase taking effect as soon as possible notwithstanding the argument which could be advanced on agricultural grounds for deferring it until July.

The Cabinet—

(1) Agreed that the National Health Service should be established on a contributory basis, the contribution for an employed man over 18 being initially fixed at 1s. 8d.
(2) Agreed that the charge for school meals should be raised to 1s.
(3) Agreed that the charge for welfare milk should be raised from 11d. to 4d. (with a comparable charge for national dried milk).
(4) Invited the Chancellor of the Exchequer to arrange for the announcement of these measures at an early date and
5. The Minister of Defence said that, in accordance with the views expressed by the Cabinet, our forces in the Aden Protectorate were refraining from bombing from the air the Yemeni tribes who were shelling our positions from Yemen territory. They were now, however, being supplied with reinforcements of artillery, and it was important that they should be authorised to bring these guns into action, if necessary, against targets outside the Protectorate.

The Cabinet—

Agreed that, if Yemeni tribesmen continued to shell British positions in the Aden Protectorate, our forces should be authorised to reply with artillery fire against targets in Yemen territory.

Cabinet Office, S.W. 1,
13th February, 1957.