CABINET

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1, on Tuesday, 14th May, 1957, at 10:30 a.m.

Present:
The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister.
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 and Lord President of the Council.
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.
The Right Hon. VISCOUNT KILMUIR, Lord Chancellor.
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.
Mr. Dr. The Right Hon. CHARLES HILL, M.P., Chancellor of the Duchy of Lancaster.

The following were also present:
The Right Hon. JOHN HARE, M.P., Secretary of State for War (Item 2).
The Right Hon. JOHN BOYD-CARPENTER, M.P., Minister of Pensions and National Insurance (Item 3).
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 Foreign Secretary said that the Government of Jordan had recently made enquiries about our future contribution to the development programme in Jordan. The discussion of this subject would provide us with a convenient opportunity to renew our request that United Kingdom aircraft should be granted, on a reciprocal basis, flying rights over Jordanian territory. The fact that we had not formally enjoyed such rights under the previous Treaty should not prevent us from pressing a request which the Government of Jordan had privately indicated, at the time of the negotiations for the termination of the Treaty, that they would be prepared in principle to grant.

The Cabinet—

Invited the Foreign Secretary, in consultation with the Minister of Defence, to arrange that our request for flying rights over Jordan should be vigorously pressed during the forthcoming discussions of the Jordan development programme.

2. The Cabinet had before them a memorandum (C. (57) 118) by the Secretary of State for War about the future of the Home Guard.

The Secretary of State for War said that if the Home Guard was to be kept in active existence it would be necessary to spend about £100,000 on it in the current financial year and thereafter an annual amount of about £50,000. In existing circumstances this expenditure would not be justified. It was not, however, possible formally to disband the Home Guard without further legislation, and he therefore proposed to announce that its remaining activities must cease and that the first opportunity would be taken to introduce an amendment to the Home Guard Act which would enable the force to be formally disbanded now but to be raised again if need arose.

In discussion it was recognised that the disbandment of the Home Guard might not be well received by public opinion in this country and might reinforce the suspicion in other countries that we were dismantling our home defence organisation. Would it be wise to risk creating this impression for the sake of an economy of £50,000 a year? On the other hand it would be difficult to justify even modest additional expenditure on the Home Guard at a time when the Government were enforcing economies in more essential elements of defence policy. It would be preferable, however, to allow the Home Guard gradually to lapse rather than to bring it formally to an end by legislation, and further consideration should be given to the possibility of dispensing with legislation on the assumption that a minimum nucleus headquarters of the force might be kept in being. Pending further enquiry into this question no public statement should be made about the future role of the Home Guard.

The Cabinet—

(1) Invited the Secretary of State for War, in consultation with the Attorney-General, to consider whether the Home Guard might be allowed gradually to lapse, without amending legislation, on the understanding that a minimum nucleus headquarters might be kept in being.

(2) Agreed to resume their discussion at a subsequent meeting in the light of the result of the enquiry to be made under Conclusion (1) above.
3. The Prime Minister said that it would be necessary in the autumn to introduce legislation to increase the rate of retirement pensions. The Cabinet should consider whether this legislation should be confined to increasing the rates of contribution and benefit under the existing scheme or whether it should comprise more comprehensive proposals for major changes in the provision for old age. There were two reasons why a decision of principle between these alternatives must be taken now. First, if a major measure was to be introduced in the autumn, much preparatory work would be needed and should be put in hand without delay. Secondly, the Labour Party's plan for a new system of retirement pensions would be published within the next few days, and the Government's comment on it would depend, to some extent, on the question whether they intended themselves to introduce a comprehensive scheme of reform.

There were several arguments in favour of a comprehensive scheme. First, the existing scheme, based on flat-rate contributions and benefits, no longer satisfied public opinion, which was beginning to regard the higher paid worker as entitled to a more generous retirement pension than was possible under a flat-rate scheme. Moreover, one-third of the working population were already covered by occupational superannuation schemes, and those who did not enjoy this advantage were now demanding that comparable provision should be made for them. The emerging deficit in the National Insurance Fund, of which public opinion was becoming aware, reinforced the need for action. This deficit could be reduced if the Government introduced legislation limited to increasing both contributions and benefits under the existing scheme but raising the level of contributions by more than was required to finance the increase in benefits. But the relief would only be temporary, since the increase in benefits would aggravate the deficit in later years. A comprehensive reform, on the other hand, would provide an opportunity to mitigate the burden which the provision for old age would impose in future both on the Budget and on the economy as a whole. Finally, it would not be in the national interest that, in a General Election, the two political Parties should compete with one another in promises to improve old-age pensions. Nor could the Government expect to outbid their opponents in promises of this kind. It would be wiser, therefore, that they should deal with the problem during the life of the present Parliament and, at the Election, should stand on what they had done.

In the light of these considerations and after discussion with the Ministers directly concerned, he had reached the conclusion that it would not suffice to introduce legislation limited to increasing contributions and benefits under the existing scheme and that it would be preferable that the Government should introduce, in the next session, a more thoroughgoing measure of reform. The form which such a measure might take would need further consideration. It was possible to reject forthwith certain schemes to which there were obvious objections. For example, it would be politically unacceptable to attempt to make all retirement pensions subject to a means test or to exclude certain specified categories of beneficiary. Nor would it be possible in view of the pledge which the Government had given at the last General Election, to raise the retirement age under the existing scheme, although it did not altogether exclude the possibility of raising the retirement age as part of an entirely new scheme related to earnings. There still remained, however, a range of questions which would need detailed examination. Should a new scheme be erected on the basis of the existing occupational superannuation schemes, by making it compulsory for all employers to make provision of this kind for their workpeople as an addition to the existing flat-rate scheme? If so, what part should the life insurance companies play in this extension of occupational schemes; and could they properly operate under cover of a statutory compulsion on employers? How far need the
Government envisage providing an alternative method to meet the wishes of those employers and employees who might be reluctant that this service should be provided by private enterprise? How far could the existing flat-rate scheme be transformed into a scheme under which both contributions and benefits would be related to earnings?

Questions of this kind had already received some consideration by a small Ministerial Committee under the Chairmanship of the Minister of Labour. The Minister himself, however, had suggested that this Committee should be strengthened and enlarged; and it would be appropriate that it should now be reconstituted under the Chairmanship of the Home Secretary, the Minister of Labour acting as Deputy Chairman. The existing Committee of officials would continue its work under the direction of the new Ministerial Committee.

If the Cabinet endorsed these proposals in principle, it would be necessary to ensure that the public comment on the Labour Party's scheme by the Government and their supporters was consistent with the Government's intention to publish subsequently alternative proposals of their own.

In discussion there was general agreement that, on both economic and social grounds, a comprehensive reform of the provision for old age was to be preferred to a measure limited to increasing contributions and benefits under the existing scheme. The Labour Party's proposals were likely to be attractively presented, and Government spokesmen should neither criticise them too drastically nor appear to be anxious to try to compete with their appeal. It would be relevant, however, to emphasise that they would impose a heavy additional burden on contributors; and the life insurance companies, whose interests would be threatened by the scheme, should not be discouraged from criticising it. A scheme of graduated benefits related to earnings, of the type which the Prime Minister had outlined, might be less attractive politically than the proposals which the Labour Party were about to publish. On the other hand, it probably represented the only means of attracting the measure of personal saving which was essential if the financing of the provision for old age was not to place an insupportable burden upon the economy. Failure to solve this problem would probably be the main weakness in the Labour Party's proposals; and it would be important to ensure that the general public recognise this from the outset. In the formulation of the Government's alternative scheme it would be wise to take account of the fact that public opinion was concerned, not merely to increase the income of old people, but also to allow them to lead fuller and more active lives. This conception should be reflected in the Government's own proposals, which should emphasise the scope for further useful work by people who had passed the conventional age of retirement.

The Cabinet—

Took note that the Prime Minister would arrange for further examination to be made, as a matter of urgency, of the possibility of drawing up a comprehensive scheme of reform of the provision for old age, with a view to the introduction of legislation in the following session.

Oil Supplies.

4. The Cabinet considered the draft of a Parliamentary announcement that, as a result of the conclusion of interim arrangements for the resumption of traffic through the Suez Canal, petrol rationing would be brought to an end on the following day. The Cabinet were informed that new ration books, which were being printed as a precautionary measure, would be available in six weeks and that, even if supplies of oil through the Suez Canal were again interrupted, stocks should make it possible to defer the reimposition
of rationing for a period of about ten weeks. It was agreed that, in these circumstances, there was no need for the statement to refer to the possibility that rationing might have to be reimposed or to warn the public to retain the current issue of ration books. The position could, if necessary, be explained in answer to supplementary questions.

The Cabinet—

Authorised the Minister of Power to make a statement in the House of Lords that day, in the terms agreed in their discussion, announcing the end of petrol rationing, and to arrange for the Paymaster-General to make a corresponding announcement in the House of Commons.

5. The Cabinet had before them memoranda by the President of the Board of Trade (C. (57) 112) and the Secretary of State for Scotland (C. (57) 116) about the Development Areas.

The President of the Board of Trade said that, in the light of recent Reports on the Development Areas by the Select Committee on Estimates, the Economic Policy Committee had decided that the time had come to adopt a more flexible policy. It was proposed to remove eight districts from the schedule of Development Areas including, in addition to those listed in C. (57) 112, South Lancashire, but to add North-West Wales to the schedule in view of the chronic unemployment in that district. These changes would reduce from 18 per cent. to about 11 per cent. the proportion of the employed population which would henceforward be comprised in Development Areas, and would redefine on a more realistic basis those parts of the country which could properly be described as being in special danger of unemployment. The Government's intentions should be announced forthwith, in order that the necessary consultations might proceed with the local authorities of the areas affected. Suitable arrangements would subsequently need to be made for the control and management of Government-owned factories in areas removed from the schedule; and amending legislation would also be required.

The Secretary of State for Scotland said that a primary purpose of the Housing and Town Development (Scotland) Bill which was now before Parliament was to make effective provision for encouraging the dispersal of Glasgow's surplus population among neighbouring areas, including North Ayrshire. Glasgow itself would continue to be scheduled as a Development Area; but it was essential to the success of the policy of dispersal that the whole area comprising Glasgow and its environs should be treated as a single economic unit, and the Government would be exposed to the charge of inconsistency if, while asking North Ayrshire to prepare to receive a large part of the surplus population of Glasgow, they simultaneously debarred the area from any possibility of assistance under the Distribution of Industry Acts. In these circumstances, North Ayrshire should be omitted from the list of areas which it was proposed to de-schedule.

Discussion showed that, while the Cabinet appreciated the arguments of principle in favour of adopting a more flexible policy towards the distribution of industry, opinion was divided on the desirability of proceeding with controversial legislation on this subject at the present time. It was true that the present pattern of Development Areas could not be maintained indefinitely. It reflected the circumstances of a period in which there had been prolonged unemployment in the basic industries; and, as these industries were now finding it difficult to obtain adequate manpower, the de-scheduling of certain Development Areas could be represented as evidence of the success of the Government's measures in promoting greater stability and a higher level of employment in those areas. In Wales, the present was an opportune moment for
removing South-East Wales from the schedule, if North-West Wales could be added to it.

Against this, however, it was argued that the advantages associated with the status of Development Areas had been largely instrumental in restoring confidence to districts which had suffered from severe unemployment before the war, and there was a danger that this achievement would be jeopardised by action which public opinion in the areas concerned might not fully understand. Moreover, the degree of Government assistance to the Development Areas had been substantially reduced in recent years: and it was for consideration whether the objective of a more flexible policy on the distribution of industry could not be achieved by a gradual continuation of this process without any formal amendment of the schedule. Finally, it was advisable that the Government should have determined what dispositions it would be practicable and desirable to make for the future of the Government-owned factories in the Development Areas before making any public statement of policy or committing themselves to legislation which it would, in any event, be difficult to accommodate in the programme for the 1957-58 session.

The Prime Minister, summing up the discussion, said that, while the proposals under consideration might be capable of being presented in a politically attractive form, the memory of the unemployment in the years before the war still persisted, and public opinion could be expected to be abnormally sensitive to any comprehensive reduction in the schedule of Development Areas. Moreover, before reaching a decision the Cabinet should consider the practical implications of the course proposed, in the shape of a programme which covered all the stages of the action to be taken and examined both the question of providing for the future of Government-owned factories and the scope and nature of any legislation involved.

The Cabinet—

Invited the President of the Board of Trade, in consultation with the Home Secretary and the Chancellor of the Exchequer, to submit for their consideration revised proposals, on the lines indicated in their discussion, for future policy towards the Development Areas.

6. The Cabinet had before them a memorandum by the Foreign Secretary (C. (57) 101) about the status of the representative of the Vatican in the United Kingdom.

The Foreign Secretary said that, while the United Kingdom Minister at the Vatican enjoyed full diplomatic status, the Vatican representative in London did not. But, although it would be logical to accord reciprocity in this matter, such a step might cause political repercussions in some parts of this country and provoke a revival of the type of religious controversy which had died down in recent years. On balance, he thought it would be inexpedient to make any change, particularly since there appeared to be no considerable public support for it.

Discussion showed that the Cabinet were in agreement with this view.

The Cabinet—

Agreed that it would be inexpedient to respond favourably, at the present time, to representations that the representative of the Vatican in the United Kingdom should be accorded diplomatic status.

Cabinet Office, S.W. 1.
14th May, 1957.