CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Tuesday, 1st August, 1961, at 11 a.m.

Present:

The Right Hon. Harold Macmillan, M.P., Prime Minister
The Right Hon. R. A. Butler, M.P., Secretary of State for the Home Department
The Right Hon. Selwyn Lloyd, Q.C., M.P., Chancellor of the Exchequer
The Right Hon. Viscount Hailsham, Q.C., Lord President of the Council and Minister for Science
The Right Hon. Duncan Sandys, M.P., Secretary of State for Commonwealth Relations
The Right Hon. Harold Watkinson, M.P., Minister of Defence
The Right Hon. Sir David Eccles, M.P., Minister of Education
The Right Hon. Lord Mills, Postmaster-General
The Right Hon. John Hare, M.P., Minister of Labour
The Right Hon. Ernest Marples, M.P., Minister of Transport
The Right Hon. J. Enoch Powell, M.P., Minister of Health (Item 5)
The Right Hon. Lord John Hope, M.P., Minister of Works (Item 2)
The Right Hon. Sir Reginald Manningham-Buller, Q.C., M.P., Attorney-General (Items 2–4)

The following were also present:

The Right Hon. Richard Wood, M.P., Minister of Power (Items 5–6)
The Right Hon. Reginald Bevins, M.P., Postmaster-General (Item 5)
The Right Hon. Martin Redmayne, M.P., Parliamentary Secretary, Treasury

Secretariat:
The Right Hon. Sir Norman Brook
Mr. F. A. Bishop
Mr. M. Reed
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1. The Foreign Secretary said that the Afro-Asian countries were pressing for a special meeting of the General Assembly of the United Nations to discuss their resolution on Bizerta. The French would be under strong pressure on this in the Assembly. They had not, however, shown any anxiety to concert a line on it with their Allies: they seemed determined to handle the situation on their own.

2. The Cabinet had before them a memorandum by the Home Secretary (C. (61) 125) about an application from the organisers of the movement for nuclear disarmament for permission to hold a demonstration in Trafalgar Square on Sunday, 17th September.

The Home Secretary said that experience of the previous activities of this organisation suggested that it was their intention on this occasion also to obstruct the public highway by sitting down and declining to move if challenged by the police. At a similar demonstration earlier in the year over 800 arrests had been made and a repetition on an even larger scale would throw an unacceptable strain on the police. He therefore proposed in agreement with the Minister of Works that the application should be refused.

In discussion some misgivings were expressed on the ground that refusal would amount to an interference with the traditional rights of freedom of assembly and freedom of speech. No application from an organisation for the use of Trafalgar Square had been refused (except when the Square had already been booked) since 1916, when permission had been refused for a demonstration against continuing the war. On the present occasion the grant of permission on condition that the demonstrators did not break the law would certainly be ineffective.

The fact that the Royal Air Force Association were already planning to hold a procession in the neighbourhood of Trafalgar Square on the same day had nevertheless to be taken into account. The danger of consequent public disorder was a sufficient justification for refusing the present application, although it would be preferable to offer no reasons for the refusal. If, however, it were possible to obtain evidence, as distinct from a presumption, of a definite intention on the part of the organisers to commit breaches of the law, the Government would be in a stronger position to refuse any application they might make for the use of Trafalgar Square on an alternative date. It might even be appropriate to apply to a magistrate, under an Act of 1361, to require the organisers to show cause why they should not be bound over to keep the peace.

The Cabinet—

(1) Invited the Minister of Works to refuse the application for the use of Trafalgar Square for a demonstration in favour of nuclear disarmament on Sunday, 17th September.

(2) Invited the Attorney-General in consultation with the Home Secretary, to assess such evidence as could be obtained of the precise intentions of the organisers of the proposed demonstration.

3. The Cabinet were informed of the business to be taken in the House of Commons in the week beginning 24th October, when Parliament would re-assemble after the summer recess.
4. The Home Secretary said that, following the judgment of the Election Court that Lord Stansgate was a Peer at the time of the recent by-election in Bristol, South-East, and that his election to the House of Commons was therefore invalid, Mr. Malcolm St. Clair, his opponent in the by-election, had taken his seat in the House of Commons on the previous day. Mr. St. Clair's position was an uneasy one and he had been considering the possibility of applying for the Chiltern Hundreds.

In discussion it was generally agreed that it would be against the interests of the electors in Bristol, South-East, that Mr. St. Clair should apply for the Chiltern Hundreds unless and until an undertaking could be obtained from Lord Stansgate that he would not stand in the ensuing by-election. It was most unlikely that such an undertaking could be obtained, especially since even the judgment of the Election Court would not enable the Returning Officer to refuse the nomination of Lord Stansgate. There would, however, be advantage in Mr. St. Clair's publishing an early statement to the effect that he intended to resign his seat if Lord Stansgate gave the undertaking.

In further discussion the Cabinet were reminded that there would not now be time for a debate in the present Session on the appointment of a Joint Select Committee on reform of the House of Lords. The complexity of the subject made it desirable that a thorough enquiry should be held before negotiation was introduced to enable a Peerage to be renounced. The enquiry might be more acceptable to certain sections of opinion in the House of Lords if the terms of reference approved by the Cabinet at their meeting on 25th April were made somewhat narrower.

The Cabinet—

(1) Invited the Attorney-General to prepare a draft statement, for publication by Mr. Malcolm St. Clair, of his intention to apply for the Chiltern Hundreds if and when an undertaking was given by Lord Stansgate that he would not stand in the ensuing by-election

(2) Invited the Home Secretary to give further consideration, in the light of their discussion, to the date on which the statement contemplated in Conclusion (1) might most appropriately be issued.

(3) Invited the Home Secretary to consider further, in the light of their discussion, the terms of reference of a Joint Select Committee on reform of the House of Lords.

5. The Cabinet had before them a memorandum by the Chancellor of the Exchequer (C. (61) 123) covering a record of the decisions on public expenditure which he had reached with the particular Ministers concerned, as a basis for the statement on the economic situation which he had made to Parliament on 25th July.

The Chancellor of the Exchequer said that officials would now proceed with a stringent re-examination of public expenditure in 1961-62 to see what savings could be made. They had also been asked to report by 13th October on what was likely to be involved in carrying out the announced objective of containing supply expenditure in 1962-63 within 21 per cent. in real terms of the Estimates for 1961-62, and they had been asked to report by 20th October on the plan for public expenditure up to 1965-66.

The Prime Minister said that this paper dealt only with internal expenditure. In addition he had issued a directive on 28th July on the need to reduce Government expenditure overseas. The objective was to reduce that expenditure to an annual rate of £400 millions. Economic aid would have to be restricted to about £180 millions a
year. Military expenditure overseas would have to be substantially reduced, and for this purpose a general review of defence commitments had been initiated. The Departments concerned would consider means of reducing expenditure on diplomatic, administrative and information services overseas by 10 per cent., and the Financial Secretary, Treasury, would submit a report on this by the end of September.

The Cabinet—

(1) Took note with approval of C. (61) 123.
(2) Took note of the directive issued by the Prime Minister on Government expenditure overseas.

Housing Policy

6. The Cabinet had before them a memorandum by the Paymaster-General (C. (61) 121) reporting the conclusions of a Committee of the Ministers principally concerned which had enquired into the means of meeting the future housing needs of Birmingham and other congested towns in the West Midlands.

The Paymaster-General said that within the boundaries of Birmingham itself, where one-fifth of the population were still living in slums, nearly all the available land had already been used and, unless sites could be found elsewhere, slum clearance would come virtually to a halt in 1964. After considering a number of alternatives, the Committee proposed that the local authorities of Redditch, Worcester and Daventry should be encouraged to undertake town expansions there; that 600 acres of the Birmingham green belt should be released for housing at Wythall; and that, since these schemes together would not suffice, a new town should be provided in addition. The site provisionally proposed for the new town was at Dawley in Shropshire, a derelict area of old mineworkings, but further investigation would be needed before it could be finally established that this site was physically practicable. These proposals taken together would meet the housing needs of Birmingham and the West Midlands for the next 20 years.

The Chancellor of the Exchequer said that he recognised that a new town was the only feasible means of relieving Birmingham. When, however, the time came for a final decision as between Dawley and an alternative site considered by the Committee at Swynnerton in Staffordshire, it must not be overlooked that both the capital and running costs of a new town at Dawley would be materially greater than at Swynnerton.

Discussion showed that the proposals put forward by the Committee were generally acceptable to the Cabinet. On planning and financial grounds, Swynnerton would have been the preferable site for a new town but there were serious industrial and agricultural objections to its use. It was suggested that a new town at Dawley would compete with the development districts for the transfer of industry from Birmingham and the West Midlands. There were, however, many small firms in the area which could not be transferred to the development districts but could move to Dawley; and it should be possible to prevent firms which could reasonably be transferred to a development district from going instead to Dawley. As the Government had already announced that they were considering the establishment of a new town at Dawley and that a survey of the area was to be undertaken, there was no need for any further announcement until the survey had been completed towards the end of the year.
The Cabinet—

(1) Invited the Minister of Housing to approve the building of houses for Birmingham on 600 acres at Wythall and to urge the local authorities concerned to proceed as rapidly as possible with town expansions at Redditch, Worcester and Daventry.

(2) Agreed in principle that a new town should be established for the relief of Birmingham.

(3) Invited the Minister of Housing to proceed with a detailed investigation of the practicability of establishing a new town at Dawley and to bring this question before them again in due course.

7. The Cabinet had before them a memorandum by the Lord President (C. (61) 122) on the import of bacon from Poland.

The Lord President said that the Economic Policy Committee had considered a proposal by the President of the Board of Trade that we should conclude an arrangement with the Poles under which they would buy, on five years’ credit, three ships and some heavy motor vehicles, to a total value of £5 millions, on condition that they were granted additional quotas of 3,000 tons of bacon and £200,000 worth of canned ham over and above their existing quotas under the annual trade agreement of 48,500 tons of bacon and £1.7 millions of canned ham. It was an essential part of the bargain that these additional quotas would be continued for several years, to provide Polish earnings sufficient to liquidate the cost of their purchases of ships and lorries.

Apart from the political importance of extending trade with Poland, there were strong commercial arguments for accepting the proposed arrangement. It would provide a new and possibly expanding market for ships and lorries, which might be of particular benefit to industry in Northern Ireland and Scotland. The additional quota for bacon would amount to less than 1 per cent. of our consumption, and the additional imports from Poland would tend to displace other bacon imports rather than domestic production. On the other hand, while the Minister of Agriculture would be prepared to agree that the existing quotas for bacon and canned ham should be increased by the amounts proposed for the current year, if this would secure the Polish contracts for ships and lorries, a continuing commitment to import these increased quantities for six or seven years would be unacceptable, in view of the effect on other suppliers and on the domestic producer.

The Minister of Agriculture said that an undertaking to continue the quotas for these additional quantities of bacon and canned ham would make it impossible in practice to reduce the existing quotas over the next few years. It would thus amount to a long-term guarantee to accept 31,500 tons of Polish bacon, since the Polish authorities would not hesitate to sell the full amount on the British market even if the price were uneconomic. Imports of Polish bacon of this order would lead to unacceptable repercussions on other overseas suppliers, since Danish and Dutch production was likely to rise, as well as on British producers of pigmeat. Unless we retained freedom to limit supplies from overseas, it was likely that the subsidy cost to the Exchequer would rise from the present level of about £20 millions a year to the former level of some £40 millions a year. Since we could not impose quantitative limitations on the other main sources of supply from abroad, any restriction must in practice fall on Poland. Moreover, a long-term commitment of the kind proposed would present special difficulties at a time when we were likely to become involved in negotiations with the European Economic Community about a common agricultural policy.
The President of the Board of Trade suggested that the proposed arrangement could be considered on its merits apart from the quotas for bacon and canned ham which were fixed under the annual trade agreement with Poland. It would not in any case be possible to reduce the current quota of 48,500 tons of Polish bacon within the next few years without serious damage to our commercial relations with Poland, and to accept the additional quota now proposed would not in practice involve any further limitation on our freedom of negotiation with other countries.

The Minister of Aviation said that if it were decided to accept an arrangement on the lines proposed, there would be advantage in urging the Polish authorities to include aircraft in their purchase of our capital goods.

In further discussion it was pointed out that, while it was of great importance to increase exports, it would not on balance be worth doing so if the result were a substantial and disproportionate addition to the burden of Exchequer support for agriculture. It seemed highly probable that British and European farmers would increase their pigmeat production in the near future. Some accommodation over bacon supplies would be bound to be a major feature of the negotiations which were now likely to take place between the United Kingdom and other members of the European Free Trade Association and the European Economic Community. It was the view of the Cabinet, on balance, that to accept the additional quotas on the longer term basis now proposed would make it more difficult to adjust quotas under the annual trade agreement with Poland, and that this might well reduce our freedom of action in any negotiations arising out of our application to join the Treaty of Rome. It would therefore be necessary to decline the arrangement which the Polish authorities had proposed.

The Cabinet—
Agreed that it would be inexpedient to pursue the proposal, outlined in C. (61) 122, for the sale of British capital goods in exchange for an additional long-term quota for Polish bacon and canned ham.

8. The Chancellor of the Exchequer said that, at a meeting with representatives of the local authorities later in the day, he would seek to impress upon them the need for carrying out the policy for containing wage increases which he had outlined in the statement on the economic situation which he had made to Parliament on 25th July. In explaining that increases in income should not precede or outstrip national productivity, he proposed to say that in the field of public employment, including local government services, it would be necessary to ensure that account would be taken in future of the Government's views on whether there could be an increase and, if so, how much could be justified in the national interest. In view of the great variety of procedures for wage negotiation in public employment, no uniform approach could be followed, but he would express the hope that discussions with the local authority associations about this problem could take place in the autumn.

The Minister of Housing said that it would be preferable that the statement proposed by the Chancellor of the Exchequer should be on the basis that the Government wished to establish a common front with the local authority associations in this matter. This approach, at least in those cases in which the Government had no statutory power to intervene in negotiations in the field of local government, was likely, in his judgment, to be the most acceptable to local authorities generally.
The Cabinet—
Invited the Chancellor of the Exchequer to consult the Minister of Housing on the precise terms in which he would explain to the local authorities' representatives the Government's policy for containing wage increases.