CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Thursday, 7th December, 1961, at 10.30 a.m.

Present:
The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister
The Right Hon. HENRY BROOKE, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. IAIN MACLEOD, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. JOHN HARE, M.P., Minister of Labour
Dr. The Right Hon. CHARLES HILL, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food

The following were also present:
The Right Hon. JULIAN AMERY, M.P., Secretary of State for Air (Item 2)
The Right Hon. REGINALD BEVINS, M.P., Postmaster-General (Items 3-5)
The Right Hon. Sir REGINALD MANNINGHAM-BULLER, Q.C., M.P., Attorney-General (Item 2)

Secretariat:
The Right Hon. Sir NORMAN BROOK
Mr. A. L. M. CARY
Mr. J. H. WADDELL
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1. The Cabinet were informed of the business to be taken in the House of Commons in the following week.
Parliament would be adjourned for the Christmas recess on 21st December and would re-assemble on 23rd January.

Before the House of Commons rose for the recess time would probably have to be found for two general debates, one on foreign affairs and the other on the economic situation.

2. The Cabinet were informed that the Committee of 100 were planning to stage on 9th December demonstrations against the use of bases in this country by the United States Strategic Air Force.

Large numbers of demonstrators were intending to present themselves on that day at the United States Headquarters at Ruislip and at the air stations at Wethersfield and Brize Norton. There was a risk that serious incidents might occur, especially if the demonstrators tried to interfere with aircraft armed with nuclear bombs or with the bomb stores.

The Secretary of State for Air said that no great difficulty was likely to arise at Ruislip, which was an administrative headquarters. At the two air stations elaborate precautions had been taken, in consultation with the United States authorities. It had been agreed that the Royal Air Force should be responsible for guarding the perimeter fence, and large numbers of the Royal Air Force Regiment would be deployed for this purpose. If any of the demonstrators succeeded in gaining access to the airfield, forceful action (including the use of fire hoses and police dogs) would be taken to prevent them from approaching bombed-up aircraft or bomb stores. It was only if they attempted to interfere with these that United States personnel would be directly involved; and it was hoped that the Royal Air Force Regiment would be able to prevent that situation from arising.

The Attorney-General said that these installations were prohibited places under the Official Secrets Act, and the demonstrations planned by the Committee of 100 would therefore involve offences under the Act. As a result of searches made by the police on the previous day at the headquarters of the Committee and at the homes of some of its leading members, evidence might become available which would warrant the immediate arrest of some of the main organisers of the demonstrations on charges of conspiracy to commit those offences. In addition, he had advised the local police that he would be ready to authorise proceedings under the Act against persons who tried to force their way into these air stations; and he hoped that, with this knowledge, the police might be able to arrest some of the ringleaders at an early stage in the demonstrations.

Notices drawing attention to the provisions of the Act had been prominently displayed around the perimeter fences.

In discussion the following points were made:

(a) It would be made plain, in the course of the reply to a Private Notice Question in the House of Commons that afternoon, that these demonstrations would involve offences under the Official Secrets Act.

(b) The United States Ambassador in London had undertaken to see that the officers in charge of the United States squadrons at these two air stations were aware of the political dangers of any direct clash between their men and the demonstrators.

(c) It would be useful if loudspeaker vans could be made available on the airfields to assist in controlling the movements of any persons who might succeed in gaining access to them.
Many of the demonstrators were to travel to London by motor-buses. It might be possible to prevent this, either by warning the owners of the ‘buses that they would be contributing to the commission of offences under the Official Secrets Act or by dispersing the ‘buses from their pre-arranged assembly points in London.

The Cabinet—

(1) Took note of the arrangements for containing the demonstrations which were to be made on 9th December at Ruislip, Wethersfield and Brize Norton.

(2) Invited the Home Secretary and the Minister of Transport to consider what steps could be taken to discourage the ‘bus companies concerned from transporting persons intending to take part in these demonstrations.

The Cabinet had before them three alternative drafts of statements to the employers’ side of the National Joint Council for Local Authorities’ Fire Brigades. The first related to a settlement from 8th December, the second to a settlement from 1st January and the third to a settlement from 1st January with the addition of a reference to the withholding of general grant.

The Prime Minister said that a settlement from 8th December would have to be justified on the ground that the settlement for London and Middlesex which would date from 13th July had created an obligation to award consequential increases elsewhere, that the gap between 13th July and 8th December was substantial and that it would not be reasonable to expect the men to wait longer. The advantage of 1st January was that it was consistent with awards already made in the Wages Council field in which there had been an element of pre-pause commitment. The advantage of including a reference to the general grant was that the grant was available as a sanction by which the Government might impose their views on the local authorities and they would be expected to invoke it.

The following points were made in discussion:

(a) A settlement on 8th December would be bound to have repercussions on other claims now pending, since it could not be represented as flowing exclusively from the pre-pause commitment. It should for this reason be rejected.

(b) The view was reaffirmed that 1st February need not be considered as an alternative date. There would be little money to be saved by a month’s postponement, and the date had no significance in itself. The only practicable alternative date to 1st January would be 2nd April. This, however, had been used for awards into which no pre-pause element had entered and would for that reason do less than justice to the firemen’s case.

(c) To withhold general grant would involve London and Middlesex as well as the other counties and might result in a greater burden on rate-payers and the injection of the argument into local politics. Nevertheless the threat should be used. It would be taken as a sign of weakness on the Government’s part if it were not used. Moreover, it was possible that without this threat the employers might settle for 30th October.

The Cabinet then considered the draft of a statement based on a settlement date of 1st January, with the inclusion of a reference to general grant, and agreed that their views should be transmitted to the employers’ side of the National Joint Council in the following terms:

"The Government recognise that the offer made by the local authorities to firemen in London and Middlesex on 13th July implies an element of pre-pause commitment also to
improve the pay of firemen in the rest of the country. In certain other cases, however, where there was some pre-pause commitment, it has been thought right that the increases should run from 1st January, 1962. This course has been followed in Wages Council awards.

It will be clear from this that any settlement for the firemen outside London and Middlesex which was related to a date earlier than 1st January could not be regarded as justified by the existence of commitments entered into before 25th July and would have to be considered as a breach of the Government’s policy on the wages pause. The Government believe that the maintenance of this policy is essential to the national economy.

If therefore the Joint Council proceed to make a settlement related to a date earlier than 1st January, the Government will feel obliged to make it publicly plain that this was contrary to the view of the national interest which they had placed before the Council. They also feel obliged to make it plain that the local authorities must not proceed on the assumption that there would be an increase in the general grant in respect of the additional amount involved if an earlier date for settlement were chosen."

The Cabinet then considered what publicity should be given to this statement of their views. They agreed that, if the meeting of the National Joint Council on the following day resulted in an adjournment, nothing need be said on behalf of the Government. If the employers accepted the Government’s views and were able to secure a settlement from 1st January, it should be made known that the Government had given the advice indicated in the first paragraph of the statement. If the employers settled for an earlier date, the Government’s statement should be published in full.

The Cabinet—

(1) Agreed that a statement in the terms set out above should be transmitted to the Secretary of the employers’ side of the National Joint Council for Local Authorities’ Fire Brigades.

(2) Agreed that if the Joint Council reached a settlement related to a date earlier than 1st January, 1962, the text of this statement should be published in full simultaneously with any announcement issued by the Joint Council.

Wages Policy

4. The Cabinet had before them memoranda by the Chancellor of the Exchequer (C. (61) 202) and the Minister of Transport (C. (61) 207) and a note by the Secretary of the Cabinet (C. (61) 205) covering a draft statement prepared by officials on a policy for wages, salaries and other incomes.

The Chancellor of the Exchequer said that there seemed to be general agreement that he should make an early statement, even if only an interim one, about the future of the policy of ensuring a pause in increases of wages and salaries. The policy in its present form was likely to be eroded by wage settlements already made or due to be made in the next few months, and some expression of the Government’s view on the longer-term now seemed to be urgently needed. There was also general agreement that it would be impracticable to establish legal control over wages, profits, dividends and prices, and that any new policy would require the support of
public opinion and the respect of both sides of industry if it were to succeed.

The report by officials (Annex A of C. (61) 205) proposed that the Government should provide, possibly in a White Paper, a “guiding light” which would be their view of the average rate of increase of total money incomes per head which was consistent with a healthy and competitive economy; and that as a counterpart the Government should undertake to keep aggregate profits from increasing out of proportion to aggregate pay over a period of years. The report suggested that over the next two or three years the admissible average rate of increase in incomes might be put at 2½ per cent. An alternative would be to issue this kind of guidance in terms not of percentage increases but of money. If this approach were adopted, the statement might forecast a total growth of about £700 millions within the coming year, of which about £500 millions might be available for increases in wages and salaries.

In view of the need for consultation with both sides of industry, it would not be possible to make a full statement on long-term policy for some time. The content of any interim statement (which might have to be made in a Supply debate on 18th December) would have to be determined in the light of the view taken by his colleagues about long-term policy.

Discussion confirmed that there was general agreement in the Cabinet on the importance of an early statement. There were, however, differences of view about the nature of the long-term policy to be adopted. The proposal for a “guiding light” was open to the objections that the percentage given would tend to be regarded as the minimum in all negotiations; that employers, particularly in areas where labour was scarce, would find means of supplementing negotiated rates; that, every time an award was made in excess of the average, the Government would have to face the criticism that their policy was being frustrated; and that, even if agreement could be reached with representatives of the Trades Union Congress, this would not be binding on individual unions. Some Ministers were inclined to think that the “guiding light” would be quite ineffective and to conclude that the best method of securing control over incomes would be to adopt deflationary policies and expose industry to greater competition. Restriction on home demand would help to keep prices down, would limit profits and would make employers less disposed to tolerate high levels of earnings. Other Ministers felt, however, that a solution on these lines would be politically impracticable as involving higher unemployment, higher taxation and damage to economic growth.

It was argued, on the other hand, that further delay in announcing a long-term policy would damage the reputation of the Government. The use by trade unions of their organised strength to obtain more than their fair share of the national income was widely resented, and the “guiding light” should have the effect of bringing public opinion to bear on both sides of industry to exercise restraint. Even if the policy were only partially effective it would produce better results than any other which had been suggested. Some of the objections could be met by adopting the arithmetical rather than the percentage approach, and the policy might carry greater conviction with work-people if it were made plain that the Government attached importance to maintaining comparability as a basis for remuneration in the public services and would give first attention to remediating the injustices which the policy of the pause had produced.

In further discussion the following main points were made:

(a) It would be desirable, in order to secure the operation of both sides of industry, to relate the proposed interim statement to conditions to be expected in 1962. This would avoid prejudicing the discussions which would soon have to start on long-term policy.
Any statement of long-term policy should include reference to the effect on total earnings of the willingness of employers in areas where labour was scarce to supplement rates which had been nationally agreed. There were some areas and some parts of the economy which were far from fully stretched; and it would be desirable that any deflationary measures which might have to be taken should not bear as hard on such areas as on the rest.

(c) There was strong feeling in the trade union movement that the injustices of the pause were its most unwelcome feature, and it might be useful in preliminary discussion with the General Secretary of the Trades Union Congress to lay special stress on the Government's awareness of this point.

(d) Although exhortation had been tried before, it need not be regarded as wholly ineffective. The problem was to educate opinion and constant publicity would be required for that purpose.

(e) If a full exposition of long-term policy had to be made while the Trades Union Congress were still considering whether to co-operate in the National Economic Development Council, some trade union elements might be strengthened in their reluctance to co-operate in this. It should, however, be possible to present to Parliament and the public the basic material provided in the report by officials and to indicate that the problems raised by this material were already the subject of consultation with the other interests concerned. There might be some presentational gain if the statement of policy could be made about the same time as any announcement of the Government's decisions on public expenditure.

(f) It would be necessary for the Government to make clear their intention to recover, by taxation or other means, the amounts by which awards actually made exceeded in any given period the levels laid down.

The Prime Minister, summing up the discussion, said that on a long view the most important requirement was to establish the proposed new organisation for economic planning. Discussions to that end would take time and to avoid prejudicing them incomes policy should not be presented in terms which might lead employers and work-people to think that the main purpose of the organisation was to secure restraint in wage claims. An agreed policy on incomes could only be expected to grow from co-operation on other economic problems. Similarly, while an incomes policy might in time be expressed in percentage terms, it might be better at the outset to rely on estimates of economic growth expressed in money terms. In spite of inflation, there had in recent years been substantial growth in real incomes and it should be stressed in public that the aim for the future should be to increase production and promote economic growth; this was the main and the constructive object of the machinery now to be created. The only alternative would be the adoption of a fully-regimented economy. A purely deflationary policy would not meet the needs of the situation. Deflationary measures, such as an increased budget surplus, could make a contribution; but these should, as far as possible, be made selective in their impact, so that more unemployment was not created in those areas of the country and in those parts of the economy where the pressure of demand was least.

The Cabinet--

Invited the Chancellor of the Exchequer to give further consideration, in the light of their discussion, to the form of a statement on long-term policy on wages, salaries and other incomes.
5. The Minister of Transport said that the British Transport Commission would shortly have to deal with a substantial wages claim from the railway unions which had been with them since 23rd November. The Chairman's present view was that, when he had to reply, he should offer a 6 per cent. increase to date from 2nd April. The Minister of Transport said that he would regard this offer as reasonable; the fact that the money would have to be raised from taxation was an argument for delaying the effective date until 2nd April.

The Chancellor of the Exchequer said that he and the Minister of Transport were due to meet the Chairman of the Commission that afternoon. It might be helpful to the Cabinet to have further knowledge of his views before taking a decision. As no date for reply had yet been set there was no objection to a slight delay.

The Cabinet

Agreed to resume their discussion of this question at an early meeting.

Cabinet Office, S.W.1,
7th December, 1961.