CABINET

CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W. 1, on Thursday, 1st March, 1962, at 11.30 a.m

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister (Items 1–3)
The Right Hon. R. A. BUTLER, M.P., Secretary of State for the Home Department (in the Chair for Item 4)
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. JOHN MACLAY, M.P., Secretary of State for Scotland

The Right Hon. IAIN MACLEOD, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. SIR DAVID ECCLES, M.P., Minister of Education
The Right Hon. LORD MILLS, Minister without Portfolio
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

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The Right Hon. REGINALD BEVINS, M.P., Postmaster-General (Item 2)

The following were also present:

The Right Hon. HENRY BROOKE, M.P., Chief Secretary to the Treasury and Paymaster-General
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The Right Hon. FREDERICK ERROLL, M.P., President of the Board of Trade

The Right Hon. PETER THORNEYCROFT, M.P., Minister of Aviation
The Right Hon. JOHN HARE, M.P., Minister of Labour
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal

The Right Hon. ERNEST MARPLES, M.P., Minister of Transport

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.

The Cabinet also took note that the Chancellor of the Exchequer would open his Budget on Monday, 9th April.

2. The Cabinet had before them a memorandum by the Postmaster-General (C. (62) 36) proposing the publication of a White Paper on a Post Office giro system.

_The Postmaster-General_ said that at their previous discussion the Cabinet had invited the Chancellor of the Exchequer to obtain the views of the Bank of England on the proposal to introduce a Post Office giro system. These had now been received. The Bank of England had repeated the argument, previously advanced by the clearing banks, that an extension of existing banking facilities for credit transfer could do all that a Post Office giro system could be expected to do. It was, however, clear that the Bank of England itself had some doubt whether the clearing banks would in fact extend their facilities in this way without the spur which discussion of a Post Office giro system might be expected to provide. He therefore remained in favour of publishing a White Paper setting out the results of the study made by officials into the possibility of a Post Office giro system. This would indicate the advantages which such a system would offer to wage-earners, but its publication would not commit the Government to introduce the system.

In discussion the following points were made:

(a) A wider use of credit transfer facilities would encourage personal savings, and would also lessen the dangers inherent in the present arrangements by which wage-earners were so largely paid in cash. It seemed unlikely that the clearing banks would move as fast as necessary in this direction unless some pressure was brought to bear on them. The publication of a White Paper on a Post Office giro system would be useful for this purpose.

(b) On the other hand, if such a White Paper were published, there would be a demand for discussion in Parliament; and, if the subject were debated, it would be difficult for the Government to avoid taking a definite line. It might be better, if the White Paper were published, for it to be accompanied by a clear statement that the Government did not in present circumstances intend to introduce a Post Office giro system. This, however, might have the effect of reducing the pressure on the clearing banks to improve their present facilities.

(c) A further possibility would be to publish a more general statement discussing the problem of providing facilities for credit transfer for wage-earners and setting out the various methods of meeting it, including those now in use in Europe. A description of a Post Office giro system could find its natural place in such a document.

(d) If a Post Office giro system were introduced, the clearing banks might feel obliged to introduce a rival system of their own. This would involve duplication of staff and waste of resources; the capital cost of introducing a Post Office giro system was at present estimated at £4 million spread over five years.

The Cabinet—

Invited the Chief Secretary, Treasury, in consultation with the Postmaster-General, to consider the publication later in the year of a White Paper dealing with the general problem of credit transfer facilities for wage-earners and describing the various possible methods of providing such facilities, including a Post Office giro system.
3. The Cabinet had before them telegrams from Washington (Nos. 630, 631 and 632 of 27th February) reporting that President Kennedy had now been advised by his National Security Council that it was desirable on military grounds that the United States should undertake, at Christmas Island and elsewhere, a series of nuclear tests in the atmosphere, starting on 15th April. President Kennedy, in a personal message to the Prime Minister (Washington telegram No. 631), had said that he was now satisfied that it was necessary to conduct this test series, for the reasons which they had discussed at their meeting in Bermuda. He had also concluded that it would be preferable to announce this decision before the Disarmament Conference opened in Geneva. He had therefore proposed to announce, in a broadcast statement on the evening of 1st March, that the United States would start this series of atmospheric tests on 15th April, unless in the meanwhile an international agreement for the cessation of nuclear tests had been concluded. To this message the Prime Minister had sent on the previous evening a reply (Foreign Office telegram No. 1798 to Washington) asking that no announcement should be made before 2nd or 3rd March; proposing that the start of the test series should be deferred until 1st June (the date by which the Disarmament Conference was due to report to the United Nations) or at least until 3rd May, so as to give more time for the negotiation of an international agreement for the cessation of nuclear tests; and suggesting certain changes in the form of the announcement. In a further message received that morning, the President had said that he would defer his announcement until the evening of 2nd March; that, instead of giving the definite date of 15th April, he would say that the test series would begin in the second half of April; and that he would consider the points of presentation made in the latter part of the Prime Minister’s message.

The Prime Minister suggested that the Cabinet should first consider the question of substance—whether they were ready to support this United States decision to carry out a further series of tests in the atmosphere. He had discussed this at a meeting attended by the Foreign Secretary, the Minister of Defence and scientific advisers from the Ministry of Defence and the Atomic Energy Authority and, in the light of the views expressed by the technical advisers, he was himself satisfied that the proposed series of tests could be defended within the terms of the statement which he had made in the House of Commons on 31st October, 1961. The Minister of Defence said that, while he regretted the necessity of further testing, he also considered that this series could be justified on military grounds. There was now no doubt that the Russians were making great efforts to evolve an anti-missile missile, and the Western Powers could not afford to be outdistanced in this by the Russians. Though there was room for argument on the technical level, a broad political case could be made for this test series. The Foreign Secretary concurred in this view.

There was general agreement in the Cabinet that in these circumstances the United Kingdom could support a United States decision to conduct this further series of nuclear tests.

The Cabinet then turned to the question of timing. It was generally agreed that, if these tests were to be held within the next few months, the balance of advantage lay in announcing this before the opening of the Disarmament Conference. There was, however, some difference of view about the need to state at this stage that the tests would be started before the end of April. Some Ministers felt that this would prejudice the prospects of making satisfactory progress at the Disarmament Conference. Some also felt that the mention of any date would give the impression of an ultimatum to the Russians, whose reaction might well be that they must decline to negotiate under threat. On the other hand it was pointed out that six months had passed since the Russians began their last series of
tests and that, if further Western tests were justified on military grounds, these should not be delayed for much longer. Moreover, the Russians had themselves carried out tests while still negotiating on disarmament, and it was known that they were still conducting certain nuclear tests underground. Three years had been spent in elaborating a draft international agreement for the cessation of nuclear tests; and there would be no difficulty in concluding this agreement in a matter of weeks, if the Russians were willing to do so. Without some kind of time limit they would not be brought to a point of decision.

On this question the Cabinet’s conclusion was that, while it would be inexpedient to press President Kennedy to defer the start of this test series beyond the end of April, he might be asked to phrase his announcement in terms less likely to give the impression of an ultimatum or threat.

The Cabinet—

(1) Agreed that the Government could support the United States decision to conduct this further series of nuclear tests in the atmosphere, as falling within the terms of the statement made by the Prime Minister in the House of Commons on 3rd October, 1961.

(2) Took note that, in communicating this decision to President Kennedy, the Prime Minister would suggest that the public announcement should be so framed as to avoid the impression of presenting an ultimatum to the Soviet Government.

(3) Took note that the United States decision would be announced on the evening of 2nd March, and that the Prime Minister would arrange for a statement to be issued in London on the morning of 3rd March to make it plain that this decision had been taken after consultation with the United Kingdom Government.

(4) Invited the Prime Minister to make a formal announcement in the House of Commons on 5th March; and took note that this could be debated in the course of the debate on the Defense White Paper which was in any event to be held on 5th and 6th March.

4. The Cabinet had before them a memorandum by the Home Secretary (C. (62) 38) on university expansion and the salaries of university teachers.

The Home Secretary recalled that, when they had previously discussed university salaries, the Cabinet had been informed that if approval could not be given for substantial increases the expansion programme put forward by the University Grants Committee (U.G.C.) might have to be revised. The Committee on Education Policy had subsequently examined both questions. They had concluded in regard to university expansion, that it would be inadvisable to seek to reduce the number of student places below the 150,000 proposed by the U.G.C. for 1966–67 but that savings could be obtained in other ways which would reduce the total public expenditure on the universities in 1966–67 from £165 million to around £155 million. On salaries, their majority view was that because of the overriding importance of securing restraint in incomes in 1962 the most that could be offered to university teachers was an increase of 3 per cent. effective from 1st April. An undertaking could however be given that university salaries would be reviewed again in the light of all the circumstances in the spring of 1963.
The Chief Secretary, Treasury, said that he had reluctantly come to the conclusion that the Government’s incomes policy would be seriously jeopardised if an increase of more than 3 per cent were made in this field, which was wholly within the Government’s own control. If the increase were so limited, the Government would be open to attack for inconsistency in their treatment of different branches of the teaching profession and for jeopardising the expansion of the universities. He thought, however, that responsible opinion in the universities would accept the proposed 3 per cent increase in the hope that the further review in 1963 would result in larger increases.

The Lord President said that he could not accept the arguments on which the proposed 3 per cent increase was based. University teachers would, on that footing, be subjected to a form of selective comparison. They would not be given the same treatment as other teachers, including those in the Colleges of Advanced Technology, who had been awarded substantial increases, but would be held to the same small increase as had been considered appropriate for railwaymen. The true comparison ought to be with other branches of their own profession. He considered that substantial increases were called for, not on compatibility grounds, but because without them there would be no prospect of recruiting teaching staff adequate in number and quality to carry through the university expansion programme required to meet the country’s needs. It would not be difficult to convince public opinion that an exception from the pay pause should be made in favour of university teachers, not only because of the importance of university expansion, but because there was an element of pre-pause commitment—for, if the Government had not dissuaded them, the U.G.C. would have presented their claim on behalf of university staffs before the introduction of the wages pause.

Discussion showed that there was general agreement in the Cabinet that the expansion proposals of the U.G.C. should be accepted. On the salaries issue, which presented the Government with a difficult choice between endangering their incomes policy and putting at risk the expansion of the universities, it was pointed out that the universities appeared so far to be obtaining a reasonable share of trained graduates and that, if salary increases of the order of 8 or 9 per cent were offered to university teachers at this stage in the pay pause, there would be great difficulty in dissuading employers in the private sector from offering similarly large increases. The review in 1963 would show whether recruitment was in fact being affected adversely by the limited increases in salaries. It was also suggested that the universities might find the limitation less disagreeable if they could be given slightly more generous treatment in regard to certain non-staff costs on which the Treasury would shortly be in discussion with the U.G.C.

The general view of the Cabinet was that, despite the considerations advanced by the Lord President, it would be less damaging to the national interest if the increases this year were limited to 3 per cent. The Cabinet recognised that the increase which might be called for in the following year might be large and that the policy to be adopted at that stage would have to be considered carefully in advance.

The Cabinet—

Approved the proposals in C. (62) 38 about university expansion and the salaries of university teachers; and took note that the Chief Secretary, Treasury, would arrange for their decisions to be announced in Parliament.

Cabinet Office, S.W.1,
1st March, 1962.

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