CONCLUSIONS of a Meeting of the Cabinet held at Admiralty House, S.W.1, on Monday, 29th October, 1962, at 10.30 a.m.

Present:

The Right Hon. HAROLD MACMILLAN, M.P., Prime Minister
The Right Hon. R. A. BUTLER, M.P., First Secretary of State
The Right Hon. VISCONT HAILSHAM, Q.C., Lord President of the Council and Minister for Science
The Right Hon. REGINALD MAULDING, M.P., Chancellor of the Exchequer
The Right Hon. DUNCAN SANDYS, M.P., Secretary of State for Commonwealth Relations and Secretary of State for the Colonies
The Right Hon. PETER THORNEYCROFT, M.P., Minister of Defence
The Right Hon. EDWARD HEATH, M.P., Lord Privy Seal
The Right Hon. CHRISTOPHER SOAMES, M.P., Minister of Agriculture, Fisheries and Food
The Right Hon. JOHN BOYD-CARPENTER, M.P., Chief Secretary to the Treasury and Paymaster General
The Right Hon. J. ENOCH POWELL, M.P., Minister of Health
The Right Hon. Sir KEITH JOSEPH, M.P., Minister of Housing and Local Government and Minister for Welsh Affairs
The Right Hon. THE EARL OF HOME, Secretary of State for Foreign Affairs
The Right Hon. LORD DILHORNE, Lord Chancellor
The Right Hon. HENRY BROOKE, M.P., Secretary of State for the Home Department
The Right Hon. IAIN MACLEOD, M.P., Chancellor of the Duchy of Lancaster
The Right Hon. JOHN HARE, M.P., Minister of Labour
The Right Hon. ERNEST MARPLES, M.P., Minister of Transport
The Right Hon. FREDERICK ERROLL, M.P., President of the Board of Trade
The Right Hon. MICHAEL NOBLE, M.P., Secretary of State for Scotland
The Right Hon. Sir EDWARD BOYLE, M.P., Minister of Education
The Right Hon. WILLIAM DEEDES, M.P., Minister without Portfolio

The following were also present:

The Right Hon. GEOFFREY RIPPON, M.P., Minister of Public Building and Works (Item 4)

Secretariat:
Mr. A. L. M. CARY
Mr. J. H. WADDELL
Mr. P. R. BALDWIN

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## Contents

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Queen's Speech on the Opening of Parliament</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Cuba</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Europe Common Market Negotiations</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Population and Employment</td>
<td>6</td>
</tr>
</tbody>
</table>
The Queen's Speech on the Opening of Parliament
(Previous References: C.C. (62) 60th Conclusions, Minute 2, and C.C. (62) 61st Conclusions, Minute 3)

1. The Cabinet considered the reference to Cuba in the draft of The Queen's Speech on the Opening of Parliament. Amendments were approved which took into account the undertaking given by the Soviet Government that the offensive missiles introduced into Cuba would be dismantled under the supervision of the United Nations.

The Cabinet also approved the text of an additional paragraph referring to the invasion of Indian territory by Chinese armies.

The Cabinet—
(1) Approved new passages on Cuba and India for inclusion in The Queen's Speech on the Opening of Parliament.
(2) Took note that the Prime Minister would submit these amendments for The Queen's approval.

2. The Prime Minister said that during the preceding days he had been in close consultation with President Kennedy about the development of the Cuban situation. In retrospect it was evident that the President had played his hand with great skill; he had in fact turned the usual Communist methods against themselves by observing to the full the proprieties of international consultation, e.g., in the United Nations, but by showing at the same time an unwavering determination to attain his objective of securing the removal of the offensive missiles from Cuba, with the implication that he would not shrink from the use of force in the last resort. He had also dealt effectively with the pressures which had been brought to bear upon him within the United States, where a strong body of opinion had been calling for violent measures. President Kennedy had steered a difficult course between being driven into a premature use of force and appearing to waver in his determination. While reluctant to authorise an invasion of Cuba, he had shown great firmness in continuing to make preparations for it.

So far as relations with the United Kingdom were concerned, both President Kennedy and his advisers had shown themselves ready to ask for and to consider advice. This had been done quite informally without commitment on either side.

The Prime Minister said that it would clearly have been wrong for him, at any stage in the situation as it had developed, to have offered himself as a mediator; this would have meant a withdrawal from the position, in which we had supported President Kennedy, that no discussions could take place until the missiles had been withdrawn. He had, however, in the concluding stages judged it right to send a message to Mr. Khrushchev making clear our support of the United States position in this respect. It was unfortunate that this message had been delivered in Moscow at about the time that Mr. Khrushchev despatched and gave publicity to his final decision to withdraw the missiles under United Nations supervision. This sharpened the political dilemma in which the Government now found themselves. In fact we had played an active and helpful part in bringing matters to their present conclusion, but in public little had been said and the impression had been created that we had been playing a purely passive role. It would not be easy to correct this without revealing the degree of informal consultation which had taken place; but this might be embarrassing to President Kennedy and perhaps an irritation to other European leaders. The point would need to be further considered.

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* Previously recorded in a Confidential Annex.
SECRET

On the situation itself the Prime Minister said that he felt there were now three tasks facing the Government; to present the course of events, and the Government's part in them, to public opinion; to identify the lessons to be learned from the negotiations both between the Allies and with the Soviet Government; and to consider how those lessons might be applied for the future.

The Foreign Secretary said that if the United States had attacked Cuba there could be little doubt that the Soviet Government would have reacted in Berlin. There would then have been a real and immediate risk of nuclear war. In the public presentation of recent events it would be important to avoid engendering over-optimism. It would be necessary to point out that both the major Communist Powers—Russia and China—had moved simultaneously to improve their strategic position, with the admitted difference that the Russians no longer believed in the inevitability of world war. The free world would have to take account of the fact that the Communist Powers had deliberately engaged in a policy of deception to further their strategic designs; and this underlined the need for measures of international verification to be included in any agreement on disarmament, whether nuclear or conventional. A particular danger here was that the sense of relief engendered by the solution of the Cuban crisis might lead to demands for the elimination of nuclear weapons as the first stage of any disarmament plan. The West could not accept this, since it would leave a clear field to the massive conventional superiority of the Communist Powers: at all stages of any disarmament plan nuclear and conventional disarmament would have to be considered together. An agreement on missile bases would also present difficulty, since all the Russian bases of any importance were on their own soil. In short it would be necessary to point out realistically that the chances of international agreement on major issues had not been improved, but might have become worse because the West had more reason to be suspicious of Communist professions of good faith. The situation would of course be transformed if, on the basis of the Cuban precedent, the Soviet Government were now to accept the principle of verification on a wider front.

In discussion the following points were made:

(a) The fact that Cuba would remain a Communist country close to the American mainland might not be a disadvantage. In some ways it presented a parallel to Berlin, with much the same opportunities for the exercise of diplomatic and economic pressure. The fact that Mr. Khrushchev had not reacted in Berlin during the last week was in itself curious: it might perhaps indicate that the Soviet Government were not as confident of their position as they had appeared to be. It was known that the Soviet economy had been under strain.

(b) It would be important to avoid allowing the impression to gain ground that Mr. Khrushchev was now to be regarded as a trustworthy man of peace. There was no reason to think that his character or ambitions had altered. If the Cuban affair were seen in perspective, it appeared that he had brought the world to the brink of war, and had lost his nerve at the last moment. There was nothing in this on which to build great hopes for the future. Nevertheless, it was true that on this occasion the free world was entitled to enjoy a sense of relief without a sense of surrender: nothing had been given up and the mistake had not been made of feeding the aggressor's ambition by yielding to his demands little by little. Against this background the next step would be critical: the situation could not be allowed to rest where it was; perhaps an early initiative on the banning of nuclear tests might be considered apart from and in advance of any general move on disarmament.

(c) The content of the speech which the Prime Minister would be making on 30th October would need careful thought. It was

SECRET
important to avoid the impression that the Government had been passive and that their attitude to these events had been purely negative. There might be no harm in leaving somewhat vague the degree of consultation which had taken place; for public opinion would be more interested in future developments than in the details of past negotiations. The initiative which the Government had finally taken in sending a message to Mr. Khrushchev, reinforcing President Kennedy's stand, had been the right one in the circumstances and it was unfortunate that it had been overtaken by events. One fact which might be emphasised with advantage was the degree to which the North Atlantic Alliance had maintained its cohesion under severe pressure.

The Cabinet—

(1) Took note of these statements by the Prime Minister and by the Foreign Secretary.

(2) Took note that the Prime Minister in preparing the speech which he was due to make in Parliament on 30th October would take account of the points made in their discussion.

3. The Lord Privy Seal informed the Cabinet of the present state of the negotiations for membership of the European Economic Community.

During the Ministerial meetings which had concluded on 27th October there had been discussions about transitional arrangements for domestic agriculture, about the requests made on behalf of India and Pakistan for early comprehensive trade agreements and for suspension of the common external tariff on textiles and manufactured goods imported into the United Kingdom, and about nil tariffs for newsprint and aluminium. Little progress had been made. Ministers would meet again on 15th November to discuss temperate and processed foodstuffs from the Commonwealth and the financial regulation. There would be a further meeting on 29th November, when discussion of domestic agriculture would be resumed. But it seemed likely that by that time the negotiations would have reached deadlock on several points.

In the discussion of domestic agriculture it had become clear that the Six feared the effect on agricultural opinion in their own countries if our system of deficiency payments were allowed to continue, even in modified form, after our accession. For this reason, and because low consumer prices here would enable French farmers to export to us without subsidies, there had been heavy pressure for replacement of deficiency payments by a system of consumer subsidies. This would last for only a few years, and there were the strongest political objections to it in the United Kingdom. The extreme position adopted by the Six on this basic question suggested that serious difficulties would be encountered in securing acceptable regulations on other agricultural matters not yet discussed and in amending those arrangements on which the Six had already reached agreement among themselves.

It had been agreed that negotiations for comprehensive trade agreements would be begun within three months of our accession, but the Six had refused to consider suspending the common external tariff on textile and manufactured exports from India and Pakistan to the United Kingdom during the period of negotiation. The offer made by the Six on nine items of interest to India and Pakistan for which nil tariffs had been requested had been unsatisfactory, and their attitude about nil tariffs for newsprint and aluminium had been hardly more forthcoming, although there was some prospect of
progress on aluminium. It had been necessary to say plainly that the offers made did not provide a satisfactory basis for negotiation.

In discussion the following points were raised:

(a) The hardening in the attitude of the Six was influenced by their belief that it was now open to them to force up the price of our membership. The French were showing themselves particularly difficult and there was no immediate sign of any relaxation in that quarter.

(b) The French felt themselves in difficulties about the undertaking given on 5th August to devise a special arrangement for New Zealand. It would not be easy, although of course it remained essential, to ensure that satisfactory effect would be given to that undertaking.

(c) From the standpoint of the Government's relations with domestic agricultural interests, it was no disadvantage that such a firm position had had to be adopted against consumer subsidies. It would, however, be helpful to Ministers to have information about the line which would be taken by the Minister of Agriculture in the speeches he would shortly be making in agricultural areas.

The Cabinet—

Took note of the statement by the Lord Privy Seal and of the points raised in their discussion.

4. The Cabinet resumed their discussion of memoranda by the Home Secretary (C. (62) 157 and 158) reporting on the work so far done by the Committee on Population and Employment and discussing proposals for checking the growth of offices in big cities.

The Home Secretary said that, while there were differences of view between Ministers, these should not be exaggerated. All members of his Committee had agreed that there could be no question of reversing the trend towards more concentration of the population in the South-East. The problem was rather to devise means by which the Government could canalise that and other trends so as to create better conditions for economic growth and at the same time produce social advantages. An instance from the past was the development of new towns, which had been successful politically, financially, economically and socially. Existing policies for the distribution of industry were designed, as it were, to soak up pools of unemployment. This was satisfactory as far as it went, but somewhat negative. In an age when the National Economic Development Council would be devising plans for greater economic growth, there was a case for trying positively to bring about, by taking Government action in good time, the kind of location of population and industry that would bring the greatest benefit to the lives of people generally. The Committee's effort had been directed to finding constructive policies to this end, and the differences of view between Ministers had been conditioned by their agreement on that common objective.

The Prime Minister said that discussion in Cabinet had shown that great changes would be taking place in the next two decades in the pattern of population and industry. He would like to present them to his colleagues in the wider context of the modernisation of Britain. This had many aspects. First, there was the question whether the present machinery of Ministerial Government was suitable for the conditions of to-day and the coming years. The burden on Ministers was becoming almost intolerably heavy, not merely in meeting the requirements of consultation as the basis for the collective responsibility of the Cabinet, but also in taking the
growing volume of decisions which their Departments and the public expected them to take personally, and in facing the daily barrage of the Press, radio and television. Members of Parliament generally were under similar pressures in meeting the demands of their constituencies. At the same time, the procedures of Parliament were designed for a less busy age. There were many Bills which had to come before Parliament, which were important and difficult in themselves, and absorbed a great deal of Parliamentary time, but were not concerned with matters of general policy or national interest. An abortive attempt had been made under the Labour Administration immediately after the last war to modernise Parliamentary procedure. It might be time for a new attempt. The Government should perhaps work out a plan to modernise their own machinery and that of Parliament, and seize the initiative in demonstrating that changes must be made to help the country to operate successfully in modern conditions.

Secondly, he agreed that, in seeking a solution of the problem of population and employment, the choice did not lie simply between laissez faire and dirigisme. There was also the alternative of pragmatic compromise which was in line with the broad approach which the present Administration had inherited from their predecessors. It was clear that the Government should not attempt to reverse trends deriving from such fundamental forces as were drawing population towards the South-East. Merely to continue the policies embodied in the Local Employment Act, 1960, would not be enough, however, and positive action was required to build up growing points. These should take account of social and political requirements. It was out of the question to allow Scotland or the North-East or any large area to be abandoned to decay. The remedy did not lie in trying to preserve each individual community which had grown up for reasons long since irrelevant to modern conditions, such as a cotton town whose location depended originally on the presence of water power to drive a water wheel. More imaginative changes and developments were required. The Highlands of Scotland, which had been the playground of the rich in the last century, might be developed into the playground of the masses, like the National Parks of North America. But the industrial belt in Scotland must remain industrial, in a modern and constructive form.

It would be a mistake to think only in terms of entirely new communities. Ford's of Dagenham contrasted with Vauxhall's at Luton to show the dangers of bringing people together into localities where no tradition of common social interest existed, where there was no diversity of employment and where the relationship of employee to employer was as remote as any between the workers in a nationalised industry and its management.

Thirdly, the pattern of industry itself must be considered. During the war industry in this country had been geared to war production, and the production of everyday consumer goods had been curtailed. After the war there was enormous unsatisfied demand and a seller's market which to some extent obscured the need for industrial change. This was further masked by the extent to which advantages in technology had tended to flow from the defence programmes. If disarmament became a reality there would be an immense problem in substituting civil development and technology for the contributions made hitherto by the defence industries. The problem of industrial change tended at present to be viewed in terms of declining industries, such as the railways and shipbuilding. It was to these that the Government gave most attention. It was important to put equal effort, investment and research into the industries that should grow in their place. The Commonwealth Prime Ministers' Meeting had underlined the need for advanced nations, such as Britain, to
concentrate increasingly on the more sophisticated manufactures so as to leave room for the developing nations to supply the market for the simpler manufactured products.

The Government should also consider whether the financial basis for Britain’s exporting industries was satisfactory. Much had been done to improve the system of export credits, but he wondered whether the City and the merchant bankers were playing the part required of them in developing exports in the longer term, and in building up the markets on which those exports depended.

The new Minister of Public Building and Works had been given particular responsibility for re-organising the construction industry, in which there was a prospect of radical and speedy improvement. The development of British agriculture was another instance of the results of a positive policy achieved by the intensive application of science and technology as well as by investment in the industry itself. It was necessary to consider how the Government could be organised to promote the same kind of positive and constructive changes in industry generally.

The Prime Minister said that, while he recognised that the problem of office employment in London was a special one, he did not altogether like the proposal that it should be tackled by restrictive measures such as the imposition of a new tax or the tightening of planning restriction. It was hardly consistent to couple measures which might obstruct redevelopment with the projected Shops and Offices Bill, which would require improvements to be made in a great deal of existing office building. Given a city in which more and more work was being created in the centre and homes had to be built further and further out beyond the Green Belt, it was certainly right to encourage firms to reduce their staffs in central London to the minimum and, if possible, to create more housing in the inner areas. The Government ought to give a lead themselves by dispersing more Government offices. On the other hand, they ought perhaps also to consider radical new measures to replace decaying areas of housing with modern metropolitan development within London itself on the scale of a new town.

Generally, he would like to see each of these matters looked at, not from the standpoint of what the Government should prevent, but rather of what they should do. This should be the central principle of a coherent body of doctrine, a blueprint for the modernisation of Britain, which should guide the Government’s policies for the future. The studies which the Committee on Population and Employment had put in hand would clearly be valuable in this context. As an earnest of their determination to carry through a complete plan of modernisation, the Government should aim at implementing the first elements in such a plan in the life of the present Parliament.

In the meantime it was necessary to make progress on the specific issues which the Cabinet had been invited to decide, namely, whether to invite the Chancellor of the Exchequer to consider a tax on offices, and whether to amend the Third Schedule to the Town and Country Planning Act, 1947, so that there would no longer be any liability to pay compensation if permission were refused for the redevelopment of pre-war offices to provide more than 10 per cent additional floor space. The Chancellor of the Exchequer should begin his examination of the former proposal immediately and, together with the Home Secretary, should give further consideration to the latter. He himself would consider further what arrangements he should make for the development of the general principles he had put forward into specific and concrete proposals.

The Cabinet—

(1) Took note of C. (62) 157 and 158.
(2) Invited the Chancellor of the Exchequer to consider the proposals for the imposition of a tax on offices or employment in central areas of big cities.

(3) Invited the Chancellor of the Exchequer, in consultation with the Home Secretary and other Ministers concerned, to consider further the proposed amendment of the planning law.

(4) Took note that the Prime Minister would arrange for an examination of proposals for the improvement of the machinery of government.

(5) Took note that the Prime Minister would consider further the formulation of proposals for a new and constructive approach to the problems of the location and modernisation of industry, and the associated problems of urban housing.

Cabinet Office, S.W. 1,
29th October, 1962.