CABINET 22 (46).

CONCLUSIONS of a Meeting of the Cabinet held in the Prime Minister's Room, House of Commons, S.W.1, on Friday, 8th March, 1946, at 11.15 a.m.

Present:
The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
The Right Hon. Sir Stafford Cripps, K.C., M.P., President of the Board of Trade (Items 1-6).
The Right Hon. Lord Jowitt, Lord Chancellor.
The Right Hon. Viscount Addison, Secretary of State for Dominion Affairs.
The Right Hon. J. J. Lawson, M.P., Secretary of State for War.
The Right Hon. J. Westwood, M.P., Secretary of State for Scotland.
The Right Hon. E. Shinwell, M.P., Minister of Fuel and Power.
The Right Hon. Aneurin Bevan, M.P., Minister of Health.
The Right Hon. Ernest Bevin, M.P., Secretary of State for Foreign Affairs.
The Right Hon. A. V. Alexander, M.P., First Lord of the Admiralty (Items 1-6).
The Right Hon. J. Chuter Ede, M.P., Secretary of State for the Home Department.
The Right Hon. Lord Pethick-Lawrence, Secretary of State for India and Secretary of State for Burma (Items 1-9).
The Right Hon. Viscount Stansgate, Secretary of State for Air.
The Right Hon. Ellen Wilkinson, M.P., Minister of Education.
The Right Hon. T. Williams, M.P., Minister of Agriculture and Fisheries.

Also present:
The Right Hon. Alfred Barnes, M.P., Minister of War Transport (Items 4-6).
The Right Hon. W. Whiteley, M.P., Parliamentary Secretary to the Treasury (Items 1-2 and 7).
Mr. J. B. Hynd, M.P., Chancellor of the Duchy of Lancaster (Item 1).
Dr. Edith Summerskill, M.P., Parliamentary Secretary, Ministry of Food (Item 1).

Secretariat:
Sir Edward Bridges.
Sir Norman Brook.
Mr. W. S. Murrie.
Mr. C. G. Eastwood.
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1. The Prime Minister informed the Cabinet that at a meeting on Food Supplies on the 5th March, Ministers had agreed that the Combined Food Board should be asked to allocate a total of 1,340,000 tons of wheat to the three Western zones of Germany for the first six months of 1946. They had, however, been informed that, even if this allocation were made, it would be some time before shipments in pursuance of the allocation could arrive in Germany; and the immediate needs of the British zone were such that, unless further supplies could be obtained at once, it would be necessary within the next few days to reduce the ration below the present level of 1,000 calories a day. To maintain the ration at its present level, 150,000 tons of wheat were needed during March. Ministers had, therefore, decided (i) that the Combined Food Board should be asked at once to authorise the purchase of 260,000 tons of wheat on account of the allocation to be made to Germany; and (ii) that, if this authority were obtained, grain from stocks in the United Kingdom might be shipped to meet Germany's immediate needs up to 150,000 tons, on the understanding that we should reimburse ourselves, both for this and for an earlier loan of 112,500 tons, out of the 260,000 tons to be shipped from the United States. Subsequently, however, the Ministry of Food has reported that, even if the necessary authority were obtained from the Combined Food Board, it might not in fact be possible to buy wheat in the United States at once. They had, therefore, suggested that no supplies should be sent to Germany from this country until corresponding amounts had been actually bought in the United States and licensed for export. Acceptance of this suggestion would involve a delay which would make it inevitable that the ration in the British zone of Germany should be reduced below the level of 1,000 calories a day. Meanwhile, it had been established that it would not in fact be practicable to supply more than 75,000 tons of grain to Germany before the end of March from sources within our control. If that reduced amount could be supplied, it should be possible to maintain the nominal ration at the level of 1,000 calories a day, although that ration would be dishonoured from time to time in some areas.

The Prime Minister asked the Cabinet to consider whether the United Kingdom should take the risk of advancing this reduced supply of 75,000 tons of grain to the British zone of Germany, in the expectation of being able to obtain in replacement supplies in the United States against the allocation to be made to Germany. He himself considered that, in view of the grave situation in the British zone, this risk ought to be accepted, and that supplies towards this total of 75,000 tons should start to be shipped forthwith.

Points made in discussion were:

(a) The Parliamentary Secretary to the Ministry of Food emphasised that under this proposal the United Kingdom would be making a loan to Germany before the Combined Food Board had determined Germany's allocation and before wheat had actually been purchased against that allocation. In so far as Canadian wheat might be involved, she reminded the Cabinet of the stipulation made by the Canadian Government that their wheat should only be used to meet United Kingdom needs. Treasury authority would be required for the purchase of this United States wheat for the benefit of Germany.

The Cabinet were informed that this Treasury authority had been obtained.

(b) It had been said that Russia had offered to supply 500,000 tons of wheat to France. If they had a surplus, could they not supply some to the Western zones of Germany? The Cabinet were informed that the making of such an offer to France did not necessarily imply that Russia had an exportable surplus of wheat. It was known that in Austria the Russian zone had at the moment less
food than the other zones. If Russia had any surplus, she was more likely to send it to Poland, Czechoslovakia and Yugoslavia than to the Western zones of Germany; and the Combined Food Board were to be asked to put such a proposal to the Soviet Government.

(c) The world food situation was now so serious that, apart altogether from any further demands from Germany, this country might be unable to secure the wheat supplies required to maintain our present standards. The Ministry of Food should therefore be considering what further economies could most easily be made.

After further discussion the Cabinet—

(1) Invited the Parliamentary Secretary to the Ministry of Food to arrange, in consultation with the Chancellor of the Duchy of Lancaster and the Minister of Transport, for 75,000 tons of grain from supplies in this country or within our control to be shipped to Germany during the current month to meet the immediate needs of the British zone of Germany, on the understanding that the amounts so supplied would be replaced from the allocation to be made to Germany by the Combined Food Board.

(2) Invited the Parliamentary Secretary to the Ministry of Food to arrange for plans to be prepared for securing further economies, if required, in grain consumption in the United Kingdom.

2. The Lord President referred to the business to be taken in the House of Commons during the following week.

On the 12th March, the Parliamentary Under-Secretary of State for Air would open the debate on the Air Estimates. Should another Minister reply to the debate? The view of the Cabinet was that the Parliamentary Under-Secretary of State for Air should seek the leave of the House to make a second speech in reply to the debate.

On the remaining stages of the Police Bill on the 13th March, the Home Secretary expected some criticism on the ground that this Bill was symptomatic of a general tendency to cut down the functions of local authorities. The Cabinet were informed that arrangements were being made for Ministers to meet, before the debate, some of the Government's supporters who were concerned about this general point; and the Minister of Health said that he would be willing to attend this meeting, if desired.

On the 14th March, when the Army Estimates were taken, the Secretary of State for War would open and the Financial Secretary would reply to the debate.

On the 15th March there would be a debate, on the Adjournment, on the Cabinet Mission to India. The Prime Minister undertook to speak in this debate.

3. The Cabinet considered a memorandum by the Secretary of State for India (C.P. (46) 90) covering the draft of a directive to the Cabinet Mission to India.

The Cabinet's discussion is recorded in the Secretary's Standard File of Cabinet Conclusions.

The Cabinet—

Invited the Prime Minister to issue a directive to the Cabinet Mission to India in the terms of the draft attached to C.P. (46) 90.

The Secretary of State for Dominion Affairs said that, as requested by the Cabinet, he had ascertained the views of the Governments of Australia and New Zealand on the outstanding question whether Japan should be allowed to build merchant ships other than coastal craft. The Australian Government considered that the balance of the arguments was in favour of prohibiting Japan from building ships of more than 2,000 gross tons. They were seeking technical advice on the question whether the restriction of shipbuilding to vessels below this tonnage would effectively prevent Japan from building up a war potential in shipping. The New Zealand Government were also impressed by the arguments in favour of prohibiting Japan from building ocean-going ships; and they thought it unwise to permit, so soon after the Japanese surrender, facilities which were inherently dangerous and might also be interpreted as marking the beginning of a lenient policy towards Japan.

The Foreign Secretary said that the United States naval authorities had that day announced that, within six months from Japan's surrender, the Japanese shipyards had rebuilt 524 vessels totalling over one million gross tons, and had under construction 133 new merchant ships with an aggregate tonnage of over 370,000 gross tons. The new construction programme which was being carried out under United States direction would bring the Japanese mercantile marine up to about 1,800,000 gross tons. This announcement seemed to imply that the question now before the Cabinet was already being prejudged by the unilateral action of the United States authorities in Japan.

The Foreign Secretary said, however, that in spite of the views expressed by the Governments of Australia and New Zealand, he still considered that the balance of the arguments was against imposing these severe restrictions on Japanese shipbuilding. Our existing economic difficulties in respect of Germany should be a warning against carrying restrictions which seemed desirable on security grounds to lengths which would seriously prejudice Japan's prospects of rebuilding a peace-time economy sufficient to support her population. Such a policy could only result in imposing on Allied Governments the burden of contributing to the support of Japan's population. In these circumstances he thought that the best course would be to allow the Far Eastern Commission to consider to what extent Japan should be allowed to retain her shipbuilding industry, as part of the general question of the future level of Japanese industry as a whole; and to avoid limiting the discretion of the United Kingdom representative on the Commission in these discussions by deciding in advance that Japan should not be allowed to build any ocean-going ships. He recommended, however, that our representative on the Commission should be instructed to make it clear from the outset that His Majesty's Government in the United Kingdom were not prepared to undertake any financial burden in assisting Japan to meet the economic consequences of any restrictions imposed on Japan's industry.

The Chancellor of the Exchequer, the President of the Board of Trade and other Ministers supported the views expressed by the Foreign Secretary.

The First Lord of the Admiralty said that he was glad to have the support of the Governments of Australia and New Zealand for the views which he had expressed in the Cabinet's earlier discussion; and he still supported the proposal that Japan should be prohibited from building ocean-going ships. As this question was to be discussed on the Far Eastern Commission, it might be helpful to obtain the views of the Combined Chiefs of Staff. The Minister of War Transport said that he also adhered to the views which he had put forward in the Cabinet's earlier discussion.
The Cabinet—

(1) Approved the general recommendations put forward in C.P. (46) 78 for the control of Japanese industry and the future level of Japan’s economic life;

(2) Agreed that the particular question of the extent to which Japan should be allowed to retain her shipbuilding industry should be left open for discussion on the Far Eastern Commission, as part of the wider problem, and that our representative should not prejudge the discussion of this question by demanding at the outset that Japan should be prohibited from building any ocean-going vessels.

(3) Agreed that our representative on the Far Eastern Commission should make it clear from the outset that His Majesty’s Government in the United Kingdom were not prepared to undertake any financial burden in assisting Japan to meet the economic consequences of any restrictions imposed on Japan’s industry.

(4) Invited the Foreign Secretary to prepare, in the light of the Cabinet’s discussion, instructions to our representative on the Far Eastern Commission; and to give the United States Government an opportunity to express their views on these instructions before proposals based on them were put before the Far Eastern Commission.

5. The Cabinet considered a memorandum by the Foreign Secretary (C.P. (46) 92) covering a report by the Economic and Industrial Planning Staff on the procedure for determining the Allied shares in reparations from Japan. This recommended:

(i) That His Majesty’s Government in the United Kingdom should seek agreement with other Allied Powers to a division of Japanese reparations on broad political lines rather than on a statistical basis;

(ii) That the Governments of Canada, Australia, New Zealand and India should be informed of this proposal and advised that it would be mutually advantageous for the different members of the Commonwealth to reach, possibly by means of discussion between the Commonwealth Delegations at Washington, a preliminary understanding regarding the shares which each would aim at securing;

(iii) That after allowing the Governments of the Dominions and India a brief interval in which to comment on this proposal, the United Kingdom representative on the Far Eastern Commission in Washington should be instructed to bring it before the Commission.

The Secretary of State for Dominion Affairs said that he concurred in the proposals summarised in paragraphs (ii) and (iii) above.

The Cabinet—

Approved the recommendations made in C.P. (46) 92.

6. The Cabinet considered a memorandum on this subject by the Home Secretary (C.P. (46) 87).

The Cabinet’s discussion and the conclusions reached are recorded in the Secretary’s Standard File of Cabinet Conclusions.

National Health Service.

(Previous memorandum by the Lord President and the Lord Privy Seal (C.P. (46) 94) covering a note by the Chief Whip on the effect which the introduction of these Bills might have on the Government’s Legislative Programme.)
The Minister of Health said that the Cabinet had approved on the 8th January the heads of the National Health Service Bill, and the draft Bill had subsequently been approved by the Social Services Committee. From the discussions which he and the Secretary of State for Scotland had held with representatives of the interests concerned it seemed to him that the opposition to the Bill was likely to be less than might have been expected. The London County Council had decided to support the proposals in principle; and this should weaken the opposition from local authorities. Government supporters might be critical of the proposal to provide private pay-beds in hospitals and of the method of remuneration of doctors. Unless, however, pay-beds were provided, some of the best specialists would not be attracted into the National Health Service and the growth of private nursing homes would be encouraged. It was not unreasonable that the State should provide privacy for those willing to pay for it, so long as non-paying patients were not thereby prejudiced. As regards the remuneration of doctors, he was satisfied that under a full-time salaried service, which was advocated by some Government supporters, it would not be possible to give freedom in the choice of a doctor. There might be some comment on the amount of the compensation payable to doctors in consequence of the prohibition of the sale and purchase of practices. Compensation would, however, be payable only to doctors who before an appointed day agreed to join the National Health Service; it would normally be credited to the doctor and paid only on his death or retirement from the Service; and doctors entitled to compensation would have no claim to superannuation in respect of any period before the date when they entered the Service.

The Secretary of State for Scotland said that, subject to certain modifications (set out in paragraphs 2 and 3 of CP. (46) 89) which had already been accepted by the Cabinet, the Scottish proposals would be in accord with the scheme proposed for England and Wales. He had agreed with the Minister of Health that the claim made on behalf of Scottish dentists for compensation for the loss of capital value of dental practices should be resisted; and the only outstanding difficulty was the suggestion, made in paragraph 4 (a) of CP. (46) 89, that members of central and local bodies set up under the National Health Service should receive payment for loss of remunerative time in attending meetings. In view of the precedents for this in Scotland, he was bound to be challenged on the point when the Scottish Bill came before Parliament; but for the present he would be content to accept the suggestion made at the meeting of the Social Services Committee on the 4th March that there should be an inquiry into the question whether such payments should be made.

The Chancellor of the Exchequer said that the assumption by the Exchequer of the whole cost of the hospital service would relieve local authorities of a very heavy burden of expenditure and would have to be accompanied by an adjustment of other Exchequer grants. It was important that there should be no misunderstanding on this point and, as soon as the Bill was introduced, a clear statement must be made to the effect that there would have to be a general review of the scheme of Exchequer relief to local rates, and that measures would have to be taken to see that with the introduction of the changes provided for in the Bill other changes were also made which would ensure that the richer local authorities did not secure all the benefit from the transfer. There were various detailed points on the financial clauses of the Bill which should be cleared up before it came before the Legislation Committee, and he would arrange for these points to be discussed by officials later in the day.

The Cabinet—

(1) Approved the draft National Health Service Bill annexed to C.P. (46) 86, subject to any amendments of the financial clauses which might be agreed on between the Chancellor of the Exchequer and the Minister of Health,
and invited the Minister of Health to submit it to the Legislation Committee.

(2) Agreed that when the National Health Service Bill was introduced a statement should be made about the effect of the transfer of hospital expenditure from local authorities to the Exchequer, and invited the Chancellor of the Exchequer, the Secretary of State for Scotland and the Minister of Health to settle the terms of this statement.

(3) Took note that the Prime Minister would arrange for a Committee to be appointed to enquire into the point raised in paragraph 4 (c) of C.P. (46) 89 about payment for loss of remunerative time.

The Lord President said that he and the Lord Privy Seal had thought it right to invite the Cabinet to consider, before they authorised the introduction of these Bills, the prospects of completing the Legislative Programme during the current Session. Despite what the Minister of Health had said, he believed that these Bills would be extremely controversial and, even if the English Bill were given a Second Reading before Easter and both Bills were sent to Standing Committees under a timetable, it would barely be possible to get them through all their stages in the House of Commons before the end of July. There was a risk, therefore, that the present Session would have to be prolonged for about six weeks in order to give the House of Lords time to consider the Bills; and, unless other Bills could be introduced in the House of Lords, it would be difficult to find legislative business for the House of Commons during that period. There was also a risk that some of the Bills shown in Annex III to C.P. (46) 94 would be crowded out and have to be postponed until the next Session.

The following points were raised in discussion of the Lord President’s statement:

(a) The Prime Minister asked whether it might not be expedient to carry over to the next Session some of the legislation which could not be completed in the current Session.

The Lord President undertook to examine this.

(b) The Secretary of State for Dominion Affairs said that he would discuss with the Lord President and the Lord Privy Seal means of relieving the congestion in the House of Lords towards the end of the Session. He would welcome any arrangement of business which would give the House of Lords more legislation at the present stage.

(c) The Chancellor of the Exchequer said that it was essential to pass the Exchange Control Bill during the current Session and desirable that the Cable and Wireless Bill should also be passed this Session.

(d) The Satellite Towns Bill might be started in the House of Lords.

The Cabinet—

(4) Agreed that the National Health Service Bills should be introduced as soon as practicable.

(5) Invited the Lord President, the Lord Privy Seal, the Secretary of State for Dominion Affairs and the Parliamentary Secretary to the Treasury to consider what steps should be taken to make the best possible use of the Parliamentary time available for legislation during the remainder of the current Session.

(6) Took note that the Lord President would examine the possibility of carrying over into the next Session some public Bills which had not been completed by the end of the current Session.

Cabinet Offices, S.W. 1,
8th March, 1946.