CABINET 24 (46).

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 14th March, 1946, at 10 a.m.

Present:

The Right Hon. C. R. ATTLEE, M.P., Prime Minister (in the Chair).
The Right Hon. HERBERT MORRISON, M.P., Lord President of the Council.
The Right Hon. ARTHUR GREENWOOD, M.P., Lord Privy Seal.
The Right Hon. SIR STAFFORD CRIPPS, K.C., M.P., President of the Board of Trade.
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. HUGH DALTON, M.P., Chancellor of the Exchequer.
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.
The Right Hon. VISCOUNT STANSGATE, Secretary of State for Air.
The Right Hon. G. A. ISAACS, M.P., Minister of Labour and National Service.
The Right Hon. ELLEN WILKINSON, M.P., Minister of Education.
The Right Hon. T. WILLIAMS, M.P., Minister of Agriculture and Fisheries.

The following were also present:

Mr. A. CREECH-JONES, M.P., Parliamentary Under-Secretary of State for the Colonies (Item 2).

Secretariat:

SIR EDWARD BRIDGES.
SIR NORMAN BROOK.
MR. C. G. EASTWOOD.

[31512—7]
CABINET 24 (46).

CONTENTS.

<table>
<thead>
<tr>
<th>Minute No.</th>
<th>Subject</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Parliament: Business in the House of Commons.</td>
<td>197</td>
</tr>
<tr>
<td>2</td>
<td>Policy towards Ethiopia: Future of the Somali Territories.</td>
<td>197</td>
</tr>
<tr>
<td>3</td>
<td>Persian Gulf: Headquarters of the Political Resident.</td>
<td>198</td>
</tr>
<tr>
<td>4</td>
<td>Royal Arms in Wales</td>
<td>199</td>
</tr>
<tr>
<td>5</td>
<td>Strikes in Motor Industry</td>
<td>199</td>
</tr>
<tr>
<td>6</td>
<td>Wages Policy</td>
<td>200</td>
</tr>
<tr>
<td>7</td>
<td>Vigilantes Action League: Albert Hall Meeting</td>
<td>201</td>
</tr>
</tbody>
</table>
1. The Cabinet agreed that the Prime Minister should open the debate on the 15th March on the Cabinet Mission to India. The Lord Privy Seal should be ready to speak in reply to the debate, if any further speech on behalf of the Government was required.

The Lord President informed the Cabinet of the business which it was proposed to take in the House of Commons in the following week.

An extra hour would be given for the Second Reading of the Housing (Financial Provisions) (Scotland) Bill on the 19th March. The Bill would then be referred to the Scottish Grand Committee.

The public business on the 20th March would be interrupted at 6.15 p.m. so that opposed Private Bills might be taken.

On the 21st March, on the Consolidated Fund Bill, the Opposition had asked for a debate on fishery questions. It would be embarrassing to the Government to have such a debate at the present stage, as various questions of policy remained undecided. It was known that some members of the Opposition would prefer to debate forestry questions on this occasion, and that would be more acceptable to the Government. The Cabinet decided that the Opposition Leaders should be invited to agree that the debate on the 21st March should be held on forestry questions.

The Cabinet were informed that there was increasing pressure for a debate on the World Food Situation. This might be arranged for the 25th March, on the remaining stages of the Consolidated Fund Bill.

The Minister of Health asked when it would be possible to take the Report Stage and Third Reading of the Land Acquisition Bill. It was most desirable that this Bill should be passed into law before the Easter adjournment; and the Secretary of State for Dominion Affairs confirmed that the House of Lords would wish to receive the Bill from the Commons in time to enable them to give it unhurried consideration. The Lord President undertook to do his best to arrange that this Bill reached the House of Lords in time for it to be passed into law before the Easter adjournment.

2. The Cabinet considered a joint memorandum by the Secretaries of State for Foreign Affairs and for the Colonies (C.P. (46) 104) regarding the future of the Somali territories.

The Foreign Secretary said that it was his view and that of the Secretary of State for the Colonies that a United Somalia was highly desirable in the interests both of the Somalis and of ourselves. The artificial division of the country made normal administration difficult and constructive development impossible. The Somalis in the Ogaden would resist return to Ethiopian rule, and essential grazing grounds for British Somalis lay across the old Ethiopian border. Some form of trusteeship arrangement would no doubt be necessary and should extend to the area as a whole.

The Foreign Secretary emphasised that he did not seek at the moment final decisions either for a United Somalia or on the exact form of the trusteeship arrangement, which must depend on a broader decision about the future of the Italian colonies generally. At present he only asked for the authority of the Cabinet to explore these ideas as to the future of the Somalis with the Ethiopian Foreign Minister who was now visiting this country. The Ethiopian Government might require some inducement to forego their claim to the Ogaden area. In that event he proposed to hold out to them the prospect of British support for the transfer of part of Eritrea to Ethiopia. Most of the inhabitants of Eritrea were closely related to those of Ethiopia, and a rationalisation of frontiers there was as desirable as in Somalia.

It was proposed to keep the United States Government informed of our action and of the reasons for it, and to explain the position at the same time to the Dominion Governments.
The Parliamentary Under-Secretary of State for the Colonies said that he was in full agreement with the Foreign Secretary's views.

Points in discussion were:

(a) The Secretary of State for Dominion Affairs said that it would be wise to give Field Marshal Smuts an opportunity for comment before final decisions were taken.

(b) It would also be necessary for the Cabinet to have before them the views of the Chiefs of Staff on the strategic issues involved.

(c) The Minister of Fuel and Power said that the Shell Company were proposing to undertake a geological and geophysical survey for oil in British Somaliland. If oil were found there, this might affect the views of His Majesty's Government about the future of the area. The Foreign Secretary undertook to keep this point in mind.

The Cabinet—

(1) Authorised the Foreign Secretary to broach the future of the Somali territories with the Ethiopian Foreign Minister on the lines proposed in C.P. (46) 104.

(2) Agreed that the United States Government should be informed of this approach.

(3) Agreed that the position should also be explained to the South African Government and to the Governments of the other Dominions.

3. The Cabinet had before them memoranda by the Foreign Secretary (C.P. (46) 101) and the Secretary of State for India (C.P. (46) 105) about the location of the headquarters of the Political Resident in the Persian Gulf.

The Foreign Secretary explained that the main function of the Political Resident was to supervise the relations of His Majesty's Government and the Government of India with the British-protected Arab States on the southern side of the Persian Gulf. His headquarters were, however, at Bushire in Southern Persia, and his status in Persia was that of a Consul-General. It was anomalous that a British officer exercising administrative functions on the Arabian side of the Gulf should live on Persian territory; and in present circumstances this situation might at any moment become a focus for anti-British agitation. He thought, therefore, that it was desirable to remove this possible cause of trouble before trouble, in fact, occurred.

The Secretary of State for India said that the Government of India were opposed to an immediate change, on account of the practical difficulty and expense of providing alternative accommodation at the moment. Moreover, the staffing and responsibility for all posts in the Persian Gulf would have to be reviewed after the impending constitutional changes in India. He did not himself dispute the wisdom of moving the Political Resident's headquarters from Bushire, although his presence there had not so far given rise to any adverse comment in Persia, but he suggested that a change might be deferred until the practical difficulties could be surmounted.

The general view of the Cabinet was that, in view of the extreme delicacy of the situation in Persia, it was desirable, despite the admitted difficulties, that the Political Resident should cease to exercise his administrative functions from Persian territory as soon as possible.

Further points made in discussion were:

(a) There could be no objection to the exercise of the proper functions of a Consul-General at Bushire, and it might be possible to appoint a separate officer to exercise these functions.

(b) The First Lord of the Admiralty said that the Senior Naval Officer in the Persian Gulf was in future to have his headquarters
on board a sloop, and his bungalow at Bahrein could be made available for the Political Resident.

The Cabinet—

(1) Agreed that the Political Resident in the Persian Gulf should cease forthwith to have his headquarters on Persian territory.

(2) Invited the Secretary of State for India to consider, in consultation with the Foreign Secretary and the First Lord of the Admiralty, the best means of giving effect to this decision.

4. The Cabinet considered a memorandum by the Lord President (C.P. (46) 98) regarding a suggestion that The King might assign to himself special Arms for use in Wales.

_The Lord President_ said that he had ascertained that His Majesty had no objection to the suggestion being discussed by Ministers. If Ministers desired to pursue it, the appropriate procedure would be to appoint a Committee of the Privy Council consisting of the Lord President, the Home Secretary and the Earl Marshal to discuss the matter and to take the advice of the Heralds. In discussion the view was expressed that, although such a gesture in the field of ceremony might be generally welcome to Welsh opinion, it would do nothing to meet the feelings of those who had been pressing for the appointment of a separate Secretary of State for Wales. If, therefore, it were decided that such special Arms should be adopted, it might be preferable to avoid announcing this at a time when the nationalist demand for separate administration was being vigorously expressed. The Cabinet would, in any event, have an opportunity of considering the matter further before any submission was made to His Majesty.

The Cabinet—

Invited the Lord President to arrange for a Committee of the Privy Council to be appointed, consisting of himself, the Home Secretary and the Earl Marshal, to consider the proposal for special Arms for use in Wales, and to submit a report to the Cabinet.

5. The Minister of Labour said that representatives of the two sides in the dispute at the Ford works at Dagenham had accepted an invitation to discuss their problems at a meeting to be held in his Department on the following day by the Chief Industrial Commissioner of the Department. The Trade Union representative had acted precipitately on the 9th March in declining to address a meeting at the works because the management wished to be represented; and it was encouraging that both sides had now agreed to discuss their problems under the chairmanship of the Chief Industrial Commissioner.

The unofficial strike at the Humber works in Coventry still continued; but there had been little response to the strikers' appeal that other engineering workers in Coventry should also suspend work. The Amalgamated Engineering Union had taken prompt and firm action in advising their members to ignore the invitation of the unofficial strikers; and the present position in Coventry seemed to imply local confidence in the Union and in the normal machinery for the settlement of industrial disputes.

There was no connection between the strike at Coventry and that at Dagenham.

The Cabinet—

 Took note of this statement by the Minister of Labour.
6. In connection with the discussion recorded in the preceding Minute, reference was made to the trend of industrial wages. In the engineering industry demands were being voiced for very high rates of wages, and if these were conceded the repercussions in other industries would be serious. There was already difficulty in recruiting labour for agriculture, because the wage rates compared so unfavourably with those in most other industries. And wage increases in engineering were likely to provoke further demands from the miners, who were disposed to claim that the level of wages in coal-mining should be as high as that in any industry. In the coal-mining industry the situation was complicated by the fact that two men were competing for the leadership of the National Union of Mine-Workers and each was disposed at the moment to put forward irresponsible demands; but there was a large body of opinion in the Union which was loyal to the present Government, and there was a good prospect that the men would accept the offer made to them to join with the National Coal Board, when it had been appointed, in full and frank discussion of all questions affecting the future welfare of the workers in the industry, including wages and conditions of employment.

Some Ministers suggested that, in order to prevent an upward spiral in wage rates, it was desirable that the Government should formulate and announce a considered wages policy. It should be possible, without pegging wages by a rigid formula, to establish some principles which would help to prevent an unregulated spiral movement. There might be consultation with the Trades Union Congress, who were already concerned about this problem. And it might be expedient to appoint a Royal Commission to investigate the wages structure as a whole.

The Foreign Secretary said that he would be strongly opposed to any system by which the State attempted to regulate industrial wages. In one sphere in which the State had absolute control, viz., the pay of the Armed Forces, experience during the war had shown him how the Government could be forced to raise rates by political pressure. The Government had been strongly criticised throughout the war on the ground that Service pay was too low: yet many men were finding on demobilisation that they had been better off in the Services than they now were in civil life. If the State took a hand in fixing industrial wages, it would become a party to every industrial dispute affecting wages—and that was a situation fraught with grave danger to the Government.

It was easy to exaggerate the dangers of an upward spiral of wages, and easy to over-estimate the value in terms of purchasing power of the wage increases which had, in fact, taken place. The main problem at the present time was that of improving wages and conditions in the less well-paid and more unpleasant industries such as brick works, tanning, gas works, &c. The numbers affected were, however, relatively small. He estimated that there were only about 600,000 workers in those industries; and even if agriculture were added, the total of low-paid workers would not greatly exceed 1 million. If, therefore, improvements were made throughout the whole of this field, it would not produce a startling change in the total wages bill of the country.

In his opinion there was no serious risk in allowing wages to continue to be settled by the traditional procedure of collective bargaining. He believed that the introduction of undue rigidity in the wages structure would prejudice the continuing development of industrial efficiency.

On the other hand, the view was expressed that it would be difficult to apply the Government's policy of planning for full employment while leaving industrial wages to be determined, without any guidance from the Government, by the free process of collective bargaining between employers and workers. If we were to rely on this process, we must at least make sure that the Trades Unions in the lower-paid but essential industries were sufficiently vigorous in seeking such improvements in wages and conditions as would attract the necessary number of workers to
those industries. In fact, however, there had already been some degree of intervention by the State in the determination of wages in certain industries, particularly where the State was concerned in the determination of prices. The Government had not consistently applied the principle of leaving these matters wholly to collective bargaining; but they had not clearly defined the principles determining the extent and method of Government intervention in these matters. What was needed was that the Government should review their attitude towards wages questions in the light of the economic policies to which they were committed; and should endeavour to formulate a considered wages policy which could be publicly announced and made the basis of consistent action in relation to the successive claims for wage increases which were likely to be put forward by different industries.

The Lord President agreed that it was important that the Government should formulate a policy on this matter. He had arranged some time ago for a working party of officials to consider the problem, and he expected to receive their report in the near future. Difficult issues were involved, and he would deprecate a hasty decision. He would, however, arrange for the report of the working party to be presented as soon as possible to the Lord President's Committee who should, after considering it, be able to put forward recommendations to the Cabinet.

The Cabinet—

Invited the Lord President to arrange for the Lord President's Committee to consider at an early date the question of wages policy, and to submit their recommendations to the Cabinet.

Vigilantes Action League.

7. The Home Secretary said that a meeting which the Vigilantes Action League had tried to hold in the Albert Hall the previous evening had been cut short by the intervention of a number of Communists. He read to the Cabinet a report submitted to him by an official of the Home Office who had attended the meeting at his request. This showed that only about 200 supporters of the League had attended the meeting, and about an equal number of Communists had been present. The Communists had prevented the speakers from gaining a hearing, and had in the end taken possession of the platform and held a meeting of their own. Eventually the Police had stopped the meeting and cleared the platform. The proceedings had in fact been farcical, and it was clear that the Vigilantes Action League was of no political importance.

The Home Secretary said that Mr. P. Piratin, M.P., was asking a Question about this meeting in the House of Commons this afternoon. If pressed for information, he proposed to read to the House the report which he had received. This, he thought, would put the matter in its proper perspective.

The Cabinet—

Took note of the Home Secretary's statement.

Cabinet Office, S.W.1,
14th March, 1946.