CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 11th April, 1946, at 10 a.m.

Present:
The Right Hon. C. R. Attlee, M.P., Prime Minister (in the Chair).
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. J. Chuter Ede, M.P., Secretary of State for the Home Department.
The Right Hon. G. H. Hall, M.P., Secretary of State for the Colonies.
The Right Hon. Viscount Stansgate, Secretary of State for Air (Items 1–4).
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:
The Right Hon. Alfred Barnes, M.P., Minister of Transport (Item 2).
The Right Hon. William Whiteley, M.P., Parliamentary Secretary, Treasury (Items 1–3).

Secretariat:
Sir Edward Bridges.
Sir Norman Brook.
Mr. W. S. Murrie.
CABINET 33 (46).

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

On the 15th April, on the Army Estimates, there would be a debate on future conditions of service in the Army.

On the 16th April, on the Air Estimates, the House would discuss the period of service in the Royal Air Force.

The Report Stage of the Budget Resolutions would be taken, with other business, on the 17th April.

On the 18th April the House would meet at 11 a.m. and after Questions there would be a debate on the Easter Adjournment.

In discussion, the Lord President said that the Second Reading of the National Health Service Bill would be taken immediately after the Easter Recess. The Report Stage and Third Reading of the Coal Industry Nationalisation Bill would be taken soon after Easter, so that the proceedings in the House of Lords might begin without delay. It was also hoped that an opportunity would be found, soon after the Easter Recess, to take the Second Reading of the Hill Farming Bill.

2. The Cabinet considered a memorandum by the Lord President (C.P. (46) 143) embodying the Report of a Committee appointed by the Prime Minister to draw up a list of the major Bills which would form the main element in the Government’s Legislative Programme for the 1946-47 Session.

The Lord President explained that the Committee’s object had been to select the major Bills for next Session on which preparatory work could be started early in the year. If their Report were now approved by the Cabinet, it should be possible to ensure that a number of major Bills were ready for introduction at the opening of the next Session. The Government would then be able to make good use of the Parliamentary time available for legislation between November and Easter. Provisional approval of the Committee’s list of major Bills would not prejudice the final content of The King’s Speech or the construction, later in the year, of a complete legislative programme for the Session.

The Lord President added that, from a preliminary study which he had made with the Chief Whip, it seemed that the passage of the legislation included in the Committee’s list of major measures would occupy the greater part of the time which Parliament could devote to legislation in the coming Session. The current Session would be abnormally long, and its extension into the autumn would have the result that the 1946-47 Session would be unusually short. He recommended, however, that the Cabinet should adopt the Committee’s list and invite the Legislation Committee to keep the position under review as work proceeded on the preparation of the Bills included in that list.

The Prime Minister thanked the Committee for the work which they had done in formulating an outline of next Session’s programme of legislation. Their Report was a useful piece of forward planning, which would be of great help to the Government in making the best use of the Parliamentary time available for legislation.

Points in discussion were:

(a) The Minister of Labour asked that it should be borne in mind that it might be necessary to pass in the 1946-47 Session legislation on the subject of military service.

(b) The Chancellor of the Exchequer said that an Empire Telecommunications Bill would be required in the 1946-47 Session. The Cable and Wireless Bill which was being introduced in the present Session was only the first instalment of the legislation required on this subject. The second instalment should be included among the major measures for the 1946-47 Session.
The Cabinet—

(1) Agreed in principle that, subject to the addition of an Empire Telecommunications Bill, the Bills suggested in paragraph 3 of C.P. (46) 143 should form the main element in the Government's Legislative Programme for earlier part of the 1946–47 Session.

(2) Agreed that during the next six months the preparation of these Bills should be a first charge on the time at the disposal of Parliamentary Counsel after meeting the demands of the current Session's legislation.

(3) Invited the Legislation Committee to superintend the preparation of these major Bills for the 1946–47 Session.

Parliamentary War Memorial

3. The Cabinet had before them a memorandum on this subject by the Lord President (C.P. (46) 136).

The Cabinet—

Invited the Lord President to arrange for the appointment of a Committee of Members of both Houses of Parliament to consider the form of a Parliamentary War Memorial in memory of the Members of both Houses who lost their lives in the late war.

Egypt.

(Previous Reference: C.M. (46) 29th Conclusions, Minute 3.)

4. The Foreign Secretary said that he had been considering whether the Delegation which was to negotiate the revision of the Anglo-Egyptian Treaty should indicate at the outset of the negotiations that His Majesty's Government were willing to withdraw British troops from Egypt. He had come to the conclusion that it would be expedient, as a matter of tactics, to make this offer at the outset. He had asked the Chiefs of Staff to consider the military implications, and he would not settle the final form of the instructions to the Delegation until he had received their comments. Meanwhile, he would be glad to have the views of his colleagues in the Cabinet.

After a short discussion the Cabinet—

(1) Agreed that, subject to the views of the Chiefs of Staff, it would be expedient, as a matter of tactics, if any offer by His Majesty's Government to withdraw British troops from Egypt were made at the outset of the negotiations for the revision of the Anglo-Egyptian Treaty;

(2) Invited the Secretary of State for Dominion Affairs to inform the Governments of the Dominions in due course of the instructions given to the British Delegation on this point.

Wages Policy.

(Previous Reference: C.M. (46) 24th Conclusions, Minute 6.)

5. The Cabinet had before them—

(i) a memorandum by the Lord President (C.P. (46) 130) covering a report by an official working party on Wages Policy; and

(ii) a memorandum by the Foreign Secretary (C.P. (46) 148) commenting on the proposals made in C.P. (46) 130.

The Lord President said that his memorandum summarised the views expressed by the Lord President's Committee when they had considered the report of the official working party (L.P. (46) 11th Conclusions, Minute 3). There were wide differences of opinion on the subject of wages policy, ranging from the view that the Government should assume direct responsibility for controlling wage levels to the view that all questions of wages should be entirely left to be settled between the employers and the workers themselves.
Account must, however, be taken of new factors such as the socialisation of various industries, the responsibility assumed by the Government for price-fixing in such industries as agriculture, and the full-employment policy; and it did not follow that the existing machinery for wage-fixing would be adequate in the future.

The Lord President's Committee had endorsed the main recommendation of the working party that, while the established machinery for voluntary negotiation of wages should continue, a National Industrial Conference should be set up for the purpose of acting as a channel of information between the Government and both sides of industry. This new body would not deal with wages in particular industries, but it was hoped that it would carry out a process of education in the basic facts of the current economic situation, which would indirectly influence wages negotiations in particular industries so as to ensure that the results did not run counter to the general economic policy of the Government. Thus, it might be brought home to employers in undermanned industries that it was their duty to seek ways of improving conditions of work while, on the other hand, Trade Unions in fully-manned industries might be encouraged to exercise restraint in pressing for wage increases. The Minister of Labour would be the Minister primarily concerned with the proposed new body, but it seemed desirable that, in view of its concern with general economic questions, the Chancellor of the Exchequer, the President of the Board of Trade and he himself should from time to time attend its meetings. With reference to the doubts expressed by the Foreign Secretary and the Minister of Labour about the inclusion of the Federation of British Industries in the proposed Conference, the Cabinet should bear in mind that the Conference would not be primarily concerned with questions of wage levels but rather with the background of general economic policy. The working party had suggested that the basis of discussion with the National Industrial Conference should be the proposed White Paper on the Economic Plan which the Steering Committee on Economic Development had had under consideration. He now understood, however, that the Steering Committee had come to the conclusion that it would be unwise to publish a White Paper of this kind before the beginning of 1947. This, however, need not preclude the Government from giving such information as they thought fit to the Conference on a confidential basis.

The Minister of Labour said that, while he agreed that steps should be taken to disseminate general information on economic plans and policies, he hoped that nothing would be done to undermine the well-established machinery for the voluntary negotiation of wages by organisations of employers and workers. His Joint Consultative Committee and its parent body, the National Joint Advisory Council, had proved a valuable channel for the communication of Government views to industry; and he suggested that the first step towards setting up the proposed National Industrial Conference should be to call together the National Joint Advisory Council. He was convinced that the inclusion of the Federation of British Industries, which was largely an association of individual firms and was concerned with commerce rather than with production, would alienate the British Employers' Confederation. He had considered how the Co-operative Movement should be represented on the Conference, and had reached the conclusion that the right course was to encourage them to become affiliated to the British Employers' Confederation.

The Foreign Secretary said that he was opposed to the establishment of any central authority to discuss problems of wages and conditions of work. This should, in his view, be left entirely to the recognised organisations of employers and workers. Any assumption of responsibility for questions of wages by a central body of this kind with Government representation would seriously undermine the authority of the employers' organisations and of the Unions. It might also lead the two sides of industry to join together in applying pressure to the Government to meet the cost...
of wage increases. Experience during the war had shown that even the existence of provisions for compulsory arbitration had weakened the sense of responsibility of workers' and employers' organisations. Though he did not dissent from the view that more information should be given to industry about the economic background, it was essential that any new body set up for this purpose should not be regarded as one on which the employers and workers would sit on different sides, but rather as a continuation of the Joint Consultative Committee.

The Chancellor of the Exchequer said that, while he recognised the dangers of creating a central wage-fixing body, he favoured the proposal to establish a National Industrial Conference for the purpose of educating both sides of industry in the general economic background and he would welcome opportunities of discussing with any body of this kind such matters as the risk of inflation and future taxation policy. Though it was not clear how this should be done, some way must be found of giving representation on this body to the workers in socialised industries and to the public Boards set up to run these industries.

The Minister of Fuel and Power said that he doubted whether the existing methods of determining wages by piece-meal negotiations in individual industries would work satisfactorily in conditions of full employment now that the discipline imposed by war conditions had been removed. The Government had decided to continue the policy of paying subsidies to stabilise the cost of living and the natural corollary to this was a co-ordinated wages policy. He did not suggest that the State should fix wages, but it would be found in practice that the State could not avoid some degree of intervention, as had been demonstrated already in coal-mining and agriculture. Moreover, it was impossible for the Government to shirk discussion of general wages policy with the representatives of workers and employers with a view to working out with them general principles which would be consistent with the pursuit of a policy of full employment.

The Minister of Health pointed out that the Government had recently been approached by the General Council of the Trades Union Congress on the question of hours of work, which was closely allied to the question of wages. It seemed to him impossible to avoid some general discussion of wages policy with central organisations of workers and employers. In fact, in a number of industries and services the existing machinery for joint voluntary negotiation of wages did not work satisfactorily and the Government were constantly being compelled to intervene after the harm had been done. It was the Government's duty to provide full employment not by a policy of public works but by securing a proper balance between the various industries, and an essential element in achieving this was the adjustment of wages. A further point was that there was bound to be interaction between wages policy in socialised industries and in those left to private enterprise. For all these reasons, he was convinced that a National Industrial Conference on the lines proposed should be established with Government representation which should not be confined to the Minister of Labour.

In further discussion, there was general support for the view that some organisation on the lines of the proposed National Industrial Conference should be established.

The Prime Minister said that it was clear that it would be impossible for the State to assume complete responsibility for wage-fixing. On the other hand, in the new conditions created by the pursuit of a full employment policy and the socialisation of important industries, the Government could not leave the matter entirely to the organisations of workers and employers, particularly in view of the danger of pressure for wage increases from workers in the sheltered trades. Before a final decision was taken to set up a National Industrial Conference, it seemed desirable that the
Cabinet should have before them a further note showing how they might meet the difficulties which had been mentioned in the discussion, including in particular the question of the fixing of wage levels in socialised industries.

The Cabinet—

Invited the Lord President, in consultation with the Minister of Labour, to revise the proposals made in C.P. (46) 130 for the constitution of a National Industrial Conference in the light of the points which had been raised in the Cabinet's discussion.

6. The Cabinet had before them memoranda by the Minister of Labour (C.P. (46) 145) and by the Minister of Agriculture and Fisheries (C.P. (46) 146) on the subject of agricultural wages.

The Minister of Labour recalled that on the 7th February the Cabinet had authorised him to invite both sides of the industry to discuss with him a system of graded wage rates. Meetings had been held on the 22nd February and the 2nd April, and in the end the Workers' Unions had accepted the principle of graded wage rates as a matter of long-term policy. They did not, however, regard this as a solution of the immediate problem, and they were reluctant to renew their application for an increase in the minimum wage unless they could see some prospect of a change in the attitude of the Central Wages Board. On the other hand, the National Farmers' Union would assume no responsibility for any increase in the minimum wage without some assurance of prices. To break the deadlock he proposed that he should call the two sides of the industry together to resume discussion of the joint statement which had been agreed on at the meeting on the 2nd April and, in the course of the discussions, should inform the National Farmers' Union that, if the Wages Board decided to increase the minimum wage, the Ministry of Agriculture and Fisheries would be willing to give a decision on prices with the utmost possible speed and to make such adjustment in prices as was reasonable. A statement of this kind would enable further progress to be made, and he had good hope that if an increase of 5s. in the minimum wage were awarded this would be accepted as satisfactory and would enable him to get agreement to the stabilisation of wages in the agricultural industry.

The Minister of Agriculture and Fisheries said that to give the assurances suggested by the Minister of Labour to the National Farmers' Union would undermine the authority of the Central Wages Board. The Government should avoid giving any guarantee of an automatic revision of prices to compensate for wage increases, and he felt that the proper course was to indicate in reply to an arranged Parliamentary Question that it would be appropriate for the Central Wages Board, in considering any further application for an increase in the minimum wage, to have regard to the present food outlook and the continuing need to increase food production at home.

In discussion it was pointed out that if either the suggestion made by the Minister of Labour or that made by the Minister of Agriculture and Fisheries were adopted the Government would in fact be guaranteeing that if the minimum wage was raised there would be a readjustment of prices. This would be directly contrary to the decision taken by the Cabinet at their meeting on the 31st January (C.M. (46) 10th Conclusions, Minute 6). Any price increases would inevitably lead to a further increase in the already high expenditure on the subsidies stabilising the cost of living, and to a large extent would go to swell the profits of the reasonably efficient producers who could easily afford to pay higher wages without any price adjustment.

In these circumstances, it was worth considering, before agreeing to any price increase, whether the problem could not be
solved by some form of subsidy to the marginal producer, though it had not hitherto been possible to evolve a satisfactory scheme for this. So far as concerned the workers, large numbers were already receiving more than the minimum wage, and if an increase of 5s. were given in the minimum wage many of these would demand and receive corresponding increases in order to maintain the wage differentials. Moreover, workers in other rural industries would also claim wage increases.

In all the circumstances it seemed desirable that, for the present, the Government should take no action to suggest to either side of the industry or to the independent members of the Central Wages Board that an increase in the minimum wage would be followed by any increase in agricultural prices, but that the Workers' Unions should be left to submit a renewed application for an increase in the minimum wage to the Board on the 23rd April. If in the event the Board granted an increase in the minimum wage, the Government would then have to consider what part, if any, of this increase should be met by a revision of the existing prices. Meanwhile, no publicity should be given to the fact that many agricultural workers were receiving more than the minimum wage.

The Cabinet—

Agreed that the Minister of Labour should inform the Workers' Unions that if they wished to pursue their claim for an increase in the minimum wage they should renew their application to the Central Wages Board, and that no indication should be given to any of the parties concerned that the Government were willing to consider an increase in agricultural prices to compensate for any increase in wages that might be awarded.

7. The Cabinet had before them a memorandum by the Home Secretary (C.P. (46) 135) recommending the appointment of a Committee of the Privy Council to examine proposals for constitutional reform which had been submitted by the States of Jersey and Guernsey. The Home Secretary said that there was evidence of a widespread desire among the islanders for a reform of the local constitutions which would bring them more into line with modern ideas and practice. The States had now submitted specific proposals for reform which were outlined in his memorandum; and the Lieutenant-Governors of both Islands had recommended that these proposals should be examined by a Committee of the Privy Council which would visit the Islands and take evidence, not only from the States, but also from various minority groups and from members of the public who wished to express their views.

The Cabinet—

(1) Agreed that a Committee of the Privy Council should be appointed to examine the proposals for constitutional reform which had been submitted by the States of Jersey and Guernsey;

(2) Invited the Home Secretary to consult with the Lord President regarding the composition and terms of reference of the Committee.

8. The Prime Minister read to the Cabinet a telegram (Index No. 14) from the Cabinet Mission to India asking for guidance in their forthcoming negotiations with Congress and the Muslim League on the Pakistan issue.

The telegram recalled that, under their instructions from the Cabinet, the Mission were required to see that any scheme which they accepted made adequate provision for the defence of India and the adjoining areas. It seemed to the Mission that there were two possible bases of agreement: (i) a unitary India with a loose
Federation at the centre charged primarily with control of defence and foreign affairs; and (ii) a divided India, in which the two parts would have a treaty of alliance, both offensive and defensive, but nothing in the form of an actual executive centre. The Mission recognised that, under the second alternative, arrangements for defence could not be very effective. Pakistan would itself be weak and would be strengthened only in so far as it could rely upon its treaty with Hindustan: there would be no common control of foreign policy, and common action might therefore become difficult or impossible. On the other hand, unless agreement in India could be secured, no scheme of defence would be of any value; and the Mission considered that the first step towards any effective arrangements for defence must be to secure some form of agreement between the two main Parties in India. While, therefore, they would prefer to secure an arrangement on the lines of their first alternative, they sought authority to work for an agreement on the basis of the second alternative if that seemed to afford the only chance of an agreed settlement.

Discussion showed that the Cabinet endorsed the views outlined in the telegram from the Cabinet Mission. Although the second alternative would produce a weak defensive position, it would be preferable to secure agreement on this basis than to fail to reach any agreement at all.

The Prime Minister said that he proposed to invite the views of the Chiefs of Staff before replying to this telegram.

The Cabinet—

Invited the Prime Minister, subject to the views of the Chiefs of Staff, to authorise the Cabinet Mission in India to seek agreement on the basis of the second alternative set out in their telegram Index No. 14, if they were satisfied that there was no other basis on which an agreed settlement could be reached.

Cabinet Office, S.W. 1,

11th April, 1946.