



(c) crown copyright

Printed for the Cabinet. April 1946.

SECRET.

Copy No. 44

C.M. (46)

36th Conclusions.

CABINET 36 (46).

CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Wednesday, 17th April, 1946, at 11 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. ERNEST BEVIN, M.P., Secretary of State for Foreign Affairs.

The Right Hon. ARTHUR GREENWOOD, M.P., Lord Privy Seal.

The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.

The Right Hon. LORD JOWITT, Lord Chancellor.

The Right Hon. J. CHUTER EDE, M.P., Secretary of State for the Home Department.

The Right Hon. VISCOUNT ADDISON, Secretary of State for Dominion Affairs.

The Right Hon. G. H. HALL, M.P., Secretary of State for the Colonies.

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. G. A. ISAACS, M.P., Minister of Labour and National Service.

The Right Hon. E. SHINWELL, M.P., Minister of Fuel and Power.

The Right Hon. ELLEN WILKINSON, M.P., Minister of Education.

The Right Hon. ANEURIN BEVAN, M.P., Minister of Health.

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. Sir BEN SMITH, M.P., Minister of Food (*Item 2*).

Mr. J. B. HYND, M.P., Chancellor of the Duchy of Lancaster.

The Right Hon. W. WHITELEY, M.P., Parliamentary Secretary, Treasury (*Item 1*).

Mr. O. C. HARVEY, Deputy Under-Secretary of State for Foreign Affairs.

Secretariat :

Sir EDWARD BRIDGES.

Sir NORMAN BROOK.

Mr. W. S. MURRIE.

Mr. C. G. EASTWOOD.

CABINET 36 (46).

		CONTENTS.						
<i>Minute No</i>		<i>Subject.</i>						<i>Page</i>
1	Parliament	.....	.....	.....	.....	.....	.....	287
	Business in the House of Commons.							
2	World Food Supplies	....	....	....	....	....	....	287
	Allocations of Cereals.							
3	Germany	.....	.....	.....	.....	.....	.....	289
	Future of the Ruhr and Western Germany.							

Parliament.
Business in
the House of
Commons.

1. *The Prime Minister* informed the Cabinet of the business which it was proposed to take in the House of Commons in the week after the Easter Recess.

The Second Reading of the *National Health Service Bill* would be taken on the 30th April, 1st and 2nd May. The debate would be completed by 6.30 p.m. on the 2nd May, after which other business would be taken. The Government spokesmen, in order of speaking, would be the Minister of Health, his Parliamentary Secretary and the Lord Privy Seal.

On the 3rd May, in Committee of Supply, there would be a debate on *Unemployment*. The Minister of Labour would reply to this debate, but the Secretary of State for War should be in attendance as particular reference would be made to unemployment among ex-service men.

World Food
Supplies.
Allocations
of Cereals.

2. The Cabinet considered a memorandum by the Minister of Food (C.P. (46) 159) on recent developments in the world wheat situation and their effect on supplies for the United Kingdom.

The Minister of Food said that it now seemed clear that United States exports in the six months ending the 30th June would not reach anything like the quantity estimated to be available when he had been in Washington. This short-fall, together with the short-fall which also seemed inevitable from the Argentine, meant that world supplies in the six months to the end of June were not likely to exceed 11,500,000 tons compared with the proposed allocations of 13,500,000 tons.

The position after the 30th June, though there were many uncertainties, was also likely to be difficult. It was uncertain how much wheat could be expected from Canada in July, August and September; the Minister had assumed a supply of 175,000 tons of wheat and 57,000 tons of flour for the United Kingdom, though these figures might be unreliable. With the quantities afloat at the end of June, this would give us 532,000 tons of wheat during these months; but we required 1,609,000 tons if we were to build up our stocks at the end of September to the prudent minimum of 900,000 tons of wheat and 400,000 tons of flour. We should, therefore, be short of our needs by 1,077,000 tons. The Minister saw no prospect of meeting any considerable part of this deficit from the Argentine or from the United States. It would, therefore, be prudent to assume that we should have to meet the deficit out of our own resources; and the sooner we began to economise, the less severe the cuts would have to be.

The Minister therefore proposed the following measures:—

(i) The flour extraction rate to be increased to 87½ per cent. on the 29th April and to 90 per cent. on the 30th May.

(ii) Dilution of the grist with 8 per cent. barley from the 6th May.

(iii) A reduction of the order of 25 per cent. in the production of biscuits and minor cereal products.

(iv) No further grain to be made available for distilling.

(v) A cut in beer production to 80 per cent. of the pre-war production in terms of standard barrelage.

(vi) The introduction of rationing of bread, oatmeal, flour and cake and flour confectionery.

Bread rationing could not be introduced before the 15th July. The rationing would have to be severe if it were to meet the remaining deficit. The average consumer might have to be cut down to a consumption of 2¼ lbs. a week compared with the present average consumption of 4½ lbs. This was bound to involve a serious loss of productive efficiency.

The effect of these measures on animal feeding-stuffs would be little short of disastrous. Although the cessation of whisky

distilling and the reduction in beer output would improve matters, there would still be a deficit of 1,523,000 tons over the next twelve months on the amount required to honour the recently reduced ration scales.

The Minister of Agriculture and Fisheries said that the proposals made by the Minister of Food would involve the cutting of the feeding-stuffs ration by about 50 per cent. in the summer and by even more in the winter. This would cause a heavy reduction in pigs and poultry and some reduction of milk supplies. These reductions could not quickly be made good, and our supplies of food would be affected for a long time to come. He suggested that the general picture presented by the Minister of Food was unnecessarily pessimistic. It was based on assumptions which he would wish to see more fully examined before he could agree to that part of the proposals which affected the supply of feeding-stuffs. Thus, the receipts of home-grown wheat and millable barley in August and September were estimated in the memorandum (page 17) at 155,000 tons. He thought that they should be at least 300,000 tons net after setting aside 100,000 tons for seed.

Discussion followed about the minimum level of wheat stocks. The calculations in the memorandum allowed for a stock of 900,000 tons of wheat and barley and 400,000 tons of flour at the end of September. In normal years this might be prudent, but in the present serious emergency could this figure be justified? Substantial reductions in consumption levels were also proposed; and on this account the stocks allowed for would represent a larger number of weeks' supply.

The need for the drastic measures proposed in the memorandum largely depended on the estimate of supplies from Canada in July, August and September. The memorandum assumed shipments of 175,000 tons of wheat and 57,000 tons of flour during these three months. In the last two days, however, our representative on the Combined Food Board had been given informally by the representative of the Canadian Wheat Board considerably higher figures. Could not the Canadian Government be pressed to give us an official estimate? This request should be made to them at a high level.

Other points made in discussion were:—

(a) Bread made from flour diluted with barley soon went sour. Dilution might not, therefore, in fact secure much economy.

(b) If the measures taken reduced the supply of milk to school children, this would have an immediate effect on their health, which could not be countered by increased consumption of bread or potatoes.

(c) *The Minister of Food* said that stocks on farms in the United Kingdom had been estimated at 500,000 tons at the 31st March. He hoped to obtain 350,000 tons of these before the 31st July. He had no estimate of stocks in the hands of bakers, but they could not at the most exceed 100,000 tons.

The general feeling of the Cabinet was that, while they recognised the situation to be extremely serious, it would be inexpedient to adopt without fuller consideration the far-reaching measures suggested in the memorandum. There would be advantage in awaiting the result of the present discussions in Washington. Meanwhile, an attempt should be made to obtain more definite information as to Canadian supplies. It was also suggested that the position might be studied in detail by the Ministers immediately concerned, with a view to the preparation of an agreed recommendation to the Cabinet.

The Cabinet:—

- (1) Invited the Secretary of State for Dominion Affairs and the Minister of Food to arrange for the position to be explained to the Canadian Government and a request

to be made to them to give the firmest possible estimate of the supplies likely to be forthcoming from Canada in the latter part of this year.

- (2) Agreed to defer a decision on the proposals made by the Minister of Food until the results of the discussions in Washington were known and the papers had been further studied by the Ministers directly concerned.

Discussion then turned on the question whether any additional instructions could be sent to our representative on the Combined Food Board for the meeting to be held in Washington later that day.

The Foreign Secretary recalled that the United States Ambassador had indicated to him on the previous day that the United States Government would be ready to order millers to set aside 25 per cent. of their supplies for export, provided that the Canadians would raise their present "set-aside" order from 10 per cent. to 25 per cent. and provided that His Majesty's Government would make some similar contribution. Following the discussion at the meeting of Ministers on World Food Supplies, he had handed the Ambassador later in the day a note, a copy of which he circulated, to the effect that we were willing to make a contribution to immediate shipments but were in the difficulty that we had no assurance as to the amounts that we were due to receive during the remainder of the year. Not only, therefore, must we ask for a guarantee of replacement, but we must also satisfy ourselves so far as we could that wheat would, in fact, be forthcoming (*e.g.*, from supplies now held on farms or fed to animals) to implement that guarantee.

He had since had a telegram from Lord Halifax emphasising that it was by no means certain that the United States Government would agree to the "set-aside" order. There was considerable opposition to it by political parties and commercial interests. The Foreign Secretary thought it desirable that we should go as far as we could to encourage the United States Government in their difficult decision. He therefore proposed that our representative should be given discretion, if the course of discussions seemed to him to make it necessary, to increase from 100,000 tons to 200,000 tons the amount of wheat which we should agree to divert from United Kingdom stocks or shipments afloat. He should make it clear that no diversion at all could be made except on the conditions laid down at the previous meeting of the Cabinet.

After discussion the Cabinet—

- (3) Agreed that the previous instructions to our representative on the Combined Food Board should be modified on the lines indicated above.
- (4) Invited the Foreign Secretary, in consultation with the Minister of Food, to arrange for a telegram to be sent to Washington accordingly.

3. The Cabinet considered memoranda by the Foreign Secretary (C.P. (46) 139 and 156) on the future of the Ruhr, the Rhineland and the Saar.

The Foreign Secretary recalled that the agreement reached at the Berlin Conference regarding the economic treatment of Germany in the initial control period had included the principle that during the period of occupation Germany should be treated as a single economic unit. The French Government, who had not accepted this decision of the Berlin Conference, had subsequently proposed that the Ruhr and the Rhineland should be made politically independent of Germany. The object of this French proposal was to provide military security against the risk of future aggression by Germany; but it would do so at the cost of creating a Germany which was not economically viable and an irredentist

problem which might eventually give rise to another nationalist movement in Germany. In these circumstances he had looked for an alternative solution which, while avoiding the dangers of any plan involving the political separation of the Ruhr from Germany, would meet the legitimate French demand that Germany should not again be free to exploit the Ruhr industries for the purpose of launching further aggression in Europe. He had at first favoured the plan outlined in Annex A to GEN. 121/1 (circulated with C.P. (46) 156) by which the Ruhr would remain politically a part of Germany, but its industries would be controlled by an international holding company whose function it would be to exploit the resources of the Ruhr for the benefit of Europe as a whole. On further reflection, however, he felt that this plan for international ownership of the Ruhr industries would encounter serious difficulties in practice; and he now favoured the modified plan outlined in C.P. (46) 139. This envisaged the formation of a new German province in the area affected by the scheme. The industries, instead of being brought under international ownership, would be vested in a socialised German corporation, whose relation to the provincial government would be similar to that of the National Coal Board in this country to His Majesty's Government. Germany's obligations in regard to these socialised industries would be specified in the peace treaties, and an international control organisation would be established to supervise the performance of these obligations. A scheme on these lines, emphasising political rather than industrial control, was likely to be more acceptable to the French; and German opinion would certainly prefer to see German industries under German socialised ownership rather than under the ownership of an international corporation.

The Foreign Secretary said that he would be glad to have the assistance of his colleagues' views on this difficult issue. If they approved the scheme outlined in C.P. (46) 139, he would like to have their authority to put it to the Dominion Ministers at the forthcoming Conference in London and thereafter to make tentative proposals on these lines to the Governments of interested foreign countries, particularly France, Belgium and Holland.

As regards the Rhineland, he proposed to support the French proposal that French, Belgian and Dutch troops should be stationed indefinitely in German territory west of the Rhine, but to resist the proposal that this territory should be detached from Germany.

As regards the Saar, he also proposed to support the French proposals that the ownership of the mines should be transferred to France, that the territory should be included in the French customs and currency system, that French military forces should be stationed permanently in the territory, and that the territory itself should be transferred forthwith to French administration pending a final settlement.

He also proposed to inform the United States Government that His Majesty's Government welcomed their draft treaty on the disarmament and demobilisation of Germany (Annex C to GEN. 121/1, circulated with C.P. (46) 156) and thought that it would provide a most useful basis for further discussion.

Discussion turned on the proposals for the future control of the Ruhr.

The Cabinet agreed that the French plan, involving the political separation of the Ruhr from Germany, must be resisted. Opinion was divided on the relative merits of the two alternatives, outlined respectively in Annex A to GEN. 121/1, circulated with C.P. (46) 156, and in paragraph 5 of C.P. (46) 139.

In favour of the later plan outlined by the Foreign Secretary in C.P. (46) 139, the following points were made:—

(a) An international Board representing a number of national Governments was not likely to be a satisfactory instrument for the efficient management of the Ruhr industries. German State ownership, subject to suitable international control, was more likely to produce efficient management.

(b) We should not base our policy on the assumption that Germany could be held down indefinitely by international control. The better policy was to promote the creation in Germany of an enlightened social democracy under which Germany could be allowed to take her place in the comity of nations. With this in view it would be wiser to leave these industries in German ownership.

(c) Under this scheme the Soviet Government need not be given any greater share in the control over the Ruhr industries than they were prepared to concede to us in Eastern Germany, *e.g.*, by participation in the international control of the industrial area of Saxony.

(d) This scheme faced the fact that Europe was now being divided into two spheres of influence; and it would give us an opportunity to prove that we could build up in Western Germany, under a democratic system, an efficient industrial organisation which challenged comparison with that which was being created under a different system in Eastern Germany.

(e) This scheme, by leaving the ownership of the industries in German hands, was less likely to give rise to a second nationalist movement based on a sense of grievance and frustration. There would be a grave risk of these industries being used for the creation of a war potential if they were left in the control of a small but powerful economic group of German nationals; but this risk need not arise if we took this opportunity of bringing the industries under a socialised system of German ownership.

On the other hand, a number of Ministers preferred the scheme for international ownership outlined in Annex A to GEN. 121/1. The main points made in favour of this alternative were:—

(f) One of the greatest dangers to the future peace of Europe was the possibility that, as the years went by, the victorious Powers would become increasingly reluctant to enforce a sufficient degree of international control to prevent the re-emergence of a war potential in Germany. International ownership of the Ruhr industries would afford a guarantee of continuing international control.

(g) It would be difficult to find in Germany social democrats who had sufficient knowledge and experience to assume the management of a national corporation operating the Ruhr industries. It was more likely that the management of such a corporation would fall into the hands of industrialists and technicians who were likely to be sympathetic towards the re-emergence of an extreme nationalist movement in Germany.

(h) A German corporation might adopt industrial policies which would prejudice our industrial interests. If the Ruhr industries were controlled by an international company in which we had a voice, it would be easier to ensure that their development conformed to the best industrial interests of the United Kingdom.

(i) A system by which the Ruhr industries were brought under international ownership would assist us to rebuild France as a great industrial Power, and would also help us to foster the industrial prosperity of Holland and Belgium.

The Foreign Secretary said that he had been reluctant to abandon his original plan for bringing the Ruhr industries under international ownership. At the same time, he attached considerable importance to one feature of the new plan, *viz.*, the creation of the proposed new German Province. In the light of the views expressed in the Cabinet's discussion, he now suggested that in the exploratory discussions which he wished to hold with interested foreign Governments he should tentatively put forward both the alternative plans and should also consider whether, if there were a general preference for a system of international ownership, this could not be combined with the creation of a new German Province in the Ruhr.

The Cabinet—

- (1) Authorised the Foreign Secretary to discuss the future of the Ruhr and Western Germany with the Dominion

Ministers visiting London for the forthcoming Conference and thereafter with the Governments of interested foreign countries, particularly France, Belgium and Holland, on the following basis:—

- (i) An attempt should first be made to secure agreement in principle to the establishment of a new German Province in the Ruhr. Subject to this, future control over the Ruhr industries might be secured either through international ownership, on the lines of the scheme set out in Annex A to GEN. 121/1 (C.P. (46) 156) or through the creation of a socialised German corporation subject to international control, on the lines indicated in paragraph 5 of C.P. (46) 139. The views of the Dominion Ministers and foreign Governments should be sought on both these alternative schemes.
 - (ii) French, Belgian and Dutch troops should be stationed in German territory west of the Rhine for an indefinite period, but this territory should not be detached from Germany.
 - (iii) Ownership of the Saar mines should be transferred to France; the Saar territory should be included in the French customs and currency system; French troops should be stationed permanently in the Saar; and the territory itself should be transferred forthwith to French administration pending a final settlement. The assets so transferred should be debited to France on reparation account.
- (2) Authorised the Foreign Secretary to inform the United States Government that His Majesty's Government welcomed their draft treaty on the disarmament and demobilisation of Germany (Annex C to GEN. 121/1 circulated with C.P. (46) 156) and regarded it as a useful basis for further discussion.
 - (3) Took note that the Foreign Secretary was proposing to submit to the Cabinet in the near future a further memorandum on the wider question of policy towards Germany as a whole.

*Cabinet Office, S.W. 1,
17th April, 1946.*



