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SECRET.

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C.M. (46)

6th Conclusions.

## CABINET 6 (46).

*CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W. 1, on Thursday, 17th January, 1946, at 11.30 a.m.*

## Present :

The Right Hon. C. R. ATTLEE, M.P., Prime Minister ( <i>in the Chair</i> ).	
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 ( <i>Item 2</i> ).
The Right Hon. ARTHUR GREENWOOD, M.P., Lord Privy Seal.	The Right Hon. HUGH DALTON, M.P., Chancellor of the Exchequer.
The Right Hon. Sir STAFFORD CRIPPS, K.C., M.P., President of the Board of Trade.	The Right Hon. A. V. ALEXANDER, M.P., First Lord of the Admiralty.
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. LORD PETHICK-LAWRENCE, Secretary of State for India and Secretary of State for Burma.
The Right Hon. J. J. LAWSON, M.P., Secretary of State for War.	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. 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. JAMES GRIFFITHS, M.P., Minister of National Insurance.	The Right Hon. WILLIAM WHITELEY, M.P., Parliamentary Secretary, Treasury.
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*Secretariat :*

Sir EDWARD BRIDGES.  
Mr. NORMAN BROOK.  
Mr. W. S. MURRIE.

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**Parliament.**

Business in  
the House  
of Commons.  
Civil Aviation.  
(Previous  
Reference:  
C.M. (45) 63rd  
Conclusions,  
Minute 1.)

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

On the 24th January there would be a debate on a Government Motion inviting approval of the policy outlined in the White Paper on Civil Aviation. The Parliamentary Secretary to the Ministry of Civil Aviation should move this Motion, but it would be necessary for a member of the Cabinet to speak in reply to the debate.

*The Lord President* said that, in the light of his experiences during his recent visit to North America, he was apprehensive about the effects of American competition on the trans-Atlantic air routes unless the British Corporations were able quickly to equip themselves with American aircraft for use until such time as suitable types of British civil aircraft became available.

*The Chancellor of the Exchequer* said that he had recently agreed to find dollars for the purchase of four American aircraft, either Constellations or Boeings, for such temporary use on the trans-Atlantic routes. The Cabinet should, however, be aware that Air Vice-Marshal Bennett, who was to be a director of the projected South American Airways Corporation, took the view that the Lancastrian could carry civil traffic across the Atlantic. This view had not hitherto been accepted by the Ministry of Civil Aviation; but it was a matter for consideration whether the Lancastrian should not be used on the trans-Atlantic routes to South America.

*The President of the Board of Trade* said that, if B.O.A.C. had been willing to place orders at an earlier stage, they could by now have been equipped with British aircraft. He believed that B.O.A.C. had deliberately refrained from ordering British aircraft in order to get into a position in which the Government would be forced to agree to their acquiring American aircraft. He thought that a searching enquiry should be held into the policy followed by B.O.A.C. in this matter.

*The Prime Minister* agreed that enquiry should be made into the points which had been raised in the discussion, so that the Government spokesman in the forthcoming debate might be in a position to deal with these matters.

## The Cabinet—

- (1) Invited the Lord President to enquire into the points noted above, in consultation with the Minister of Civil Aviation; and agreed that the Lord President should reply to the debate on the 24th January.

*The Prime Minister* informed the Cabinet of a statement which he was proposing to make in the House of Commons on the 22nd January regarding the establishment of an organisation under the Ministry of Supply for the production of fissile material required for the development of the Government's programme for the use of atomic energy. This would make it clear that the Government's object in establishing this production plant was to make available as speedily as possible fissile material in sufficient quantity to enable us to take advantage rapidly of technical developments as they occurred, and to develop our programme for the use of atomic energy as circumstances might require. He would announce at the same time that Marshal of the Royal Air Force Lord Portal of Hungerford had been chosen as head of this production organisation; and that Professor J. D. Cockcroft had been selected for the post of Director of the Research and Experimental Establishment at Harwell.

## The Cabinet—

- (2) Took note with approval of the terms of the Prime Minister's proposed announcement on this subject.

Atomic  
Energy.  
(Previous  
Reference:  
C.M. (46) 1st  
Conclusions,  
Minute 1.)

Investment  
(Control and  
Guarantees)  
Bill.

*The Chancellor of the Exchequer* said that he had arranged to give notice of introduction of the Control of Investment Bill on the 22nd January and to publish the text of the Bill on the following day. It would be inconvenient, from the point of view of publicity, if this Bill and the National Insurance Bill were published on the same day.

*The Lord President* said that it was important, from the point of view of the Parliamentary time-table, that the National Insurance Bill should be published as soon as possible after Parliament reassembled. It was proposed to take the Second Reading of that Bill on the 6th and 7th February, and the House would need at least two clear weeks in which to study the terms of the Bill before the Second Reading.

The Cabinet—

- (3) Invited the Lord President and the Chief Whip to consider, in consultation with the other Ministers concerned, what arrangements could be made to avoid the loss of publicity which would occur if the Control of Investment Bill and the National Insurance Bill were published on the same day.

Business in  
the House  
of Lords.  
Bank of  
England Bill.

The Cabinet were informed that the Second Reading of the Bank of England Bill would be taken in the House of Lords on the 22nd January. No petitions against the Bill had yet been lodged, and it seemed likely that it would not be necessary to refer the Bill to a Select Committee. The Governor of the Bank of England had undertaken to speak from the cross-benches in support of the Bill.

**National  
Insurance  
Scheme.**

(Previous  
Reference:  
C.M. (45) 62nd  
Conclusions,  
Minute 2.)

2. At their meeting on the 13th December the Cabinet had invited the Social Services Committee to consider what changes might be made in the conditions for the receipt of assistance by unemployed persons who had exhausted their title to benefit.

The Cabinet now had before them a memorandum by the Minister of National Insurance (C.P. (46) 14) reporting the conclusions reached by the Committee.

Limitation of  
Unemployment  
Benefit.

*The Minister of National Insurance* said that, in consultation with the Assistance Board, he had gone carefully into the possibility of making such changes in the conditions for the payment of assistance as would remove any legitimate sense of grievance on the part of persons who had to resort to assistance on the exhaustion of their right to unemployment benefit, but he had come to the conclusion that a solution to the problem could not be found on these lines. Meanwhile, there was increasing evidence that long-term unemployment was re-emerging in the development areas, and the Assistance Board had reported that over the last six weeks there had been about 750 new applications for assistance each week, 90 per cent. of the applicants being persons who had exhausted their right to unemployment benefit. He was satisfied that, unless some provision was made in the Bill to meet the position of such persons in the period before the Government's full employment policy took effect, a very awkward Parliamentary situation would arise; and he accordingly proposed that, as an emergency measure during a period of, say, two years from the passage of the Bill, he should have power to give to all contributors insured for unemployment special credits which would entitle them to a further spell of benefit in that period up to a maximum of 26 weeks. It should be possible to provide this extra benefit from the insurance fund which had been built up during the war and no increase in contribution rates would be necessary.

*The Chancellor of the Exchequer* said that in putting forward this proposal the Minister of National Insurance was asking the Cabinet to reopen their decision of the 13th December that the Bill

should provide for a limit of 30 weeks on the payment of unemployment benefit, with the normal extensions for contributors with good employment records. The Government would appear to have little confidence in their power to carry through their policy of full employment if, at a time of great labour shortage, they put forward proposals which would make it possible for people to draw continuous unemployment benefit for as much as 2½ years. It was true that there were special difficulties in the development areas, but the remedy for these was to press forward with schemes for the provision of work suited to the local circumstances and not to provide for the payment of additional unemployment benefit throughout the whole country. He hoped that it would be possible to avoid any recurrence of nation-wide unemployment, but if unemployment of this kind did develop, it would not be in the years covered by the Minister's proposal but at a later date. He was concerned that, if an additional spell of 26 weeks' benefit were once conceded, it would never be possible to withdraw it. There should be no real difficulty in getting Parliament to accept the Bill with a limit of 30 weeks on the payment of unemployment benefit; but if, in the event, there proved to be very strong opposition to such a provision he would be prepared to consider making some concession.

*The President of the Board of Trade* confirmed that a considerable measure of unemployment was appearing in the development areas. Schemes to provide employment in the development areas were, of course, being actively pursued, but there would be an inevitable time-lag before these schemes matured, and the position might not be fully remedied until about the beginning of 1948. It was estimated that by the end of 1946, there would be about 250,000 unemployed in the development areas, of which, on past experience, some 37,500 would probably have been unemployed for over twelve months. Outside the development areas the amount of long-term unemployment would be negligible.

*The Minister of Health* said that the position in the development areas reinforced the case for an extension of the payment of unemployment benefit. He recognised that the view was strongly held in some quarters that the payment of benefit for an additional period should not be a charge on the insurance fund; but he did not see why such additional payments should not be carried by the Exchequer. He did not favour paying benefit to persons who could no longer be regarded as in the employment field. The essential point, however, was that persons in the development areas who were anxious to work, but for whom no work was available, should not be penalised when they exhausted their right to benefit under the present conditions. Outside the development areas there should be no difficulty in offering work to all applicants for benefit long before the expiry of 30 weeks. Unless some provision was made on the lines suggested by the Minister of National Insurance the Bill would be bitterly opposed in Parliament; and, in his view, it would be disastrous to adopt the suggestion of the Chancellor of the Exchequer that the Government should wait and see what was the extent of the opposition.

*The Foreign Secretary* said that it had always been contemplated that there might be special difficulties during the period of dislocation immediately after the end of the war and that, as Minister of Labour in the Coalition Government, he had agreed with the Chancellor of the Exchequer that £100 millions of the accumulated reserves of the unemployment insurance fund should be regarded as available to meet these emergency conditions. He attached the utmost importance to maintaining the insurance principle and he was convinced that the insurance fund should not carry more than the payment of unemployment benefit for a period of 30 weeks, with the normal extensions for contributors with good employment records. There was no reason, however, to penalise a claimant who had exhausted his right to unemployment benefit and,

"X"

through no fault of his own, could not obtain employment; and he suggested that a solution might be found by providing, for an emergency period of about five years, that where an applicant was capable of and available for work but could not obtain it, he might be referred to the Court of Referees who, after considering all the circumstances of the case and the conditions of the locality, might recommend to the Minister that payment at benefit rates should be continued for such further period as they thought fit. There would be no question of imposing any means test on the claimant; but, in making their recommendations the Courts of Referees would have regard to such matters as whether he was a young, single person who could reasonably be expected to move to another area, whether he could reasonably be regarded as within the industrial field, and how soon new opportunities for employment would be available in the locality. The cost of these additional payments should not fall on the insurance fund, but should be met out of monies provided by Parliament.

*The Chancellor of the Exchequer* said that, in principle, he was willing to accept the suggestion made by the Foreign Secretary, but he would like an opportunity of considering the form of the Clause to give effect to it.

*The Lord President* supported the proposal made by the Foreign Secretary. He pointed out, however, that it was essential that the Bill should be published during the coming week and suggested that, in these circumstances, the necessary new Clause should be drafted in the widest possible terms, leaving the details of the scheme to be worked out in Regulations.

The Cabinet—

- (1) Approved the inclusion in the National Insurance Bill of a provision on the lines suggested by the Foreign Secretary at "X" above, and invited the Chancellor of the Exchequer, in consultation with the Foreign Secretary and the Minister of National Insurance, to settle the terms of the necessary Clause.

*The Prime Minister* recalled that at their meeting on the 13th December the Cabinet had agreed that the Social Services Committee should consider a proposal that provision should be made in the National Insurance Bill for varying the rates of contribution in sympathy with the state of employment. He had been informed that since then the Chancellor of the Exchequer, in consultation with the other Ministers mainly concerned, had agreed on the inclusion in the Bill of a Clause giving him power, by order subject to affirmative resolution, to vary the rates up or down, if it seemed to him desirable to do so with a view to maintaining stability of employment. He understood, however, that it was not proposed to provide that the variations should be made automatically according to a prescribed scale. Was it not dangerous to take a wide power of this kind which would be exercised without reference to any objective standard? Would it not be possible to relate the possible variations to the level of unemployment or to trends in world trade?

*The Chancellor of the Exchequer* said that he and the other Ministers concerned had considered very carefully whether the proposed Clause should contain a scale according to which contributions would be varied. They had, however, felt that no sufficient data were available at present for drawing up such a scale and that, apart from this, it would be objectionable to include in the Clause any figure implying that the Government accepted as "normal" a particular percentage of unemployment. The Clause would, however, be drafted in such terms as not to preclude the inclusion of a scale in any order which might be made under it.

*The Lord President* supported the view that it would be impossible to include in the Clause any objective test, whether by reference to a figure of unemployment or by reference to trends in world trade.

Variation  
of rates of  
contribution.

## The Cabinet—

- (2) Approved the inclusion in the National Insurance Bill of a Clause giving the Chancellor of the Exchequer power, by order subject to affirmative resolution, to vary the rates of contribution up or down if it seemed to him desirable to do so with a view to maintaining stability of employment.
- (3) Took note that the Clause would not preclude the making of an order providing for automatic variation by reference to some objective test.

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

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