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SECRETC. P. (56) 95COPY NO. 69th April, 1956

CABINET

FAMILY ALLOWANCES AND THE  
BREAD SUBSIDYMemorandum by the Chancellor of the Exchequer

At their meeting on 21st March, 1956, the Cabinet agreed that the Bill on Family Allowances referred to in The Queen's Speech should be added to the legislative programme for the current session (C.M. (56) 24th Conclusions, Minute 8).

2. I have been considering this Bill (which it is now agreed should also deal with widows) in relation to the bread subsidy. I attach great importance to being able to say in my Budget speech that the remainder of the bread subsidy will be removed altogether on a definite date, later in the year. The Family Allowances and Widows Bill gives us an opportunity of associating the removal of the rest of the bread subsidy with a measure of mitigation of its effect on large families at a reasonable cost. What I have in mind is that our proposed Bill should be enlarged by adding a provision that family allowances should be increased by 2s. a week for each child in the family after the second, so that the rates would be 8s. for the second child and 10s. for the third and each subsequent child. The cost of increasing the allowances in this way would be just under £10 millions in a full year. The saving on the abolition of the rest of the bread subsidy would be £20 millions or more in a full year.

3. If legislation on family allowances could be passed by the end of July, it could be put into operation on 1st October. I propose therefore that I should say in my Budget speech that both changes will be made effective on that date. As this is not technically a part of the Budget, and will be implemented in legislation other than the Finance Bill, I am consulting my colleagues in this paper rather than leaving the proposal for oral exposition when they have my Budget as a whole before them.

H.M.

Treasury Chambers, S.W.1.

9th April, 1956.