WAR CABINET, 42.

Minutes of a Meeting of the War Cabinet held at 10, Downing Street, on Tuesday, January 23, 1917, at 5 P.M.*

Present:

The Prime Minister (in the Chair).


In attendance:

The Right Hon. W. Long, M.P., Secretary of State for the Colonies (Minutes 1 to 6).

The Right Hon. Sir George Cave, K.C., M.P., Secretary of State for the Home Department (Minutes 7 to 14).

The Right Hon. R. Munro, K.C., M.P., Secretary for Scotland (Minutes 1 to 14).

The Right Hon. the Lord Rhondda, President of the Local Government Board (Minutes 1 to 6).

The Right Hon. R. E. Protz, M.V.O., M.P., President of the Board of Agriculture (Minutes 1 to 14).

The Right Hon. the Lord Devonport, Food Controller (Minutes 1 to 5, 7 to 14).

The Right Hon. Sir Joseph Maclay, Bart., Shipping Controller (Minutes 7 to 14).

The Lord D'Abernon, K.C.M.G., Chairman Central Control Board (Liquor Traffic) (Minutes 7 to 14).

Mr. W. F. Marwood, C.B., Board of Trade (Minutes 7 to 14).


Captain Clement Jones, Assistant Secretary.

Mr. Thomas Jones, Assistant Secretary.

Mr. G. M. Young, Assistant Secretary.

Report by Food Controller on Bread, Meat, and Sugar.

1. THE War Cabinet had before them a Report by the Food Controller, dated the 11th January, 1917 (War Cabinet Paper G–108).

   The Food Controller reported that the statistical position does not warrant the enforcing of rationing at present.

   The War Cabinet decided, however, that the question should be examined, in the first instance, from the point of view of the amount of tonnage which could be saved by rationing.

Report by Food Controller on Sugar.

2. With a view to a decision as to the adoption of a ration for sugar, the Food Controller undertook to give the War Cabinet an

* Discussion on the first five Minutes took place at War Cabinet Meeting No. 41 held at noon of the same day.
estimate of the amount of tonnage requirements on the basis of 12 oz. per head per week, or alternatively on the basis of 8 oz. per head per week.

The War Cabinet agreed with the Food Controller that a better distribution of the existing sugar supplies was necessary. The Food Controller announced his intention of investigating this question as soon as his appointment to the Chairmanship of the Royal Commission on Sugar Supplies was confirmed.

3. The War Cabinet approved the recommendation of the Food Controller that, having regard to the great dependence of the poorer classes on bread and the impossibility of substituting other forms of food in their case, it was undesirable to adopt a system of rationing of bread at present.

4. The War Cabinet also approved the recommendation of the Food Controller that, at present, there should be no meat ration, as the total quantity imported only amounts to 250,000 tons, and the quantity that could be saved only amounts to 110,000 tons.

5. The Food Controller undertook to submit to the War Cabinet a Proclamation indicating the quantities of food per head to which the general public should endeavour to reduce their consumption, with an intimation that, if this suggestion was not complied with voluntarily, compulsion would follow.

6. The Secretary of State for the Colonies reported that the Conference (see War Cabinet 41, Minute 6) had met and decided to make the following recommendations:—

1. The decision of the War Cabinet that 30,000 men should be released from Agriculture for general service by the end of January should not be modified.
2. Field-Marshal Lord French will find 15,000 substitutes from Home Defence Units, and the War Office will find 15,000 substitutes from among men surplus to their requirements.
3. Military representatives will be instructed to furnish names and particulars of farmers and farms requiring Labour to the War Office and the Horse Guards.
4. The President of the Board of Agriculture will furnish the War Office with lists of areas where special arrangements for the provision of Labour are required.
5. The Director of National Service should take power to enable him to remove men from gardening and similar occupations, one-third of whom should be supplied to agriculture.
6. The various women's associations should be pressed to supply women substitutes, and all necessary steps to this end should be taken immediately by the Board of Agriculture.
7. Any pledges given in Parliament from time to time which interfere with the mobility of Labour should be withdrawn in Parliament in accordance with the decision of the late Government.
These recommendations are subject to two reservations:

(a.) That the decision as to the risk of a raid should be taken by the War Cabinet, and Field-Marshal Lord French relieved of all responsibility.

(b.) That the case of Scotland should be considered separately in the light of proposals which have been submitted to the Secretary for Scotland, to the Prime Minister, and the Secretary of State for War.

The War Cabinet decided—

To approve the above Report, and instructed the President of the Board of Agriculture to prepare, in consultation with the Secretary of State for War, a statement, for publication in the Press, of the measures to be taken.

The President of the Board of Agriculture enquired whether, in addition to the 30,000 men to be taken from Agriculture, the Adjutant-General would be entitled, under the terms of War Cabinet 41, Minute 4, to enlist boys of 18 from Agriculture. The War Cabinet decided—

That the President and the Secretary of State for War should, if possible, settle the matter in consultation between themselves.

The War Cabinet decided:

That the President of the Board of Agriculture should prepare a scheme for providing farmers, through local banks, with credit for the purchase of seed, fertilizers, and feeding-stuffs, on the security of the harvest of 1917, which the Government have contracted to purchase.

7. The War Cabinet had before them the following Memoranda:

Liquor Traffic.

Memorandum by Lord D'Abernon (War Cabinet Paper G. 116).
Sir A. Stanley (Appendix I).
Central Control Board (Liquor Traffic) (Appendix II).
Sir G. Cave (Appendix III).

It was decided that the Food Controller should restrict the supply of brewing materials so as to reduce the output of beer by 25 per cent. on the 1915 standard, in addition to the existing reduction by 15 per cent. on that standard, making a total of 40 per cent.*

8. It was decided that there should be a simultaneous and similar reduction by the Chancellor of the Exchequer in the quantities of wines and spirits released from bond.

9. The Food Controller was authorised to stop further malting by an Order under the Defence of the Realm Regulations as soon as a sufficient amount of malt has been made to produce the reduced quota of beer that will be permitted.

10. The Chancellor of the Exchequer was instructed, in order to prevent forestalment, to prohibit or restrict, as soon as possible, the withdrawal of spirit from bond prior to the 1st April, 1917. This would be done under the Finance (No. 2) Act, 1915, Section 15.

* At a subsequent conference with the Prime Minister it was arranged that this reduction should be a reduction of 30 per cent. on the 1915-17 output, which was equivalent to a further 20 per cent. on the 1915 standard.
11. The Chancellor of the Exchequer undertook to consider the imposition of fresh taxation on beer, wines, and spirits, with a view to reducing demand to the level of the restricted supplies.

12. The Home Secretary was instructed to prepare a Bill, after consultation with the Food Controller and the Chairman of the Liquor Control Board, to give effect to the above decisions in so far as legislation is found to be necessary.

13. The Home Secretary undertook to consider the question of including in the draft Bill a clause extending the area under the control of the Liquor Control Board so as to cover the whole of the United Kingdom.

14. The War Cabinet considered that it was highly desirable to curtail the railway transport of beer. The President of the Board of Trade was therefore instructed to consult leading brewers with a view to confining deliveries to definite districts contiguous to the breweries. No action, however, should be taken in this direction before the issue of the order by the Food Controller referred to in Minute (9), as it is important that information regarding the Government’s policy on this question should not leak out.

2, Whitehall Gardens, S.W., January 24, 1917.

(Initialled) D. Ll. G.
APPENDIX I.

MEMORANDUM BY SIR ALBERT STANLEY.

Carriage of Brewing Materials and of Beer by Rail.

ASSUMING that an annual reduction can be effected in the use of brewing materials amounting to—

500,000 tons of barley,
33,000 tons of grits,
66,000 tons of sugar,

a total saving in transport of 800,000 tons would be effected. This is equivalent to 2,000 tons each working day, and at 8 tons per wagon is equivalent to 250 wagon loads per day. These wagons will take at least one day in transit and another in unloading, and the saving therefore would apparently be 500 wagons.

A reduction of 33 per cent. in the number of barrels brewed would, it is estimated, result in an annual reduction in output of 8,000,000 barrels, equivalent to 26,666 barrels a day. An average wagon load is 18 barrels, so that if these barrels had all to pass by rail, nearly 1,500 wagons would be necessary, making up 30 trains.

Again, assuming that wagons will take one day in transit and another in unloading, the saving under this heading would apparently be 3,000 wagons, and, if the traffic moves in train-loads, 30 engines.

On this basis the total saving would be 3,500 wagons and 30 locomotives. But this is an outside estimate, as a large part of the beer traffic is carried by road vehicles, and a portion of the brewing materials by canals. We have no means of ascertaining with any exactness the proportion of the traffic which is so carried.

January 15, 1917.

APPENDIX II.

MEMORANDUM BY CENTRAL CONTROL BOARD (LIQUOR TRAFFIC).

1. THE Board have had under their consideration the Food Controller's proposal to issue an Order for a large reduction in the output of beer in order to save barley and other materials for food.

2. For the reasons given in the accompanying memorandum (Enclosure 1), the Board have come to the conclusion that a 50 per cent. reduction at one stroke would cause hardly less irritation and unrest than a policy of total prohibition, and they would not be prepared to accept responsibility for the effects of so drastic a measure on social order. The Board assume, however, that some large reduction is immediately necessary, and they desire to represent that, if any such reduction is made, a policy of State purchase, introduced either simultaneously or as soon as possible, provides at once the most effective and the most equitable modus operandi. In arriving at this conclusion, the Board have been influenced by the following important considerations:

(a.) The issue of an Order on the lines now proposed necessitates a scheme for an adequate complementary reduction in the consumption of spirits; and, in the Board's opinion, the framing of a practical scheme for this purpose may present insuperable difficulty, unless the State assumes control of the stocks of spirits and responsibility for their distribution to the consumer.

(b.) The Order will inevitably result in a large increase of selling prices of beer and spirits, and the whole of this increase will apparently go to the brewer and the spirit dealer, instead of going, as it ought, in large part to the State in relief of the loss of Excise Revenue incurred through decreased consumption.
(c.) If the Order is to come into operation with a minimum of inconvenience to the public, it will be necessary to take steps to ensure that the decreased amount of raw material available for brewing is used to produce the greatest possible volume of beer for sale; and, with this object in view, it will be necessary to compel a general reduction of gravities and it will probably be found advisable temporarily to prohibit the sale of high gravity beers. If the State buys out the Trade, this and other regulating measures could at once be taken; but, if the Trade is not bought out, such measures would naturally be regarded as unfair and oppressive by those sections of the Trade whose goodwill was thereby damaged or even destroyed.

(d.) A reduction of total barrelage should make it possible to release a number of men for war-work. But the full advantage of this economy could not be obtained except by concentration of breweries and other wholesale businesses; and, without State purchase, such concentration would not be practicable.

(e.) Similar considerations apply when the question is looked at from the point of view of the economic use of transport, and of the economic distribution of available supplies of raw material.

(f.) No scheme for the distribution of beer and spirits will be satisfactory which is limited to control of the wholesale trade. In order to prevent alternations of “rush” drinking and drink famine, the final distribution from the retailer to the consumer must also be regulated.

3. The Board understand that they are under direction to examine and report to the War Cabinet on the best means of effecting a reduction in the consumption of spirits corresponding to that which is contemplated with regard to beer. With this object, they have carefully considered whether arrangements could be made by which withdrawals of spirits from bond would be limited to a proportion of the amount actually withdrawn by respective wholesale dealers in the previous year. Notwithstanding the difficulties indicated in the enclosed Report (Enclosure 1) from Sir Arthur Tedder, the Board believe that it would not be impossible to devise emergency measures which could be applied to the distribution of spirits up to the point at which they reach the wholesaler. But even if such measures were practicable, they would not be effective, since it is the distribution from the wholesaler to the retailer, and from the retailer to the consumer, which is at once the largest and the most difficult part of the problem. On the retail side, reduced consumption might be secured by compulsory dilution or by the stoppage of sales on certain days in the week; but the present powers of the Board are insufficient to enable them to apply either of these measures to the whole of the United Kingdom, and so far as dilution is concerned, it must be remembered that a compulsory reduction to 30 degrees under proof has already been prescribed as from 1st February in the areas scheduled by the Board, and that further dilution, to be effective, should be gradual. To secure an immediate and large reduction in the consumption of spirits, it is essential that retail selling prices should be largely increased. Under present conditions, an increase of prices can be immediately affected by the imposition of a heavy increase of duty.

4. The Board desire to point out that large stocks of spirits may be withdrawn from bond immediately on the publication of a restrictive Order, whether applicable to beer alone or to beer and spirits, or even in anticipation of such an Order. They have themselves no power to deal with such a situation, but they feel strongly that the necessary arrangements for preventing excessive clearances should at once be perfected.

Enclosure 1.

Note as to the Probable Consequences of an Order for a 50 per cent. Reduction in Output of Beer.

1. The standard gravity of beer, on which duty is based, is 1,055 degrees (water being 1,000). During the last two years there has been a marked tendency towards a reduction of gravities of beers placed on sale in consequence of (a) increase of taxation (b) the Restriction of Output Act.
2. Standard barrelage for year ended the 31st March, 1916, 30,000,000 barrels.  
Bulk (Average gravity being 1,052 degrees) 32,000,000

Standard barrelage for year ending the 31st March, 1917, 26,000,000 barrels
Bulk (estimate) 30,000,000
(Assumed average gravity being 1,048 degrees.)

3. The Food Controller proposes for 1917-18 to allow materials sufficient for only 15,000,000 standard barrels. This restriction necessarily involves—

(a.) Reduction of gravities;
(b.) Increase of selling prices.

4. If gravities are reduced to the extremely low level of 1,045 degrees for bitter and 1,035 degrees for mild beer, an allowance of 15,000,000 standard barrels will suffice to produce the following bulk barrelage (on the assumption that about three-fourths of the total sales are at 1,035 degrees):

<table>
<thead>
<tr>
<th>Bulk barrelage</th>
<th>4,000,000 standard barrels at 1,045 degrees</th>
<th>11,000,000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,000,000</td>
<td>17,000,000</td>
<td>22,000,000</td>
</tr>
</tbody>
</table>

5. Given a reduction of gravity as indicated above, which can only be secured by a compulsory Order, there will still be a deficit of some 8,000,000 bulk barrels as compared with 1916-17. This deficit will inevitably result in alternations of drinking and drink famine unless the reduction of gravities is accompanied by an increase of retail selling prices sufficient to reduce consumption to the prescribed level.

6. Theoretically, the object desired by the Food Controller can be achieved in three ways:

(a.) By retaining beer at its present gravity, and charging a prohibitive price for it;
(b.) By selling beer at its present price, and reducing its gravity to an inacceptably low level;
(c.) By reducing beer to what may be described as bedrock gravities (e.g., 1,045 degrees bitter and 1,035 degrees mild), and charging for such beer a substantially higher price than is now charged.

7. (a) and (b) may both be dismissed as impracticable.

8. We are therefore left with alternative (c), and the figures given above suggest that it would be desirable, in the interests of social order, to attempt a smaller immediate reduction than the Food Controller now proposes.

Enclosure 2.

LIMITING CONSUMPTION OF SPIRITS.

Report by Sir Arthur Tedder on Mr. Stevenson's suggestion that the maximum clearances permissible from Customs and Excise Warehouses should be limited to 50 per cent. of the daily average cleared by each Distiller or Merchant during the year ended 31st March, 1916.

[Note.—Mr. Stevenson had written that: "it is quite possible that the Customs and Excise Department may argue that this is a very difficult thing to do, but as against that contention I would point out that it already has a precedent as, previous to one of the Budgets, an order was issued by the Chancellor of the Exchequer limiting the clearances to the daily averages for the previous three months, in order to obviate any forestalling by clearances of large stocks.

On the occasion referred to this Department (Customs and Excise) was aware that it was not practicable to control the issue of goods to individuals based on average clearances, and this was not attempted; attention was therefore paid only to the total clearances from each warehouse, it being left to the warehouse proprietors to allocate the restricted quantities to be delivered to individuals.

[1365—42]
So far as the revenue was concerned this was satisfactory enough, but it created great dissatisfaction among the merchants, and we were inundated with complaints. Some of the warehouse proprietors protested strongly at being required to allocate the deliveries to individuals.

We still hold that it is wholly impracticable for this Department to carry out a scheme of limiting the delivery of spirits from warehouse by individuals based on their average daily clearances for a stated year. The revenue accounts are not kept in such form as would give the information necessary; we are not concerned with the ownership of spirits in warehouse, and when they are cleared, we only concern ourselves with obtaining the duty and authorising the removal of the spirits to a destination requested by the warehouse-keeper; it is quite unnecessary for us to know who is the merchant who owns the spirits, and in the majority of cases we are quite ignorant on the subject.

Mr. Stevenson says he thinks that "if any attempt is made to administrate the allocation of the daily average to the retailer, it will only lead to trouble." I am not sure what is meant by administrating the allocation; but from the next paragraph I gather that he means he would leave the allocation of supplies to the retailer to be carried out by the wholesale merchant, which he seems to consider an advantage. The advantage would be very questionable, as the result would be that some retailers would get full supplies, enabling them to sell in full quantity as before, while others would be able to get little or nothing: The wholesaler would, of course, run up his prices, selling only to those who were willing to pay the price. I should say, however, that it would not be practicable for us to control the issue of spirits to the retailer.

Mr. Stevenson proposes the year ended the 31st March, 1916, as the standard. In that year (in March particularly, but also at other times during the year) there were heavy forestalmants, and many merchants, e.g., all the great blenders, increased their clearances heavily in the expectation of a rise in the duty. It is probable that the clearance for the year ended the 31st March, 1917 (supposing there is no forestalling before that date) will be only some 63 per cent. of the quantity cleared in the year ended the 31st March, 1916. This great drop in clearances during the current year is in part due to forestalments in 1915–16.

Shortly, first and foremost, it is impracticable for this Department to control deliveries on the lines suggested, and the warehouse-keeper could not reasonably be required to do so; it was only with extreme difficulty that, very roughly, he estimated the average individual clearance for three months: not to mention the great labour which would be entailed if it were practicable, and I doubt the possibility of his being able to do it at all with any exactitude for a whole year; secondly, if the scheme were practicable it would be inequitable in its working: thirdly, the year ended the 31st March, 1916, would probably leave the big men with a right to clear as much as they could sell in the coming year, as their clearances in that year will have been largely in excess of their actual needs, so that, bearing in mind the fact that any limitation such as that suggested would mean appreciation of value and increased profits, they would actually stand to gain by such a limitation.

Note.—This scheme differs somewhat from that of which I spoke on Saturday, though it is on the same lines. There are other objections to and difficulties inherent in the proposal, but it does not appear necessary to enter into further details.

January 16, 1917.

(Signed) A. J. T.

APPENDIX III.

MEMORANDUM BY SIR GEORGE CAVE.

Drink Control.

1. THE War Cabinet having approved in principle the proposals of the Food Controller, it is necessary to consider the difficulties which arise in giving effect to those proposals, and the manner in which these difficulties can best be met.

2. The first objection taken to the proposed further restriction of brewing is that this restriction will reduce the supply of beer below the demand, and so will give rise to alternate "rush" drinking and "drink famine," with resulting disorder and discontent.
One way of meeting this objection is to encourage dilution. I understand that, in the houses under the control of the Liquor Control Board, the gravity of beer has been gradually reduced to 10°38; but dilution to this extent could not be enforced generally without destroying the goodwill of those brewers who brew heavy beers, such as Bass, Guinness, and Worthington. Probably the best course will be to leave the question of dilution to be solved by the trade; but, if necessary, the control of the Board (which already includes almost the whole of the Kingdom) could be made general, and they could be left to deal with the question of gravity with a due regard to the position of the brewers of heavy beer.

3. But dilution cannot be carried beyond a certain point; and, if the output of beer is reduced by 50 per cent below the 1915 output, it may be that a point will be reached at which further dilution is impossible, and the demand for beer cannot be met. It is understood that a reduction by 40 per cent would be accepted as reasonable by some at least of the brewers, and it will be for the Cabinet to determine whether the full 50 per cent, reduction is necessary.

4. Secondly, it is common ground that, in order that the reduction in the output of beer may not lead to increased consumption of spirits, the output of spirits should also be reduced. This can only be effected by restricting the release of spirits from bond; and if that is done, it will be necessary to find some machinery for allocating the reduced output of spirits among the different merchants and distributors.

5. For the above purpose, the following course of procedure is suggested:

(a.) To prevent forestalment, prohibit or restrict, as soon as possible, the withdrawal of spirit from bond prior to the 1st April 1917. This would be done under the Finance (No. 2) Act, 1915;

(b.) Any person wishing to withdraw spirit from bond on or after the 1st April, 1917, must furnish full particulars of the total quantity of spirit withdrawn by him from bond during the year ending the 31st March, 1917, giving dates, quantities, amounts of duty paid, place and description of bonded stores. After verification of these particulars by the Customs and Excise a permit would be issued to him to withdraw from bond during the subsequent three months and until further notice, in periods of three months, one-fourth part of 50 per cent. (or whatever may be the proportion prescribed) of the total withdrawals during the previous year;

(c.) This permit could be endorsed by the Customs and Excise at any bonded store, and would leave the dealer at liberty to withdraw spirit from whichever store he wished;

(d.) Should a dealer in any period of three months withdraw less than the quantity allowed by his licence, the balance not cleared could be withdrawn during a subsequent period;

(e.) The person applying for a licence might be required to undertake to make a fair allotment among his customers (being merchants or distributors) of the amount withdrawn.

The Customs and Excise authorities recommend that the year 1916-17 should be taken as the basis, and not any earlier year, and effect has been given to this recommendation in the above proposals.

6. No system of allocation would prevent the supply of spirits from falling below the demand; and this difficulty may perhaps be met by enforcing the dilution of spirits to a prescribed figure. This could be carried out gradually by the Liquor Control Board if (as suggested above) their powers were extended over the whole Kingdom.

7. The third objection taken to the proposals of the Food Controller is that the proposed reduction, while greatly reducing revenue, would put an additional profit into the hands of the brewers and dealers in spirits. This may be true, but I know of no remedy other than (a) additional taxation of the trade or (b) State purchase, both of which matters are outside the scope of this memorandum.

8. For the above reasons I recommend that:

(1.) The Food Controller should act upon paragraph 1 of his report;

(2.) The Chancellor of the Exchequer should forthwith act upon paragraph 5 (a) of this memorandum;

(3.) Instructions should be given for the preparation of a Bill for giving effect to the Food Controller's proposals as to the output of beer, with such modifications as may be adopted by the Cabinet, and for restricting the release of spirits from bond upon the lines of paragraph 5 (b) to (e) of this memorandum;
(4.) The question of extending the area under the control of the Liquor Control Board should be considered.

*Note.—If a measure of State purchase should be resolved upon, the Bill for that purpose may possibly take the place of the Bill recommended in (3).*

I have discussed the subject-matter of this memorandum with Lord Devonport and Lord D'Abernon, and I think that they are in agreement with it.  

G.C.  

*January 22, 1917.*