Minutes of a Meeting of the War Cabinet held at 10, Downing Street, S.W., on Wednesday, July 23, 1919, at 12 noon.

Present:
The Prime Minister (in the Chair).
The Right Hon. the Earl Curzon of Kedleston, K.G., G.C.S.I., G.C.I.E.
The Right Hon. A. Chamberlain, M.P.
The Right Hon. G. N. Barnes, M.P.
The Right Hon. the Viscount Cave, K.C. (for Minute 6).
The Right Hon. Sir J. Maclay, Bart., Shipping Controller (for Minutes 1–5).
The Viscount Peel, C.B.E., Under-Secretary of State for War (for Minute 7).
The Right Hon. H. W. Forster, M.P., Financial Secretary, War Office (for Minute 7).
Sir John Pedder, K.B.E., C.B., Assistant-Secretary, Home Office (for Minute 5).

The following were also present:
The Right Hon. the Viscount Milner, G.C.B., G.C.M.G., Secretary of State for the Colonies.
The Right Hon. W. S. Churchill, M.P., Secretary of State for War.
The Right Hon. A. C. Geddes, K.C.B., M.P., President of the Board of Trade.
The Right Hon. C. Addison, M.D., M.P., Minister of Health.
The Right Hon. Sir L. Worthington Evans, Bart., M.P., Minister of Pensions (for Minute 7).


Sir Hamar Greenwood, Bart., M.P., Director of Overseas Trade (for Minute 7).

Mr. Thomas Jones, Assistant Secretary.
Lieutenant-Colonel L. Storr, C.B., Assistant Secretary.
Captain L. F. Burges, Assistant Secretary.
1. With reference to War Cabinet 597, Minute 1, the War Cabinet had before them four reports on the situation in Yorkshire by Sir Eric Geddes (Papers U.C.-9, 10, 11, and 12).

The Minister of Labour said that his information was to the effect that Mr. Herbert Smith, the President of the Yorkshire Miners' Association, had made a pacific speech at a meeting of the Yorkshire District Council. The feeling of the younger miners in Yorkshire was that the abandonment of the pumps was the only method of bringing the situation to a head, although the older men were against this course. There was a general feeling now that the pumps should be worked, and it was hoped the pumpmen would return shortly. The Yorkshire dispute was receiving no support from the other coalfields. In South Wales the men were still at work, and in Lancashire they were about to return. The strikes in Nottinghamshire and Derbyshire were on issues not connected with piece-rate awards. With regard to the situation of the pits in Yorkshire, six had been entirely flooded, and the owners were quite content that this should be so, as these were unprofitable pits to work. Seventeen were getting into a dangerous condition, and it was thought that the assistance of the naval ratings was being asked of them. The pumps had told his men not to interfere with the naval ratings. Sir Robert Horne added that the coalowners were very anxious that Sir Eric Geddes should see Mr. Herbert Smith with regard to the 14 3/4 per cent., as some of the owners were in favour of this increase being given in full.

The President of the Board of Trade said that the Miners' Federation had had a long discussion on piece rates at Keswick, and he understood (through Mr. Hartshorn) that they had decided that a 10 per cent. increase for all pits was all they could ask for, with the exception of Lancashire and Cheshire, which they considered should have 12 1/2 per cent., and Yorkshire something like 12 1/4 per cent. In South Wales only did they consider the rise should be as much as 14 3/4 per cent. Mr. Hartshorn had informed him that Mr. Smillie had compelled the Lancashire delegates to return to Lancashire and inform the men that they had got to take 12 1/2 per cent. There was another feature in the situation, regarding the pumpmen who were not members of the Miners' Federation, as distinct from those pumpmen who were members. These men were being intimidated, and had decided that they would not return to the mines until they had been paid their wages for the days on which they had been compelled not to work by the Yorkshire Association. If this claim was not met, and the men came out on strike after the miners had returned, it would result in a more difficult situation than the present one. These pumpmen were of the opinion that the miners should be made to pay their wages, but so long as they were paid, whether by the owners or by the Government, he did not think they would mind.

The Minister of Labour said that these men had many grievances against the Miners' Federation, one of which was that the Federation had refused to sit on the Sankey Commission with them.

The Chancellor of the Exchequer said that he understood from the Minister of Labour that the two Yorkshire Owners' Associations wished to give way to the men and award them the 14 3/4 per cent. for piece rates. This looked like an invitation to the Government to go back on its decision. Such a course would condemn the Government utterly and destroy its power to deal with further troubles.

The Prime Minister said that it would create a serious position if the owners advised the Government to grant the 14 3/4 per cent., as the fact that such advice had been given was bound, sooner or later, to be made public.

The Chancellor of the Exchequer observed that such advice was on a subject in which the owners had ceased to have any pecuniary interest.
The Minister of Labour said that the Scottish and South Wales miners were against the 14 3 per cent., and he believed only a few miners in Lancashire, Yorkshire, and Warwickshire supported the demand.

The Prime Minister said that such an advance would mean 6d. or 1s. extra on to the price of coal, which the country could not possibly afford. As the Chancellor of the Exchequer had observed, it was all very well for the masters to advise the giving of this concession, but the money would not come out of their pockets.

The Secretary of State for War said that, with regard to the general situation, he had received a private letter from the General Officer Commanding, Northern Command, in which he stated that the liaison with Sir Eric Geddes was working very well. Troops had been sent from Clipstone to Wakefield, Pontefract, and Leeds. He proposed to reinforce Clipstone Camp by one of the brigades from the Rhine Army.

The Food Controller said that, with regard to the strike of the Co-operative Societies' employees, he was able to report that they were returning to work pending negotiations.

The Cabinet had some discussion on the desirability of making a statement regarding the nationalisation of mines.

The Prime Minister said that Mr. Smillie was coming to see him on the following day, and he would probably ask if the Government was able to give him any information regarding nationalisation. The Prime Minister said that he was inclined to think that there was nothing to be gained by putting off a decision. The previous evening he had dined with seventeen or eighteen Members of Parliament, mostly Coalition Liberals, and he had asked them their views on nationalisation, and with one exception they had all been against it, though they were in favour of the nationalisation of the railways. These gentlemen were, however, agreed that the miners should have a voice in the management of the mines, and they were in favour of the nationalisation of royalties and minerals. He thought it would be wise to make a statement on the subject before the recess, but if these strikes continued it gave the Government very little time to consider such a weighty question. Should there be a strike on the subject of nationalisation, he thought it would be better to have it in August than three months later. He was interviewing some of the mine-owners shortly, with a view to an interchange of opinions on this subject, and he would like the authority of the Cabinet to press these owners to give representation to the men in the management of the mines. The Prime Minister said that there was one other subject on which he would like to make a statement to the House before the recess, which was, the trade policy of the country. The Members of Parliament with whom he had dined on the previous night had also pressed him to make a statement on the action the Government proposed to take regarding profiteering. These gentlemen favoured drastic and dramatic measures.

The Minister of Health observed that, while the Government did not possess the confidence of the miners, unless a statement on nationalisation was made, they would lose the confidence of the general public also.

It was generally agreed that a statement on the subject of nationalisation was desirable before the recess, in view of the fact that, if a strike was to come, the best month in which to have it was August.

The War Cabinet decided that—

(a.) The Prime Minister, in his interview with Mr. Smillie on the following day, should inform him that the Government would make a statement of their policy on nationalisation before the recess.
(b.) The Prime Minister, when interviewing the coal-owners, should urge them to concede representation for the men in the management of the mines.

3. The Cabinet had a short discussion regarding the venue of the trial of the ex-Kaiser.

The Prime Minister agreed that London was not a very suitable place, and it had been his intention, in his speech on the subject, to say that it would take place in England.

The relative advantages of Hampton Court and Dover were discussed.

The Acting Secretary of State for Foreign Affairs made the suggestion of the Channel Islands.

4. With reference to War Cabinet 589, Minute 1, the Acting Secretary of State for Foreign Affairs reported that the United States Ambassador entirely approved of the proposal that the Prince of Wales should be lodged on his own battleship during his visit to New York. This would relieve the United States of the difficulty of finding a suitable residence, and would have the additional advantage of enabling His Royal Highness to return hospitality.

The War Cabinet approved this proposal, and agreed that an immediate announcement should be made regarding the Prince of Wales’ visit to the United States.

The Acting Secretary of State for Foreign Affairs undertook to set in motion the arrangements he had agreed on with Lord Stamfordham for this purpose.

Situation in North Russia.

5. The Prime Minister said he wished to draw the attention of the War Cabinet to the most recent developments in North Russia, as revealed by two telegrams from General Ironside, which had just been received. The first stated that Onega had been handed over to the Bolsheviks, after a mutiny. The railway position was the same, Russian troops being disarmed in parties as the British arrive. The state of the Russian troops was such that his efforts to consolidate the Russian national army must now be regarded definitely as a failure. Unless the British force at Archangel was to be increased, it was essential that evacuation be carried out with the least possible delay. The telegram expressed the hope that the naval contingent in North Russia might at once be increased by two large warships, to admit of landing parties in the town so as to release soldiers for fighting. In conclusion, General Ironside asked whether he was to commence the evacuating of any civilian population, as, if it was decided that this must be done, a start should be made as early as possible.

In the second telegram General Ironside said that he had discussed the situation with General Miller, who agreed with him that it would not be possible for the Russians to hold on to Archangel during the winter if the British troops were withdrawn. The situation was difficult, as he had to stabilise each front with British troops, and, with the river in its present state, movement was slow. Monitors were standing by and bombarding the enemy, who was not in great strength. The tactical situation might demand a withdrawal on the Dwina and Vaga. All preparations were being made for an evacuation slowly down the river, if the situation required it. As regards holding on during the winter, and the number of British troops required to do it, the safety of Archangel depended so much on the situation in the rest of Russia that General Ironside could not estimate exactly what the requirements would be. He thought he could hold practically what he had now without danger, with the
troops he had at present, provided that the odds against him were no greater than they had been the previous year. The position, however, would always be one of active defensive only.

The Prime Minister said that the telegrams left upon him the impression of a strong man, who was not afraid to face facts. They undoubtedly revealed a very serious position. It was clear that General Ironside contemplated the possibility of remaining on into the winter. The first thing to be done was to eradicate this idea at once. The Cabinet had some time ago definitely decided that our troops must be withdrawn before the winter set in.

The Secretary of State for War said that the War Office had no intention of letting General Ironside remain on, and they would take steps to remove his misapprehensions at once.

The First Lord of the Admiralty said that the best men that could be sent to General Ironside's assistance would be a fine battalion of Marines, which it had been proposed to send to Schleswig-Holstein, but had been retained in England for the present on account of the Labour situation.

The Acting-Secretary of State for Foreign Affairs pointed out that the situation in North Russia had changed since the Cabinet had reached the decision referred to by the Prime Minister. At that time they had contemplated that when our troops withdrew they would leave behind them a local Russian Government. It was clear now, however, that directly we evacuated Archangel, the Tchaikovski Government would fall, and the Bolsheviks take its place.

The Chancellor of the Exchequer said that he and some of his colleagues, when the Cabinet had approved of General Ironside's plans for an offensive, had viewed the whole proposal with grave misgivings, and the possible political advantages to be derived from this action had not convinced them. They had yielded to strong pressure on the part of the military authorities, who had represented (a) that a strong forward movement was necessary to render the evacuation a safe operation; and (b) that, if we could hold on until the river froze, the Tchaikovski Government could maintain itself during the winter. In both cases the ground had now been cut away from under our feet, and there was no reason for our troops remaining a day longer than was necessary. We had, however, to consider the question of evacuating the local population, and he wished to know exactly what our obligations were in this respect.

The Secretary of State for War said that the British troops had been in Archangel before he took over his present appointment. He desired, however, that the position of the War Office in regard to this situation should be clearly understood. They had never diverged from their plan, which was to evacuate those troops as soon as possible. We only maintained in North Russia a force just sufficiently large to ensure a safe withdrawal. That withdrawal might now have been completed had it not been decided to accept General Ironside's plan, for reasons stated by the Chancellor. When this plan had been before the Cabinet, Admiral Kolchak's position had been so good that the War Office felt bound to seize what appeared to be a most favourable opportunity to establish a junction with him and set up a secure local Government. Unfortunately, these hopes had not been realised, so we had now to revert to our original intention of evacuating as soon as possible. The last chance of saving the Archangel Government had gone. He did not think, however, that the general strategic situation in Russia had undergone any great change. It was quite clear now that General Ironside's plan to strike the Bolsheviks a heavy blow was sound, and it was to be regretted that he had been unable to bring it off. The Russians at Archangel knew perfectly well that we intended to withdraw, and they must now realise that, when we went, they must endeavour to make the best terms they could with the Bolsheviks. The Government, he thought, had taken a wise course in announcing to Parliament their intention of evacuating.
In any case, concealment would have been impossible, as we had to promise the troops already there that they would be brought back, and, further, we had to give a pledge to other troops, volunteering to go out and relieve them, that they would be withdrawn before the winter. In his opinion, it was quite evident that we must be prepared to evacuate a certain number of the local population. We could not, of course, allow Russians who had fought for us to be murdered, and he suggested that we should offer to repatriate them to South Russia, where they could join General Denikin. He had on the previous day seen a British officer who had just returned from Archangel, who strongly urged that the idea of maintaining a British Military Mission there during the winter should be abandoned, as their threats would certainly all be cut.

The Prime Minister reminded the War Cabinet that our policy, when we first decided to land troops at Archangel, was to assist our Russian friends against the Germans. We had then had to remain on in order to protect Russian troops, and others who were still loyal to the Entente, against the Bolsheviks. It was most unfortunate that Admiral Kolchak's recent operations had definitely failed. It was clear to him that Kolchak’s present advisers attached no importance to the Archangel Government. Archangel possessed no population, no railways, no resources. For this reason it was unlikely that the Bolsheviks would pay very much attention to it, as South Russia—where minerals, oil, &c., were found in profusion—would prove a more powerful magnet. He thought that the War Office, in replying to General Ironside’s telegrams, should remove any apprehension he might have about the possibility of his staying on into the winter, and should also inform him that our honour was involved in saving as many of our Russian friends as we could. For the rest, he thought we had no reason at all to reproach ourselves. We had given Kolchak, Denikin, Archangel, and the Russians generally, every possible chance of saving themselves from the Bolsheviks, and this we had been compelled to undertake single-handed. We alone had supplied troops, munitions, and money, while the French had only contributed promises.

The Chancellor of the Exchequer thought that the situation in Siberia, to judge from General Knox’s telegrams, was just as serious as, or even more serious than, that in Archangel. As regards the evacuation of the civil population, he thought the time had come when we should tell them that we could not undertake to continue to feed and finance them after they have been withdrawn from North Russia. As the Prime Minister had stated, the whole burden of assisting the Russian people to escape from Bolshevist tyranny had been borne by ourselves. It was an unfortunate thing that none of those we were assisting had ever taken our advice in military or political matters.

The Acting-Secretary of State for Foreign Affairs said that in March last the number of people, other than British, whom we might have to evacuate from Russia amounted to some 18,000; that is to say, 9,000 of the local population, 4,000 Poles, Letts, Lithuanians, &c., and 5,000 locally enlisted Russian troops. He proposed to telegraph to our representative at Archangel to enquire what his most recent estimate was of the numbers to whom we were under an obligation in this respect. It would not be difficult to repatriate the Poles, Lithuanians and others, as their countries were contiguous to Russia. The repatriation of the Russians was mainly a matter of shipping. There were two classes of Russians to be considered; those who had fought with us, but many of whom had since mutinied, and the ordinary population.

The Secretary of State for War thought it was quite probable that in the course of the next two months the whole Kolchak movement would crumple to pieces, unless the Japanese and the United States went to his rescue, and the Bolsheviks would then be able to concentrate towards the south. The repercussion of a
succession of misfortunes was bound to have an effect on, and might
even overwhelm, Denikin. He wished our policy in regard to Russia
had been more clearly defined. Mr. Churchill said that he regretted
that the Chief of the Imperial General Staff was unable to be
present that day, but he hoped to bring him with him to-morrow or
the following day to the War Cabinet, when they would submit
considered proposals to meet the present situation.

The Shipping Controller said that he understood that altogether
he would be required to find shipping for not less than 50,000 men
to be withdrawn from Archangel. This number included British
troops and the local population. The shipping situation was already
very serious, and it would be greatly accentuated if he had to provide
for the repatriation of any considerable numbers of Russians to the
 Crimea. All shipping was not suitable for this purpose, and it
would probably be necessary to withdraw vessels from the Atlantic
services. It would mean that the repatriation of Canadians and
Australians would be interrupted. His Department could, he
thought, furnish the necessary shipping, provided they were told at
once exactly the numbers for whom accommodation would be
necessary, and where they must be sent. The position was rendered
the more serious by the threat of a possible strike in Liverpool.

The War Cabinet decided—

(a.) That the Acting-Secretary of State for Foreign Affairs
should ascertain from our representative at Archangel
the exact numbers of friendly troops and inhabitants
whom we were under an obligation to evacuate, with
special reference to the minimum number of Russians to
be repatriated to the Black Sea.

(b.) That the War Office, in reply to General Ironside's
telegrams, should make it absolutely clear to him that
there was no intention whatsoever of the British Govern­
ment departing from its decision to evacuate Archangel
before the winter set in.

At a later stage in the meeting the First Lord of the Admiralty
informed the War Cabinet that his Naval Advisers were being
pressed by the War Office to send a battalion of Marines to Archangel
without delay. Arrangements would be made for these men to start
within forty-eight hours, if the Government authorised their despatch.
His Department were assured that the Liverpool men who had struck
would resume work at once if they could be told that by loading the
ships they would be helping to bring our men back from Russia. If
the War Cabinet authorised the despatch of the Marines, the
necessary shipping would have to be provided.

This question was reserved until the further discussion when
the Chief of the Imperial General Staff would be present.

6. The War Cabinet had under consideration the Report of the
Committee, established by War Cabinet 553, Minute 4, to examine
the question of Government machinery for dealing with trade and
commerce (Paper G.-253).

Lord Cave, the Chairman of the Committee, stated that the
enquiry of the Committee had been devoted to the machinery for the
development of British trade abroad. The Committee had investi­
gated the matter thoroughly, their principal object being to further
the development of British trade in foreign countries. He had
started the investigation with a bias in favour of the point of view
put forward by the President of the Board of Trade, but the Com­
mittee found, from the evidence before them, that there was a very
strong feeling amongst commercial men against the proposal that the
Department of Overseas Trade should be abolished or absorbed into
the Board of Trade. It was admitted that the Consular Service
must remain under the Foreign Office, and it would be impossible, without the existence of the Department of Overseas Trade as a link between the Foreign Office and the Board of Trade, to keep up a proper connection between the representatives of the British Government abroad and the Departments at home concerned with trade questions. The Committee were of opinion that the Department of Overseas Trade should be continued and strengthened. The fact that it had at its head an Under-Secretary able to devote his whole time to foreign commerce would enable it to do a great deal for British trade abroad. There was no doubt that the accommodation occupied by the Department had been disgraceful. It had been scattered through half-a-dozen buildings in different parts of London, and had not had a fair chance. The Department necessarily had in its register minutes and documents which both of the parent Departments desired to see, and it was essential that it should be in close proximity to the Board of Trade and the Foreign Office, and, if possible, that all three Departments should be under the same roof.

The President of the Board of Trade said that he did not think the solution proposed by the Committee would be satisfactory. The work of regulating public services was in process of being taken away from the Board of Trade, and the functions remaining to it would all be of a commercial nature, of which by far the most important would be those relating to overseas trade, which were inseparably linked up with questions of export. It was impossible to separate export questions from questions of internal trade. While he would not say that with good-will the scheme proposed by the Committee could not be made to work, he was of opinion that it was bad in principle, and wasteful. He agreed that the main difficulty was the geographical separation of the Department of Overseas Trade from the Board of Trade. On the other hand, he believed that the real solution was not to set up the Department of Overseas Trade as a link under the same roof as the Foreign Office and the Board of Trade, but simply to house the Foreign Office and the Board of Trade together. The dual allegiance owed by the Parliamentary Under-Secretary at the head of the Department of Overseas Trade would necessarily be very difficult to achieve in practice. In any event, he agreed with the recommendation of the Committee that machinery should be set up for close consultation between the Foreign Office and the Board of Trade. The proposed Standing Council he regarded as absolutely essential, whether the Department of Overseas Trade were continued or not. The principal need, however, was to get proper accommodation. If the Department of Overseas Trade were to continue in a different building, the Board of Trade would be artificially split up. The staff concerned with its most important functions would be housed in a different building and would not be known under the name of the Board of Trade at all. The staff of the Department of Overseas Trade would be larger than that of the Board of Trade, and the latter, being robbed of its principal functions, would be placed in an invidious position.

The Prime Minister pointed out that, under the recommendations of the Committee, questions of commercial policy would still be in the hands of the Board of Trade.

The Acting-Secretary of State for Foreign Affairs observed that it was remarkable that the Committee had expressed a broad general opinion in favour of the Department of Overseas Trade. He was astonished at the almost complete consensus of commercial opinion in favour of the control of foreign commercial policy being undertaken by the Foreign Office. Three members of the Committee were in favour of continuing the Department of Overseas Trade, while the only dissentient member went even further and desired the transfer of the supervision of foreign commerce to the Foreign Office. In view of the opinion of the majority of the Committee he did not propose to argue the case in favour of the suggestions, put
forward in the Minority Report, for the transfer of the Department of Overseas Trade to the Foreign Office. He was of opinion, however, that the Government, having referred the matter to a Committee upon which the commercial community were so largely represented, would have great difficulty in refusing to adopt their report. He gathered from the concluding remarks of the President of the Board of Trade that the latter was prepared to accept the solution proposed by the Committee.

The President of the Board of Trade interposed that that was so, provided the question of accommodation could be satisfactorily settled.

Mr. Bonar Law said that he also had started with a strong prejudice in favour of the Board of Trade case, which he retained, but as the Cabinet had submitted the matter to the Committee, which had sent in a strong report, he thought that they were bound to give the new scheme a trial.

The Minister of Health said that he was entirely in agreement with the President of the Board of Trade. In his opinion the Committee had been influenced, in coming to their conclusion, by a wrong idea of the functions of the Board of Trade as a purely regulating and controlling Department.

The First Lord of the Admiralty said that he was in agreement with the President of the Board of Trade.

The Chancellor of the Exchequer said that, in his opinion, the scheme proposed by the Committee was unsound, but he felt that he could not advise the Government to reject the report so strongly. He regarded it as of importance that commercial policy should be controlled by the Board of Trade, and in his experience the late Director of Overseas Trade had not always expressed the mind of the President of the Board of Trade on questions of policy. He had particularly in mind the case of a scheme for developing trade with Roumania.

Lord Cave pointed out that the scheme in question had been drawn up by a high official in the Board of Trade, and that the Department of Overseas Trade could not be held responsible if it had not received the sanction of the President.

The Director of Overseas Trade observed that the ideal conception would be that the offices of the President of the Board of Trade and the Secretary of State for Foreign Affairs should be united in the same person, but that was manifestly impossible. Under the new scheme the President of the Board of Trade would lay down the lines of trade policy. It would be impossible, however, to dispense with the Department of Overseas Trade as a bridge between the Foreign Office and the Board of Trade unless the Consuls were taken away from the Foreign Office.

The President of the Board of Trade agreed that it was obvious that it was not possible to reject the scheme. It was not enough to say that the Department of Overseas Trade should be absorbed by the Board of Trade. Some provision must be made for the supervision of the work of the Consuls. He believed that the proposal would work satisfactorily, provided the Director of Overseas Trade realised that he was an Under-Secretary responsible to both Departments, and did not ally himself especially to one or other of the Departments.

The President of the Board of Trade agreed that it was obvious that it was impossible to reject the scheme without proposing anything in its place. If the Cabinet decided to accept the Report, he pressed very strongly that the separate establishment of the Department of Overseas Trade should be done away with, and that the members of the staff should be carried on one or other of the votes of the two parent Departments. That he believed to be absolutely necessary. A separate establishment tended to provoke a suspicion of aggression and to create ill-feeling in matters of promotion. There would be no difficulty in conceding to the
Director of Overseas Trade the full control of any members of his staff seconded from the Board of Trade. If the Department had a separate vote, the President would have no say in the appointment of the staff. He was not inclined to be responsible for trade policy unless he had a say in the appointment of the higher officials of the Department. He had not been consulted in such matters in the past. He regarded this as vital to the effective co-ordination of policy in trade and industry. He was prepared to accept the recommendations of the Committee so long as the separate vote was not maintained. Otherwise, there was no certainty that he would know what was being done in the Department of Overseas Trade.

Lord Cave thought that it would be dangerous to prevent the staff of the Department of Overseas Trade from developing an independent existence, with the resultant *esprit de corps*. He hoped that the President of the Board of Trade would not insist upon this. The Department had done exceedingly good work, and was covering ground not hitherto covered by anybody. It had the support of the commercial world, and he suggested that if the President of the Board of Trade would give the scheme a fair chance for two or three years, he would find that it would tend to gravitate in commercial matters towards the Board of Trade.

The Permanent Secretary to the Board of Trade said that he attached more importance, from the point of view of administration, to the abolition of the separate establishment of the Department than to any other matter. A body of civil servants was growing up, who were neither on the strength of the Foreign Office nor of the Board of Trade, although the Department to which they belonged was not, in fact, an independent department. That could only lead eventually to the growth of a spirit of separation.

Mr. Bonar Law observed that, if the members of the staff of the Department of Overseas Trade were in fact Board of Trade officials, and treated as such, the mere fact of there being a formal vote for the Department would appear to make no difference. In his opinion, the House of Commons would want a separate Estimate, and would resent the splitting up of the vote for the Department between the Foreign Office and the Board of Trade.

The Prime Minister said that, as one who had considered its establishment as a doubtful experiment, he was very gratified to hear that the Department of Overseas Trade was giving satisfaction in commercial circles, and suggested that the scheme should be adopted as an experiment for a few months. With regard to the question of accommodation, the First Commissioner of Works must be consulted. The seventh recommendation of the Committee, that the Board of Trade should remain responsible for the general commercial policy, was very important, and should greatly strengthen the position of that Department.

The President of the Board of Trade said that the question of accommodation was a vital matter.

The Director of Overseas Trade said that all the senior officials at present belonged either to the Foreign Office or the Board of Trade, and he would not think of appointing anybody of his own selection.

The War Cabinet decided—

(a.) To approve the Report of the Committee as a provisional scheme subject to reconsideration if it should not be found to work satisfactorily after some months' experience;

(b.) That the separate establishment of the Department of Overseas Trade should continue for the present, but should be brought up for further consideration in three months' time.
7. The War Cabinet had before them a Memorandum by the Secretary of State for War (Paper G.T.-7595) on the subject of the disposal of canteen profits, in which it was stated that the Army Council had had under consideration the question of the ultimate disposal of the large funds which had accumulated as a result of canteen trading during the war. It was estimated that these funds, which arose from various sources, amounted to over 10,500,000L, of which, after deducting that proportion which represented the profits from purchases by Dominion, Colonial, and Indian troops, there remained approximately 8,000,000L. as the amount available in respect of Imperial troops. The policy of the Army Council had been to conserve canteen and similar funds, with a view to their utilisation after the war in the best interests of those who were serving, or had served, and their dependants, and in view of the fact that the large majority of men who contributed as soldiers and sailors to the profits of the canteens were now civilians, and that widows and children were to share in the benefit from canteen profits, it was felt that the administration of such funds should not rest with the War Office, so far as they were concerned, but should be transferred to a central authority representative of all interests concerned. A draft scheme for administering the fund, giving the proposed constitution of a central Council and a Board of Management representative of all interests, was appended to the Memorandum.

The War Cabinet also had under consideration a Memorandum on the same subject by the Chancellor of the Exchequer (Paper G.T.-7764), in which attention was drawn to the following paragraphs from the Fifth Report of the Select Committee on National Expenditure:

"10. The Navy and Army Canteens Board conducts Army Canteens on behalf of the Army Council. It is a trading organisation with a gross annual turnover of some 20,000,000L. It is financed by a Treasury guarantee of 3,000,000L, but the Board occupies a quasi-independent position; its accounts are audited by its own auditors, and not by the Controller and Auditor-General. Its receipts are derived, first, from the expenditure in canteens of the 6½d. cash allowance granted to troops for messing over and above the ration issued in kind; secondly, from the soldiers' individual expenditure in canteens. Ten per cent. of these receipts is given up by the Board, four-fifths of the 10 per cent. to the units, one-fifth to the Central Regimental Institutes Fund. The question whether the profits derived from the expenditure of the 6½d. cash allowance belong to the public purse or not was reopened after only 40,000L. had been paid in respect of one quarter, and has not yet been decided. This is a matter proper for the consideration of the Public Accounts Committee, and pending their report upon it we have suspended our enquiry into the operations of the Board.

11. A second question that arises in this connection relates to the Central Regimental Institutes Fund. It is a trust fund, vested in the Army Council, to be used for the benefit of the soldier. At the end of the War it is likely to amount to several millions. Meanwhile, however, it forms part of the working capital of the Navy and Army Canteens Board. The situation with respect to this fund needs further investigation on the part both of the War Office and of the Treasury. Among other considerations that should be borne in mind is the fact that before the War we had a small professional Army; after the War our forces will be reduced to whatever peace establishment it may be found necessary to maintain; during the years of war the Army has been expanded to include a great part of the adult manhood of the nation. It is from this vastly larger body that this fund has been drawn,
and the disposal of it should take these differences into account. We consider that, in any event, the House of Commons should have cognizance of the grants made from time to time from the Central Regimental Institutes Fund, and of any proposals of dealing with the accumulated balances at the end of the war.

The Memorandum further stated that, while the Chancellor of the Exchequer did not support the suggested claim of the public purse to any share in the profits of the canteens, he felt that the following points required consideration:—

(1.) The claim of the ex-soldier to share.
(2.) The claim of the House of Commons to be consulted.
(3.) Representation of the Pensions Ministry on the Central Council.

The First Lord of the Admiralty stated that the Admiralty were taking steps to ascertain whether the men of the Fleet wished the Navy to join in the scheme.

The War Cabinet decided—

To approve in principle the scheme put forward in the Memorandum of the Secretary of State for War (Paper G.T.-7595); the details to be arranged in consultation between the Secretary of State for War and Air, the Minister of Labour and the Minister of Pensions.

2, Whitehall Gardens, S.W.1,
July 23, 1919.