CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1, on FRIDAY, NOVEMBER 14, 1919, at 11.30 a.m.

PRESENT:
The Prime Minister (in the Chair).

The Right Hon. A. Bonar Law, M.P.,
Lord Privy Seal.

The Right Hon. A. J. Balfour, C.M., M.P.,
Lord President of the Council.

The Right Hon. A. Chamberlain, M.P.,
Chancellor of the Exchequer.

The Right Hon. the Lord Birkenhead,
The Lord Chancellor.

The Right Hon. E. Shortt, K.C., M.P.,
Secretary of State for Home Affairs.

The Right Hon. the Earl Curzon of Kedleston, G.C., C.O.E., C.O.I.B.,
Secretary of State for Foreign Affairs.

The Right Hon. M.G. Montagu, M.P.,
Secretary of State for India.

The Right Hon. W.S. Churchill, M.P.,
Secretary of State for War and Air.

The following were also present:

The Right Hon. Sir L. Wrotthington-Evans, Bart., M.P., Minister of Pensions.

The Right Hon. C.H. Roberts, M.P.,
Food Controller.

The Right Hon. Sir A. Mond, Bart., M.P., First Commissioner of Works.

Sir J. Tudor Walters, M.P., Paymaster-General.

Sir James Cairdshiel, K.C.B.,
Director-General of Housing.

Lieut.-Colonel Sir M.A. Hankey, G.C.B., Secretary.
HOUSING POLICY. (1) The Cabinet had before them the following documents on the subject of Housing Policy:

Three Memoranda by the Minister of Health (Papers G.T.-6015, C.P.-5 and C.P.-94),

A Memorandum by the Chancellor of the Exchequer (Paper C.P.-73),

A Memorandum by the First Commissioner of Works (Paper C.P.-107).

In addition, they had before them documents on the following special aspects of the Housing problem:

(a) Supply of Labour.

A Memorandum by the Minister of Labour (Paper G.T.-8122),

A Memorandum by the Secretary for Scotland (Paper G.T.-6181).

(b) Wages and Profits.

A Memorandum by the Minister of Labour (Paper G.T.-8278),

Memoranda by the Chancellor of the Exchequer (Papers G.T.-8334 and C.P.-74),

Two Memoranda by the First Commissioner of Works (Papers G.T.-8348 and C.P.-119),

A Memorandum by the Minister of Pensions (Paper G.T.-6194).

It was reported to the Cabinet that a Debate on the subject had taken place on the previous afternoon in the House of Lords, in the course of which it had been alleged that the Government scheme had broken down. The impression caused by this allegation had been strengthened by the withholding of figures by the Government spokesman. Attention had been drawn to the tacit understanding which exists between men and masters in the building trade for maintaining the present congestion and high prices by the payment of excessive wages and the refusal of any form of dilution of labour. The suggestion had been made that a Conference should be held between the Government, the municipalities, the builders and the workmen, which should be addressed by the Prime Minister or some other Minister and at which the extent to which the present housing
difficulty is attributable to labour causes should be emphasized.

The Cabinet generally agreed that some immediate action was necessary to stimulate and increase the output of houses. In England, up to November 8th, only 43,299 houses had been approved as compared with at least 500,000 required. The local authorities in England had, in many cases, whether from inertia, inexperience, inability to raise the necessary funds, or other causes, not proved equal to the task. It was stated, however, that the position in Scotland as regards the local authorities was more satisfactory.

In the course of a very full discussion, a number of proposals were made, among which the following are the more important.

**The First Proposal** was one for stimulating building by private enterprise. Although, before the War, schemes for no less than 200,000 houses are alleged to have been planned and actually laid out on the ground, no progress is being made with them. This is said to be due to the fact that in present conditions they cannot be continued with prospects of a reasonable profit. Present prices are abnormally high, but in a few years' time, when the schemes are completed, prices may be expected to have fallen, and purchasers would then not be willing to pay a price based on the actual cost. Similar causes are deterring private enterprise in building, not only in urban but equally in rural districts all over the country. The proposal was to induce private enterprise to start again by means of a State subsidy equal in amount to the anticipated economic loss. For example, the sum of, say, £150 might be offered for every house built, whether to private builders, Workmen's Building Societies, Local Authorities, or landlords; but the offer
would only hold good for a few years, when the amount of the subsidy would be reviewed.

The advantages claimed for this scheme were that the grant of this subsidy would enable the industry to obtain advances from Banks and Building Societies, and thus the whole machinery of private enterprise in building would be re-started. If a profit were made on the earlier transactions, the whole trade would enter the scheme. Sooner or later, if housing was to be continued, it was essential to start private enterprise, and the sooner the better. The special advantage from the point of view of the State was that both the State and the Local Authorities would escape the difficult task of selling or letting houses and collecting rents, for which they have no suitable machinery or experience. It would be better to hand this over to persons who were accustomed to make their living by it. After a few years the State would be released from all responsibility in the matter. A variant of the scheme was that the Local Authorities should lay out the schemes, for which they are well equipped, and should then dispose of them with the aid of the subsidy to local enterprise.

The principal objections urged against this proposal were: firstly, that this was a reversion to the system of private enterprise which had actually broken down before the War. Secondly, that the recent Elections had resulted in filling the municipalities with Labour members, who would absolutely refuse to hand over their schemes to private enterprise. They would state that the private builders could only produce the houses more cheaply because they built a cheaper type of house than was permitted to the Local Authorities. Thirdly, that if the private builders were subsidised they would put all their energy into these schemes and would refuse to tender for the schemes of the Local Authorities,
which would consequently be sterilised. Fourthly, doubt as to whether it was justifiable for the State to finance this scheme in addition to the Government scheme, owing to the reluctance of the public to subscribe to Government Loans while expenditure was increasing.

It was generally agreed that the present Housing Scheme, which had been approved by Parliament, must not be thrown over. It had been adopted at a time when there was no possibility of stimulating private enterprise in the manner now proposed. In fact, it was recalled that Parliament had refused to agree to a scheme of subsidy. Considerable progress had been made with the present Housing Scheme, even though this progress was not adequate to present needs, and it would not be fair to those Local Authorities who had pressed on with the scheme to throw it over. Consequently this proposal, if adopted, must be used to supplement and not to supersede the existing Scheme.

**The Second Proposal** related to new methods of construction.

The Cabinet heard from Sir James Carmichael an account of some 12 to 14 new methods of building which were under the examination of a Special Committee of the Ministry of Health. These included various proposals for steel-frame houses, hollow bricks, hollow concrete blocks, slabs, wooden houses, mud houses, etc. One of the advantages of these schemes was that to a considerable extent they could be carried out by a different class of labour from that employed in houses of the normal type. Thus, in cases where building schemes were held up through the unwillingness of the Trades Unions to admit members from outside, or to allow dilution, a different sort of labour could be employed. Further, when the provision of houses had restored a normal requirement of labour, the steel workers and other special
forms of labour could be re-absorbed into the labour market more readily than would be the case by increasing the numbers engaged in the regular housing industry. Some of these schemes were particularly adapted to rural housing.

The principal criticism of this proposal was that the labour engaged in making concrete blocks was already within the Building Trades Union.

**THE THIRD PROPOSAL** was made with the object of overcoming the difficulties caused by the Trades Unions. This proposal, which was similar to that made on the previous evening in the House of Lords, was that the Prime Minister should summon a Conference of the persons interested in the Housing Scheme, namely —

The Local Authorities,
The Employers, and
The Trades Unions,

and in the most public manner should impress upon them the responsibility which lay with them in regard to the provision of housing accommodation. It was generally felt that nothing but pressure of public opinion would induce the building trade to take up a more reasonable attitude.

**THE FOURTH PROPOSAL** was that the Board of Agriculture and Fisheries should co-operate with the Ministry of Health in carrying out the building schemes in local areas adjacent to the Board's own estates. The Board could use its special experience and expert knowledge to stimulate the very inadequate provision of houses in rural districts, which was discouraging the farmers and creating great unrest amongst ex-Service men, to many of whom undertakings had been given that houses would be built.

**THE FIFTH PROPOSAL**, or group of proposals, related to the financing of the building operations.

It was alleged that many of the Local Authorities had not been able to raise the necessary funds to carry out
the Government Scheme of Housing, and the suggestion was made that the system might be adopted of raising money on the credit of the counties or districts concerned.

The Cabinet decided —

(a) That a Cabinet Committee, composed as follows:—

The Minister of Health (in the Chair),
The Chancellor of the Exchequer,
The President of the Board of Agriculture,
The Secretary for Scotland,
The Paymaster-General,
The Minister of Munitions, or Mr Kellaway,
The Minister of Pensions,
The First Commissioner of Works,
The Minister of Labour,

with the following experts in permanent attendance:—

Sir James Carmichael,
An Expert of the Ministry of Transport,
with
Mr H.R. Davies as representing the Prime Minister.

Mr T. Jones (Secretary),
should meet to examine these schemes and report their proposals to the Cabinet as soon as possible.

The first meeting was arranged to take place at the Ministry of Health at 3 p.m. on the same afternoon.

(b) That the Chancellor of the Exchequer should have discretion, if he considered it desirable, to assemble a Special Sub-Committee to consider the financing of the Housing Schemes.

RENT FOR SMALL HOLDINGS.

(b) The Cabinet had before them the following documents on the subject of Rent for Small Holdings:—

Memoranda by the President of the Board of Agriculture and Fisheries (Papers G.T.-7594 and G.T.-7753:

An Extract from the Minutes of the Home Affairs Committee (Paper H.A.C.-35, Minute 2).

The Cabinet approved the following recommendations of the Home Affairs Committee:—
(a) That County Councils be instructed to reconsider the rents at which they let their statutory Small Holdings established before the War, so as to bring them into closer agreement with the changed value of the land:

(b) That the Councils should be instructed not to rack-rent their tenants, and especially not to take into account the improvements effected by their tenants, or the change in the rate of interest on loans:

(c) That the Councils should take the position of landowners working on a commercial basis and impose such increases as will make the rents of their Small Holdings comparable with the general level of rents of similar Holdings in the district.

IRISH RAILWAYS

The Cabinet had before them a Memorandum by the Minister of Transport (Paper C.P.-79) covering a Bill designed to give statutory effect to the terms of paragraphs 10 and 17 of the Agreement made between the Government and the Railway Companies affected when the Irish Railways were taken over.

The Cabinet approved the introduction of the Bill.

EMPLOYMENT INSURANCE

With reference to Cabinet 4 (18), Minute 1, the Cabinet had before them the following documents on the subject of Unemployment Insurance:

- A Memorandum by the Minister of Labour (Paper G.T.-8125),
- A Memorandum by the Chancellor of the Exchequer (Paper G.T.-8155),
- A Memorandum by the President of the Board of Agriculture and Fisheries (Paper G.T.-8205),
- A Memorandum by the Minister of Health (Paper G.T.-8247).

The Cabinet took note of the point urged by the Chancellor of the Exchequer that, if it was decided to include Agriculture and Domestic Service in a scheme of Unemployment Insurance, it was essential not to abandon
their inclusion during the passage of the Bill through Parliament. If this were done, the finance of the whole scheme would be upset, since both these forms of insurance might be expected to yield a profit.

It was generally agreed that the inclusion of Domestic Service would be unpopular, owing to the absence of unemployment in domestic service, and that its passage through Parliament would be a matter of the greatest difficulty.

It was stated that the agricultural interests would resent discrimination against that industry by leaving it out of the scheme. Doubt was expressed, however, as to whether this point of view would be maintained when it was realised that, owing to the small amount of unemployment in the agricultural industry, supposing this state of affairs continued, the discrimination would be in favour of Agriculture, which would be making an excessive contribution to other forms of industry. In this connection it was suggested that Agriculture might contract out, as was contemplated for some other large industries, such as the Railways.

The Cabinet agreed —

(a) To approve the principle of a scheme of Unemployment Insurance:

(b) That in the first instance both Agriculture and Domestic Service should be left out of the Bill, and the calculations as to the amounts of the contributions by the employers, employed, and the State respectively, should be prepared on this basis. If the claims of Agriculture to be included should be pressed strongly, this decision might be reconsidered:

(c) In order not to antagonise the Trades Unions and Labour interests, the Minister of Labour should aim at a rate of insurance amounting to 20/- for men and 15/- for women. This, however, should be subject to the question being first examined by a Committee composed of:
The Chancellor of the Exchequer,
The Minister of Labour,
The Minister of Health,

who should investigate the question more par­
ticularly from the point of view of the possi­
bility of a contribution by the employer of
10d. a week instead of 9d. a week, as now
contemplated for the combined Unemployment
Insurance and Health Insurance. If this was
considered feasible, the proportion of one­
quarter to be paid by the State would, it was
hoped, be slightly reduced; a course which
was considered justifiable in view of the great
financial burdens now laid upon the State.

SUPPLY OF SPIRITS.

(5) The Cabinet had before them the following documents
on the subject of the Supply of Spirits:—

A Memorandum by the Food Controller
(Paper G.T.-8411),

A Memorandum by the Chancellor of the Exchequer
(Paper C.P.-88).

The original proposal of the Food Controller was
that the quantity of spirits permitted to be released from
bond should be increased on a scale proposed in his Memo­
randum. This proposal was based on the necessity of meet­
ing the many undoubted cases of hardship existing at present
owing to the re-distribution of population and the return
of demobilised men.

Strong reasons, however, were urged in favour of
removing all restrictions on the supply of spirits. It was
pointed out that, owing to the desire of holders to conserve
their stocks; the rapid absorption of stocks by large com­
binations; the small production of spirits during the last
few years; and the operation of the Immature Spirits Act,
the amount of spirits available for the public would be only
slightly in excess of the present amount if the restrictions
were removed. Further, the increased consumption would be
counteracted by the lower strength at which spirits may be
supplied, restricted hours, and high prices. Finally, it was pointed out that the continuance of these restrictions was very unpopular, and the short supply of spirits was attributed entirely to the Government, which incurred great odium and unpopularity by their maintenance.

Against this it was pointed out that the opinion of the Churches and temperance advocates would be alienated by the removal of restrictions the effect of which had been watched during the War with the greatest interest. Further, in order to implement the promise that the benefits of liquor control during the War should not be thrown away without thorough examination, the Government had in course of preparation a measure for setting up a Commission to review the whole question of liquor restrictions. It would be preferable to postpone action until this Commission had reviewed the question.

After some discussion, the Cabinet agreed —

That the restrictions on the supply of spirits should be removed.

2, Whitehall Gardens, S.W.1,

November 14, 1919.