CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1, on Tuesday, 18th May, 1920, at 11.30 a.m.

PRESENT:


The Rt. Hon. Sir L. Ormsby-Gore, M.P.


The Rt. Hon. C. Addison, M.D., M.P., Minister of Labour.

The Rt. Hon. Sir Robert Horne, M.C., M.P., President of the Board of Trade.

The Rt. Hon. The Earl of Crawford and Balcarres, E.T., Chairman, Wheat Commission (for Conclusion 4).

THE FOLLOWING WERE ALSO PRESENT:


Lieutenant-Colonel The Hon. Sir A. Griffith-Boscawen, M.P., Parliamentary Secretary, Ministry of Agriculture and Fisheries. (for Conclusion 1).

Y. Thomas Jones, Acting Secretary.
With reference to the Cabinet 632, the Cabinet had before them the draft of a Bill to amend the Corn Production Act, 1917, and Agricultural Holdings Act, together with a covering Memorandum by the Minister of Agriculture and Fisheries (Paper C.P.-883) and a Note by the Minister of Agriculture and Fisheries covering explanatory Notes on the Clauses of the Agriculture Bill (Paper C.P.-1176).

It was explained that the Bill had been drafted to give effect (so far as legislation was required) to the Recommendations of the Selborne Committee and the recent Royal Commission, and to the Agricultural Policy announced by the Prime Minister in a speech at the Caxton Hall on October 21, 1919, and subsequently modified as the result of numerous Conferences which had taken place between the Prime Minister, the Minister of Agriculture, and the various interests concerned. The modifications to which the Prime Minister had agreed had special reference to Part III of the Bill, which deals with land tenure. In effect, the Prime Minister had agreed to substituting security of capital for fixity of tenure and dual ownership. The draft Bill was, in essence, an Amending Bill, which sought to make paramount the policy embodied in the Corn Production Act, 1917. It had two main objects:

(i) To stimulate the production of cereals by means of guaranteed minimum prices, accompanied by a measure of control of cultivation much less drastic than that in vogue during the War.

(ii) To give to the farmers a sense of security against the loss of capital put into their holdings in case of their being required to surrender the holdings. The right of the landlord to give notice to quit was retained, but subject to the provision of compensation for disturbance in all cases where a tenant is not in default.

The broad justification for the Bill lay in the serious outlook for the supply of breadstuffs from overseas, and also in the new demands which were being advanced by agricultural labourers for higher wages. It was pointed out that our cheapest source of wheat supply, viz., in Australia, was disappearing, and there was the probability that the...
Argentina would prohibit the export of wheat. We should therefore be thrown back on the more expensive North-American markets and on our home crop. The pressure of the labourers for higher wages, in sympathy with the industrial trades, would be accompanied by a demand from the consumers for lower food prices. The resulting uncertainty bred lack of confidence in the farmers, and led them to play for safety by laying down land to grass. It was vital for the State that the farmer should increase his arable culture, and, inasmuch as he could not be compelled to do this, the only method left was to induce him to follow this course by assuring him of a reasonable profit and guaranteeing him against disastrous losses. With regard to the Parliamentary prospects of the Bill, it was explained that, in view of the prolonged negotiations which had already taken place and the large measure of agreement on principle which had been secured, no insuperable difficulties were anticipated in the House of Commons; and even in the House of Lords, where there would undoubtedly be opposition to details of the Bill, it was believed that the course of the Bill would not be endangered. It was urgently necessary that the Bill should be introduced and printed at the earliest possible moment, so that it might be taken immediately after the Whitsun Recess, as pledges in this sense had been given.

In the course of the discussion it was recognised that the Bill was a compromise which would not completely satisfy those who in the past had been the protagonists of opposing schools of land policy. On the other hand, it was the result of a genuine attempt at accommodation, and would command the support of a large body of moderate opinion in all Parties.

Considerable anxiety was expressed as to the ability of the Government to maintain high guaranteed prices in the home market in the event of a slump in the world price of
cereals; and it was argued, further, that the Clauses in Part II of the Bill were unnecessary, inasmuch as the tenant has at present adequate machinery for obtaining compensation for any improvements genuinely attributable to him. It was also pointed out that, inasmuch as the basis of the guaranteed price was the cost of production, and the largest single element in the cost of production was labour, the State would in effect be guaranteeing the farmer whatever wages he cared to undertake to pay, and once more we should witness wages and prices chasing each other in a vicious circle. It was true that the wages were settled by an Agricultural Wages Board, who had to take into account all the factors in the situation; but it was hard to see how they could withstand the pressure to which they would be subjected.

In reply to a question as to the necessity for giving so long a notice as four years for the termination of the period (Clause 1 (1)), of the guaranteed minimum, it was explained that this was inevitable if the farmers lack of confidence was to be overcome.

After further discussion, the Cabinet decided —

(a) To request the Minister of Agriculture and Fisheries to confer with the Lord Privy Seal, the Chancellor of the Exchequer and Sir Laming Worthington Evans with a view to drafting, if possible, an amendment of Clause 4, the object of which should be to safeguard the State against an indefinite rise in wages following on and causing a further rise in prices and again in wages.

It was suggested that this might be done by correlating the guaranteed home price with the world price of cereals.

(b) To authorise the Parliamentary Secretary to the Ministry of Agriculture and Fisheries to introduce the Bill in the House of Commons at the earliest opportunity.

"NOTE:— The First Lord of the Admiralty wishes it recorded that, while he was unable to agree that the Bill was desirable or right, he did not intend to press his opposition."
With reference to the decision of the Supreme Council at San Remo on April 26, 1920 (Paper I.C.P.-109, Minute 9), the Cabinet had before them a Memorandum embodying the instructions of the Permanent Committee of the Supreme Economic Council on the Resumption of Trade with Russia, together with a copy of the telegram for communication to M. Krassin (Paper I.C.P.-1109).

It was pointed out that, while on commercial grounds it was desirable to resume trade with Russia, negotiations with Russian representatives were about to begin in London, and it was therefore inopportune to make the announcement proposed by the Board of Trade. It would be preferable to make the announcement at the end of the negotiations and after due notice had been given to the Allied Governments. Further, it was important to bear in mind that our trade relations should embrace not only the starving northern districts of Russia, but the richer food-producing areas, like the Ukraine.

The Cabinet decided —

To adjourn the consideration of this subject pending the result of the negotiations with the Russian delegates.

With reference to Cabinet 13 (20), Conclusion 4, and Cabinet 17 (20), Conclusion 1, the Cabinet had a short discussion with regard to the disposal of the surplus which had accrued under the Egyptian Cotton Control Scheme.

The Cabinet decided —

To adjourn the consideration of this question until the Secretary of State for the Colonies could be present.
The Chancellor of the Exchequer, in his Memorandum, pointed out that the improvement in the New York Exchange had been more than swallowed up by the rise in wheat prices, from which it would appear that the world price of wheat is a sterling price and that the dollar price is merely a conversion of that sterling price into dollars at the Exchange of the day. The result would probably be that, in order to maintain the present price of bread, a subsidy of £60,000,000 might be required instead of the £45,000,000 provided in the Estimates for the present financial year. The proper course, therefore, would be to raise the price of the loaf by ½d., and possibly to couple this with an increased extraction of flour.

To this course it was objected that only a few weeks ago a change had been made in the price of flour in order to reduce the subsidy, and this decision had involved a very complicated procedure in order to prevent the bakers making a profit of several millions on the stocks which they had in hand. To repeat this process after such a short interval would greatly disturb the trade and cause widespread dissatisfaction. It was suggested, therefore, that an equally effective method would be to raise the price in September next by a figure sufficient to meet the conditions in the autumn and to cover the abnormal losses incurred between now and then.

The Cabinet were informed that the recent rise in the rate of extraction from 76 to 80 was being met by organised protests and petitions from all parts of the country, but the Ministry of Food and the Wheat Commission were convinced that, in view of the grave crisis in regard to
overseas supplies, an increased extraction would almost certainly become immediately necessary as a measure of economy.

The Cabinet decided:

(a) That the price of the loaf should be reviewed in the autumn in the light of the conditions then obtaining, and that the price limit should be such as would prevent the subsidy exceeding 300,000,000;

(b) That immediately circumstances made a change in extraction desirable, Cabinet sanction for this change should be sought;

(c) That, in the event of such sanction being given, the Ministry of Food should, in publishing the alteration, take steps to impress upon the public the critical nature of the situation due to the world shortage of supplies and the importance from the world point of view of economising the use of flour to the utmost.

BUILDING PROGRAMME FOR GOVERNMENT DEPARTMENTS.

(5) With reference to Cabinet 26 (20), Conclusion 7, the Cabinet had before them a Memorandum by Sir Laming Worthington-Evans asking that the reference to the Committee set up to review the Building Programme of Government Departments should be extended to include building by the Admiralty, War Office and Air Ministry (Paper C.P. 1267).

The Cabinet gave their approval to the proposal to extend the reference so as to cover the Admiralty, War Office and Air Ministry.
Cabinet 28/20, Conclusion 4 (a).

It has been agreed to interpret this conclusion in the sense that the wholesale price of flour fixed should be such as would prevent the subsidy exceeding 45 millions. (See Registered File 29/A/63.)

T.J.
9.6.20.
The attention of the Cabinet was called on a
question of urgency to a request which had been
received from representatives of the Church of
Scotland and the United Free Church that the
Government should take charge of a Bill preparing
the way for a possible union of these Churches by
a revision of the statutory constitution of the
Church of Scotland.

The matter was urgent as the Assembly was
meeting that day in Edinburgh. It was stated that
practically all the members of Parliament for
Scotland were in favour of the measure and that the
Secretary for Scotland thought that at least the
Government should give facilities for the Bill.

The Cabinet decided to approve the following
question and answer:-

Question: To ask the Prime Minister whether the
Government has reached any conclusion with
regard to the request signed by a very large
number of Scottish Members and addressed to him
to the effect that the Government should
introduce a measure recognising the draft
articles prepared by the Church of Scotland as
a basis of Union.

Answer: Yes, Sir. The Government have carefully
considered the request and they have also received
intimation of an agreement between representatives
of the Church of Scotland and the United Free
Church to the same effect. The Government
accordingly hope either to introduce or to give
facilities for a measure in the direction
indicated without avoidable delay.

The Cabinet took note that the Chancellor of
the Exchequer desired an early discussion of the
question of a levy on War Wealth.