CONCLUSIONS of a Meeting of the Cabinet,
held at 10, Downing Street, S.W., on Thursday,
July 29th, 1920 at 11.30 a.m.

PRESENT:-
The Prime Minister (in the Chair).

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

The Rt. Hon. The Earl Curzon of
Kedleston, K.G.,G.C.S.I.,G.C.I.E.,
Secretary of State for Foreign
Affairs.

The Rt. Hon. E.S. Montagu, M.P.,
Secretary of State for India.

The Rt. Hon. T. Long, M.P.,
First Lord of the Admiralty.

The Rt. Hon. Sir E. Geddes,
G.C.B.,G.C.S.I.,M.P., Minister
of Transport.

The Rt. Hon. T.J. Macnamara,
Ll.D.,M.P., Minister of Labour.

The Rt. Hon. H.A.L. Fisher, M.P.,
President, Board of Education.

The Rt. Hon. Sir L. Worthington Evans, Bart. M.P.,

THE FOLLOWING WERE ALSO PRESENT:

The Rt. Hon. F.G. Kelleway, M.P.,
Head of the Department of
Overseas Trade.

The Rt. Hon. The Earl of Crawford
& Balcarres, Chairman, Theat
Commission.

Sir James Stevenson, Bart.
Surveyor-General of Supply.

Mr. Thomas Jones..........................................................Acting Secretar

Mr. R.B. Howorth..........................................................Assistant Secretar,
(1) The Cabinet had under consideration certain questions respecting future Air Policy, e.g., the disposal of rigid airships (Paper C.P.1565) and proposed subsidies to Aerial Transport Companies (Paper C.P.1265).

The Cabinet were informed that during the war a sum of approximately £40,000,000 had been spent on the formation of an efficient Airship Service. In the result, Great Britain was now in the premier position in regard to this matter, and possessed, in addition to the two airships surrendered by the Germans, a number of airships, completed and completing, of great value. The Commercial Airships Committee had reported in favour of utilising the airships for regular flights to Egypt, at a total cost for the two years ending March 31st, 1921, of £844,400 on a Civil basis, or alternatively, £922,200 on a Service basis, of which £321,700 would be required this year. Every endeavour had been made to persuade commercial firms to take over the airships, but without success. While it was true that at the moment the commercial world was not prepared to accept the risks incidental to the running of the service, many experts were of opinion that airships had a great commercial future. Moreover, the only alternative to the present proposals was to scrap the ships, etc., which would not only mean a rupture and destruction of the service brought to its present state of perfection, but would be criticised on the ground that the Government should never have continued its policy of completing the ships and should have taken a much earlier decision to scrap them. It was also explained that the life of these ships was very short, probably not more than about two years, and that it was therefore of little use to store them.

While it was possible that a commercial firm might be prepared to run the ships if the Government took a substantial
financial interest in the Company, it was generally felt that such a proceeding would be dangerous and open to misinterpretation. In the present state of the national finances, it was thought impossible to justify the proposed addition to the burdens on the Exchequer.

It was agreed—

That the Air Ministry should make further endeavours to enter into arrangements with commercial firms for the disposal to them of the Airships by sale or gift, on the basis that the Government would undertake no financial liability; failing such arrangements, the airships should be kept in store or scrapped.

(2) The Cabinet had under consideration a Memorandum by the Secretary of State for Air, covering the Reports of the Advisory Committee on Civil Aviation, from which it appeared that a majority of the members of the Committee had recommended that direct assistance should be given to commercial Companies, limited to a maximum sum of £250,000, within the two financial years 1920-1 and 1921-2, and that payments to Companies operating on approved routes should be calculated on the basis of 25 per cent of the total certified gross revenue of each Company earned by the carriage of passengers, mails or goods.

In a Minority Report, Air-Marshal Sir H. Trenchard had expressed himself opposed to the policy of subsidy on both military and commercial grounds.

It was explained that, since the Report had been presented, the representative of one of the existing Companies had stated that it had begun to pay its way with a turnover of £100,000 per annum.

In these circumstances, the Air Ministry asked that the question might be postponed until the figures...
given by the representative had been examined.

The Cabinet agreed -

To postpone further consideration of the question, as desired by the Air Ministry.
NAVAL AND MILITARY INTELLIGENCE OFFICERS STATIONED IN THE CRIMEA.

The attention of the Cabinet was drawn to the question to be asked that day in the House of Commons by Commander Kenworthy as to whether His Majesty's Government were taking any kind of responsibility for the operations now being conducted by General Wrangel.

In the course of the discussion it transpired that four military officers were still stationed in the Crimea for the sole purpose of supplying intelligence to the War Office. Mr. Long was not sure how many Naval members remained for Admiralty intelligence purposes but thought that there were two or three.

It was suggested that the total number of officers was possibly excessive for this service and that suspicion might be aroused on the part of the Soviet Government that we were not carrying out our undertaking to give no assistance of any kind to General Wrangel.

It was agreed -

(a) That the Prime Minister should reply to Commander Kenworthy's question with a direct negative.

(b) That the military and naval authorities should consult together with a view to seeing whether any reduction could be made in the present number of Service intelligence officers stationed in the Crimea.

Note. It has since been ascertained that there remain in the Crimea one naval officer and two ratings, all of whom are solely engaged in supplying intelligence to the Admiralty.
Cabinet had before them three Memoranda by the Minister of Labour, (Papers C.P.1643, C.P.1660, and C.P.1685), urging that the present arrangements with regard to Out-of-Work Donation should be extended for a further period ending November 8th, 1920 at an estimated additional cost of £350,000.

The Cabinet were informed that Out-of-Work Donation first began on November 25th, 1918, and the original policies entitled the holders, within 12 months after discharge from the Army, to an initial period of 26 weeks at 29/- a week, plus allowances for dependent children, and a further 13 weeks (for disabled men 20 weeks) at 20/- a week plus children's allowances. The first special extension had operated from November 26th, 1919, to March 31st, 1920, within which period men might draw 9 weeks at 20/- a week; and the second special extension had been given from April 1 to July 31st, 1920, during which period a further 12 weeks at 20/- a week might be given. At the present moment 143,000 men were on Donation, and, if no extension at all was given, 63,000 would continue to draw benefit under the existing schemes, but the remaining 60,000 would cease to benefit and would be added to the 40,000 ex-Service men who had exhausted all Donation benefits.

The problem was, therefore, how to deal with these 100,000 ex-Service men, most of whom would be in the towns, with no work and no income. The men were mainly unskilled, and it was clear that the demand for unskilled labour was very small. While, no doubt, some of them were unemployable, the great majority had made genuine efforts to get work, without success. It was not a case of men refusing to take unskilled jobs. If they did so, the consequence was that they came off Donation benefit. A serious slump in trade might be anticipated in the autumn, and the Labour situation would be most gravely aggravated by driving large
numbers of these ex-Service men into the hands of the extremists.

The best solution, in the view of the Ministry of Labour, was to continue the present arrangements until the Unemployment Insurance Act took effect. In the meantime, every effort should be made to find work for these men, either by means of the Development Fund, the Road Board Fund, or the National Relief Fund. It might be possible to employ some 10,000 to 15,000 of them on Housing Schemes, and a number might be trained for semi-skilled employment, though this latter would admittedly cost money.

On the other hand, it was pointed out that, according to the latest information, a serious slump in trade in the autumn need not be feared, though much depended on whether an American financial crisis materialised in September.

The attention of the Cabinet was directed to the very substantial pecuniary concessions which had been made in the past to the ex-Service men. Apart from the month's furlough on full pay, which it was estimated had cost £50,000,000, the total cost up to date of grants to ex-

Service, excluding officers, in respect of matters such as gratuities, Out-of-Work Donation, re-settlement grants, industrial training of disabled men, interrupted apprenticeships, land settlement and overseas settlement, amounted to £128,820,000; while the total cost to the end of the schemes would be £186,100,000. (Appendix). In addition, there was the annual charge of over £120,000,000 for Pensions.

It was generally felt that further concessions should, if possible, be restricted to men who had actually served overseas, but it was pointed out that some time must in any case elapse before the records of the ex-Service men on Donation could be properly examined and collated for this purpose.

Ultimately the Cabinet agreed -
(a) To grant a further extension of 8 weeks' Donation at 20/- a week, under the conditions already prevailing, the Donation to be drawn within the period of 14 weeks from August 1 to November 8, 1920:

(b) That an immediate examination should be made of the military records of all ex-Service men on Donation Benefit, with a view to restricting any further extension after November 8 which might be necessary to men who had served overseas and whose military records were good.
With reference to Cabinet 37 (20), the attention of the Cabinet was directed to the Report by the Chairman of the Bread Subsidy Committee (Paper C.P.-1602), which in effect recommended that a progressive reduction of the Bread Subsidy should be made by three successive stages, the final removal taking place on July 31, 1921.

A Minority Report by Sir G.L. Barstow (Paper C.P.-1602 A) recommended the immediate abolition of the Subsidy, even though this might result in very extensive wage demands. Finally, the Cabinet had before them a Memorandum by the Minister of Labour (Paper C.P.-1668) showing how Great Britain compared with certain Continental countries as regards the quantities of bread purchasable with the daily wage at present current in certain typical occupations.

It was stated that the immediate abolition of the Subsidy would mean raising the price of the loaf at once to 1s.5d. In this connection it was pointed out that, even if this were done, the position of the British workman would still be far superior to that of his foreign comparator. Moreover, the real position of the former was even more favourable than the figures showed, because in practice he spent less of his total wage on bread than the foreigner.

To keep the Subsidy at £45,000,000 per annum, it would be necessary in any case to raise the price of the loaf to 1s.11d. in November.

It was generally agreed that it was desirable to abolish this Subsidy at the earliest possible date which was compatible with an opportunity being given to the working man to adjust his arrangements to meet the increased cost of bread. It was realised, however, that abolition on these lines would mean demands from railwaymen, miners and others whose wages depended on the index cost-of-living figures, but it was felt that from every point of view it was very desirable to get back as soon as possible to normal economic modes of life.
In reply to a suggestion that the abolition of the Bread Subsidy must be followed by a removal of the maximum limit price of home-grown wheat, it was pointed out that the farmer could have no real grievance at the maintenance of this maximum limit, since his guaranteed price had not been fixed by reference to the Bread Subsidy.

It was also pointed out that if the Cabinet's decision was published, there would be hoarding of wheat and flour, with a consequential loss to the Exchequer.

Ultimately it was agreed —

(a) That arrangements should be made to ensure the abolition of the Bread Subsidy by the end of the present calendar year, the price of the loaf to be raised gradually during the next five months, so as to secure that the Subsidy terminated on December 31, 1920.

(b) That no public announcement of this decision should be made.
(G) With reference to Cabinet 36(20), Conclusion 2, the Cabinet had before them the Report of the Housing Committee (Paper C.P. 1593), which pointed out that the present housing difficulties were mainly attributable (i) to shortage of labour and (ii) to inadequate output. With regard to shortage of labour, the Committee recommended that steps should be taken to up-grade the unskilled man and to re-introduce the apprenticeship system.

It was generally felt that it would be necessary for the Prime Minister to meet the representatives of the employers and employees in the building trade and to press the Committee's recommendations upon them.

With regard to output, the Committee had recommended that improved conditions in the building trade were necessary, and that, in return for an undertaking by the employees not to strike, to work overtime and to accept payment by results, a guaranteed week should be given, at all events for those engaged on housing schemes, the guarantee to take the form of full wages for two-thirds and half wages for the remaining one-third of the time.

The Cabinet agreed -

To adopt the recommendations of the Housing Committee; the proposals affecting labour to provide a basis for the discussions to take place between the Prime Minister and representatives of the employers and workpeople in the building industry.

2 Whitehall Gardens, S.W.1
July 29th, 1920.
## APPENDIX.

**GRANTS TO EX-SERVICE MEN (EXCLUDING OFFICERS)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost to date</th>
<th>Total cost to end of scheme</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. GRATUITIES.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>War Office</td>
<td>£81,000,000</td>
<td>£82,000,000</td>
<td>Including Prize Money. Total may be too low.</td>
</tr>
<tr>
<td>Admiralty</td>
<td>4,142,000</td>
<td>6,500,000</td>
<td></td>
</tr>
<tr>
<td>Air Force</td>
<td>2,560,000</td>
<td>2,526,000</td>
<td></td>
</tr>
<tr>
<td>2. OUT-OF-WORK DONATION.</td>
<td>29,500,000</td>
<td>34,500,000</td>
<td></td>
</tr>
<tr>
<td>3. RESettlement Grants, Civil Liabilities.</td>
<td>1,980,000</td>
<td>4,200,000</td>
<td>All payments during war have of course been excluded. These are grants to set men up in business.</td>
</tr>
<tr>
<td>4. INDUSTRIAL TRAINING. DISABLED MEN.</td>
<td>3,400,000</td>
<td>26,550,000</td>
<td></td>
</tr>
<tr>
<td>5. INTERRUPTED APPRENTICESHIPS.</td>
<td>900,000</td>
<td>5,500,000</td>
<td>Figures very uncertain, but probably not too low.</td>
</tr>
<tr>
<td>6. LAND SETTLEMENT.</td>
<td>5,250,000</td>
<td>23,350,000</td>
<td></td>
</tr>
<tr>
<td>7. OVERSEAS SETTLEMENT.</td>
<td>50,000</td>
<td>1,000,000</td>
<td>A minimum estimate.</td>
</tr>
</tbody>
</table>

| | 128,820,000 | 186,100,000 | |

**Note.**

(i) All men have a month's furlough on full pay. Cost not included above. It must have been very great — as a shot, £50,000,000.

(ii) There are various training schemes (Board of Education, Ministry of Agriculture, Ministry of Labour, etc. etc.) which together will cost say £15,000,000 to completion for officers and men of like educational qualifications. These are not included as we cannot separate officers from men, but very roughly half are men.