CONCLUSIONS of a Meeting of the Cabinet,
held at 10 Downing St., S.W., on Wednesday,
8th December 1920, 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. E. Shortt, K.C., M.P.
Secretary of State for Home Affairs.

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 & Air.

The Right Hon. T.J. Macnamara, M.P.
Minister of Labour.

The Right Hon. Sir Robert Horne, G.B.E.,
K.C., M.H., President of the Board of Trade.

The Right Hon. Sir Eric Geddes, G.C.B.,
G.C.M.G., M.P., Minister of Transport.

THE FOLLOWING WERE ALSO PRESENT.

Admiral of the Fleet, Earl Beatty,
G.C.B., G.V.O., D.S.O., First Sea Lord and Chief of the Naval Staff.

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

Col. Sir James Craig, Bart., M.P.,
Parliamentary and Financial Secretary, Admiralty.

Lieut.-Col. Sir M.P.A. Hankey, G.C.B...
Mr. Thomas Jones...
Mr. R.B. Howorth...

Sec...
Principal Assistant Sec...
Assistant Sec...
(1) Arising out of a discussion at the Cabinet Committee on Finance on the previous evening, the Cabinet had under consideration certain Draft Resolutions on Economy, which had been prepared with a view to their being announced by the Chancellor of the Exchequer in his speech in the Debate on National Expenditure in the House of Commons on Thursday, December 9th.

After considerable discussion, the Draft Resolutions were approved by the Cabinet, subject to certain alterations and modifications. The Resolutions as approved by the Cabinet are as follows:
In pursuance of their policy of reducing national expenditure the Cabinet are acting upon the following principles in preparing the Budget for the financial year 1921-22:

(1) Whilst recognising that there are many reforms that are in themselves desirable in order to improve conditions in the United Kingdom, the Cabinet, having regard to the exceptionally heavy taxation -- the inevitable consequence of the War -- the high cost of material, and the trade reaction that has set in and the emergency measures thereby required to mitigate the hardships of unemployment, consider that to the extent that such reforms involve further burdens upon the Exchequer or the Rates the time is not opportune for initiating them or putting them into operation. It is an instruction, therefore, to all spending Departments that, except with fresh Cabinet authority, schemes involving expenditure not yet in operation are to remain in abeyance. This general principle applies to all spending Departments but exception must be made for such temporary measures as are necessary for dealing with the special problem of unemployment.

The sums which can be saved by the above means would not, in the aggregate, amount to a very substantial figure, even if all these reforms were completely arrested and the only method of effecting savings on a considerable scale is in the War Departments.
(2) The Ministries of Munitions, Shipping and Food will both be wound up this financial year and any outstanding functions will be discharged by other Ministers.

(3) The Cabinet are convinced of the necessity of curtailing military expenditure to the utmost extent compatible with the fulfilment of our Imperial obligations and national safety. The principal field for economy is in the Near and Middle East, and the position in these regions is being fully explored with a view to further and drastic reductions of expenditure the moment the situation permits.

The Government of Persia has already been notified of our intention to withdraw the last of the British forces from that country in the coming spring. The force in Palestine is already in course of reduction.

In Mesopotamia, the aim of the British Government has always been to develop the resources of this region, to set up an Arab Government and to replace the Imperial forces by an Arab Army. In accordance with this policy the forces there had already been reduced from 222,000 men, at the time of the Armistice, to 79,000 men by July, 1920, and were in process of further rapid reduction, when the outbreak of a serious rebellion, fomented from outside Mesopotamia, necessitated their reinforcement. Even if the Government had decided to withdraw from Mesopotamia and leave the country to its fate it is by no means certain that this course was possible as a military operation, certainly it was not possible without heavy losses in life and stores. There was therefore no choice but to reinforce the garrison and suppress the rebellion. This task has
been almost accomplished, and simultaneously with the suppression of the remnants of the rebellion, Sir Percy Cox, the High Commissioner, is actively engaged in the creation of an Arab State and the provisional Government is pressing forward the creation of an Arab Army, which will provide a substitute for the British forces. We hope that within a reasonable time, an Arab Government will have taken over the administration and defence, the Imperial forces will have been reduced to a small nucleus garrison, and Mesopotamia, a country with great potential resources, will be self-supporting.

(4) While determined to maintain the Navy at a standard of strength which shall adequately secure the safety of the Empire and its maritime communications, the Cabinet before sanctioning a programme of new construction are bound to satisfy themselves that the lessons of the war have been definitely ascertained, more particularly as regards the place and usefulness of the capital ship in future Naval operations.

They have, therefore, decided that the Committee of Imperial Defence shall institute at once an exhaustive investigation into the whole question of naval strength as affected by the latest developments of naval warfare. They will present no programme of capital ship construction to Parliament until the results of this enquiry have been considered.

(5) The utmost economy will be enforced in the administration of the Air Programme, and the position and functions of the Royal Air Force will be examined in relation to the Navy and Army.
(2) In the course of the preceding discussion, considerable doubt was generally felt as to the necessity for maintaining the present large military forces in Palestine. It was represented that, in the view of the Imperial General Staff, these forces had been required to meet a possible Arab revolt, or a combination between the Arabs and Mustapha Kemal. These forces were now being reduced. In this connection it was pointed out that, according to the most recent information, the country was very quiet, and the relations between the Jews and the Mohammedans better than they had been for many years. It was suggested that, instead of keeping large forces at the expense of the Exchequer, an arrangement should be made with the High Commissioner under which the Exchequer should make him a grant-in-aid for military expenditure of, say, £2,000,000 or £3,000,000 per annum. On the other hand, it was pointed out that the military situation in Palestine could not very well be settled without reference to the military position in Egypt, and that it was desirable to have a reasoned statement of the present military position in Palestine from the Office Commanding the troops in that country.

It was agreed —

(a) That the Secretary of State for Foreign Affairs should communicate with Sir Herbert Samuel, warning him of the views of the Cabinet, and indicating that it would probably be necessary to insist on a drastic reduction of the forces now stationed in Palestine;

(b) That the Secretary of State for War should circulate a survey of the military situation in Palestine, with a reasoned statement as to the strength of the garrison contemplated.
During the discussion on National Expenditure, it was suggested by the Secretary for Scotland that there should be a fresh Enquiry into local taxation.

The Chancellor of the Exchequer said that he would denounce any new Enquiry in the case of England. Such an Enquiry would merely give rise to schemes for thrusting the burdens now borne by the ratepayers on to the taxpayers. He realised, however, that the problem in Scotland was different.

It was agreed —

That the Secretary for Scotland should circulate to the Cabinet a Memorandum on the question of an Enquiry into Local Taxation in Scotland.

With reference to Cabinet 66 (20), Conclusion 4, the Cabinet further considered the suggestion that unemployment might be relieved in certain areas by placing the industrial establishments of the Government on short time, as was usually done by the textile trades of the country.

It was stated, on behalf of the Admiralty, that at the end of the winter it was proposed to discharge 8,000 men who were not employed on civilian contracts, and that if unemployed men were not taken on temporarily there would be difficulty in discharging them later on.

The Cabinet were impressed with the importance of the Government setting an example in this matter to Local Authorities and private employers.

The Cabinet agreed —

(a) To accept the principle of short time for Government dockyards, arsenals and national factories;

(b) To ask Sir L. Worthington Evans, in consultation with the Cabinet Committee on Unemployment, to draft a resolution for consideration by the Cabinet for giving effect to the principle of short time as a means of absorbing some of the unemployed;

(c) To ask the Minister of Health to consider the possibility of applying the same principle to men employed on the construction of sewers and roads in preparation for Housing Schemes.
(5) Attention was called to a question to be asked by Sir W. Davison in the House of Commons that afternoon on the progress of negotiations for diluting the Building Trade Unions with unemployed ex-service men. The Cabinet agreed:—

That the Minister of Labour should reply stating that the Government hope to meet representatives of the Building Craft Unions next week and asking Sir W. Davison to repeat his question in a week's time, and should promise that, in any case, the Government's policy would be laid before the House before the Adjournment.

EMPLOYMENT.

(6) The consideration of the Third Interim Report of the Cabinet Committee on Unemployment (Paper C.P.-2202) was postponed.

2 Whitehall Gardens, S.W.1.
December 8, 1920.