CONCLUSIONS of a Meeting of the Cabinet held in Mr. Chamberlain's Room at the House of Commons, S.W. on Friday, 24th February, 1922, at 11.30 a.m.

PRESENT:

THE PRIME MINISTER (IN THE CHAIR).


The Right Hon. E. Shortt, K.C., M.P., Secretary of State for the Colonies.


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

The Right Hon. Sir A. Griffith-Thomas, M.P., Minister of Agriculture and Fisheries.

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

The Right Hon. R. Munro, K.C., M.P., Secretary for Scotland.

The Following were also present:

Sir Edward Grigg, K.C.V.O., C.M.G., Secretary of State for Air.

Col. Sir M.P.A. Hankey, G.C.B., Secretary.}

Principal Assistant Secretary.
The Prime Minister raised the question whether it would not be useful to invite the Belgian Prime Minister to attend the meeting already arranged at Boulogne between M. Poincaré and himself.

Against the proposal the following objections were raised:— first, that the meeting had been widely advertised in the Press as a personal meeting between the Prime Minister and M. Poincaré, and a sudden proposal to invite a third party might arouse suspicion in France; second, that Italy would be very sensitive at the introduction of a third Power when she herself was unrepresented, although it was pointed out that at present no Ministry in Italy had been formed to replace M. Bonomi's Government, which had been defeated in the Chamber; third, that there are real advantages in a personal discussion between the two Prime Ministers.

On a review of these considerations the Cabinet agreed —

That it would be wiser for the Prime Minister to meet M. Poincaré alone.
REPARATIONS. (9) The Prime Minister communicated to the Cabinet a message from the Italian Government, received through Dr. Giannini, the Italian liaison officer between the Secretary-General of the Genoa Conference and the British Secretariat, urging that, while reparations should not be discussed in detail at Genoa, it would be almost impossible to discuss European economic questions without any reference to the subject.

There was general agreement that it would, in the event, almost certainly prove impracticable at Genoa to avoid discussing the bearing of reparations on the economic position, but, in view of the strong objection taken by the French Government and people at and since the Cannes Conference to reparations being raised at Genoa, it was felt that it would be advisable to leave events to take their course at Genoa without raising difficulties by trying to insist now on the question of reparations being discussed then.
PROPOSALS OF COMMITTEE ON NATIONAL EXPENDITURE.

(3) With reference to Cabinet 12 (22), Conclusion 1483 and the Conclusions of Finance Committee 26, the Cabinet had before them the following documents:

First and Second Interim Reports of the Committee on National Expenditure (Papers C.P. ... 5670 and C.P. ... 5672).

Report of Mr. Churchhill's Committee on the Defence Dephriments (Paper C.P. ... 5682).

Report of Mr. Chamberlain's Committee on Parts II and III (Paper C.P. ... 5666).


Third Report of the Committee on National Expenditure (Paper C.P. ... 5774).

(a) Educational Expenditure.

With reference to the Interim Report, Part II, Chapter 1, dealing with the Board of Education Estimates, the Lord Privy Seal reported the recommendations of the Cabinet Committee, which provided for a reduction on the July Estimates of £5,700,000 for England and Wales, and a saving for Scotland of about £800,000, making a reduction of £6,500,000 as against the proposal of the Geddes Committee for a reduction of £18,000,000. Mr. Chamberlain pointed out that the divergence was mainly due to the decision of the Cabinet that the salaries of teachers could not be reduced without breach of contract, and to the rejection of the proposal to exclude children under six years of age, owing to the opposition in the country. (The figures as agreed between the Board of Education and the Treasury are set out in Appendix I). With regard to expenditure on central administration, and particularly on the inspectorate, the Committee recommended a further reduction by the Board of Education on their estimate of £643,000. The President of the Board of Education stated that he did not believe the saving to be possible but he was willing to review the expenditure.

The Cabinet adopted the recommendations on educational expenditure of the Cabinet Committee.

(b) Navy, Army and Air Expenditure. With reference to Part I of the Interim Report of the Committee on National Expenditure, the Secretary of
State for the Colonies stated that at the request of the Prime Minister, he had been in communication with the Admiralty and Air Ministry with a view to securing further reductions in their respective Estimates. He had not dealt with the War Office, as the Secretary of State for War had, at the Finance Committee, undertaken to make a further reduction of £500,000, which would bring the cut on the Army Estimates to £13,000,000.

The Air Ministry had agreed to sacrifice the provision of two Squadrons for home defence, and to reduce the factor of safety in flying machines to the war level. This would provide a saving of £450,000, and the Air Estimates would therefore stand at about £10,500,000, not, exclusive of Middle East and War Liabilities.

The Cabinet gave its approval to this reduction.

The Secretary of State for the Colonies stated that the result of his Conference with the Admiralty had resulted in the recommendation of the following gross reductions:

- Dockyards ................. £200,000.
- Capital Ships ............. £700,000.
- Fuel ........................ £50,000.

**TOTAL........£1,300,000**

The figure under "Capital Ships" was obtained by delaying work on capital ships for three months and thus throwing one quarterly payment into the succeeding financial year. Mr. Churchill stated that he was satisfied that in 1923-24 it should be possible to make further substantial economies in the Admiralty.

The attention of the Cabinet was drawn to the desirability of the Board of Admiralty considering placing orders in advance over long periods, so as to enable the shipbuilding firms to organise their yards more efficiently and also to throw on the banks the responsibility of making advances.

The Cabinet approved the proposals for a further gross reduction in the Naval Estimates of £1,300,000 which would bring the cut on the Navy Estimates to approximately £20,500,000.
General agreement was expressed with the view that the cost of the white gendarmerie in Palestine should not be an Imperial charge, and that every possible endeavour should be made to secure a substantial saving on the cost of the garrison in Constantinople.
SECOND INTERIM REPORT OF THE COMMITTEE ON NATIONAL EXPENDITURE.

Report of Cabinet Committee.

(4) The Chancellor of the Exchequer presented the Report of the Cabinet Committee which had considered the Second Interim Report of the Committee on National Expenditure. (C.P.3773). He stated that it was hoped to secure from this group of services a saving of about £2.9 millions.

Arising out of the Report the Chancellor of the Exchequer stated that he wished to draw attention to

(a) The Ministry of Transport
(b) The Department of Overseas Trade,
(c) Forestry,
(d) The Mines Department.

No reductions were recommended by the Geddes Committee in regard to the Ministry of Transport, but they proposed that the Ministry's functions should be transferred to the Board of Trade.

The Chancellor of the Exchequer stated that his Committee were of opinion that it was not feasible to make the transfer at present and that no material economy would be effected thereby. What was recommended was the early appointment of a Cabinet Committee to consider the allocation of the functions of the Ministry of Transport. In the view of the Chancellor of the Exchequer there should be a Ministry of Communications to which the duties now discharged by the Post Office and the Ministry of Transport should be assigned.

The Cabinet approved the recommendations of the Cabinet Committee.

The Chancellor of the Exchequer stated that the Geddes Committee recommended that this Department should cease as a separate Department and a saving of £94,000 be made. There was, however, in commercial
circles strong opposition to this proposal and a deputation which he had received the previous day had pressed for the maintenance of at least a nucleus Department. It was estimated that, by insisting on further reductions at headquarters and in the overseas services, it would be possible, while maintaining the essential part of the existing organisation, to effect a saving of sum £40,000 on the Vote for the Department, in addition to the saving already shown in the provisional estimates for 1922/23.

The Secretary of State for India reminded the Cabinet that after consultation with Lord Ashfield and Lord Robert Cecil he had negotiated the present arrangement. To return to the position which existed before the Department of Overseas Trade was set up would in his judgment be most deplorable and would only result in reviving the confusion which used to prevail.

The view was expressed that the Department had been organised on unduly expensive lines and that pressure should be brought to bear on the Department to effect savings in administrative costs.

The Cabinet agreed --

(1) That the Department of Overseas Trade should be continued,

(2) That the Treasury in consultation with the Department should examine the possibility of reducing the cost of administration.

The Chancellor of the Exchequer stated that while he had been in favour of adopting the recommendation of the Geddes Committee to terminate this Department, the Cabinet Committee did not share this view and recommended the adoption of the scheme put forward by the Forestry Department which was estimated to cost £215,000, the greater proportion of which sum was already in hand and therefore the burden on the State in the next Estimates would be trifling.

The Cabinet approved the recommendations of the Cabinet Committee.
The Chancellor of the Exchequer stated that his Committee did not agree with the Geddes' Report in recommending the distribution of the functions of the Mines' Department among the various Ministries from which they were taken. Instead, the Committee recommend that the Department should be definitely made a department of the Board of Trade, and that the Secretaryship of Mines should give place to an Under-Secretaryship of the Board of Trade.

The Cabinet approved the recommendation of the Cabinet Committee.

The Committee agreed with the suggestion of the Minister of Labour that it should be made plain in any public report that the provision of £500,000 only for the Exports Credits Scheme did not mean the stoppage of the scheme, but was due to the slow progress that had been made in taking up the scheme.

The Cabinet concurred in the suggestions made by the Minister of Agriculture and the Secretary for Scotland that the question of the reduction in the amount of money available for Land Settlement should be re-considered before the close of the coming financial year, and that in the meantime no public statement should be made which would lead to misunderstandings in regard to Government pledges to ex-Servicemen.

It was pointed out that this would not affect the estimates for 1922/23.

Subject to the above decisions the Cabinet approved the recommendations contained in the Report of the Cabinet Committee presided over by the Chancellor of the Exchequer.
5. The Chancellor of the Exchequer explained that the recommendations contained in the Third Report of the Committee on National Expenditure (C.P.3774) provided for a reduction on the cost of various services amounting in all to £8,800,000.

The Secretary of State for the Colonies stated that the Colonial Office had put forward £750,000 for Overseas Settlement, and that the Treasury regarded this as an over-estimate and proposed £500,000 as a sum sufficient to meet the obligations of the Government providing free passages. The Geddes' Committee propose that the net estimate of the Colonial Office should be fixed at £678,866.

The Cabinet concurred in the proposal of the Geddes' Committee, it being understood that a supplementary estimate might possibly be required should there be a great increase in the number of persons desiring to settle overseas.

With regard to the Middle East, the Secretary of State for the Colonies stated that he hoped to be able to reduce the provision required for 1922/23 to £10,000,000 instead of £10,500,000, but he could not accept the Committee's recommendation of a cut of £100,000 in the estimates for the Colonial Services. One effect of such reduction would be further to damage the economic life of Tanganyika.

The Cabinet took note of the statement of the Secretary of State for the Colonies in regard to the Middle East, and approved of the estimates for Colonial Services for 1922/23 at the figure of £1,752,068 as submitted by the Colonial Office.
(6) The Cabinet passed to the consideration of the character of the statement on the financial situation of the country to be made by the Chancellor of the Exchequer to the House of Commons in the following week as a result of the decisions reached by the Cabinet in regard to the recommendations of the Committee on National Expenditure.

THE CHANCELLOR OF THE EXCHEQUER pointed out that the reduction at which he had aimed in the year 1922-1923 was £175 millions, of which £75 millions had been secured by departmental action before the appointment of the Geddes Committee. The reductions proposed by the Geddes Committee amounted to £87 millions to which they added £13 millions as further obtainable as a result of the Washington Conference, economies under the heading of Oil Stocks and Storage, and under a review of foreign garrisons abroad. As against this demand for £100 millions the total reductions authorised by the Cabinet amounted to about £64 millions. This would be regarded as unsatisfactory by the country and he wished the authority of the Cabinet to promise the House of Commons that the saving of £100 millions would be secured in full in the course of the next two financial years. He regretted that it had not been possible to obtain from the Cabinet permission to make more drastic reductions in the cost of Admiralty administration, where the rates of pay and allowances were exceedingly high.
In the course of the discussion which followed various considerations were advanced which, in the opinion of the Cabinet, should be put forward by the Chancellor in his statement to the House of Commons. These considerations, it was suggested ought to convince Parliament and the country of the remarkable success of the efforts of the Chancellor in reducing expenditure in a most difficult period.

The total economies proposed amounted to about £140 millions of which £130 millions would be operative in the coming financial year. This included a reduction of about £67 millions in the Fighting Services on last year's estimates. Further economies might be possible in these Services in the following year but they would largely depend upon the attitude of the United States and Japan.

The recent considerable growth in expenditure was attributable in the main to the cost of social services connected with problems of internal relief. Credit was due and should be generously expressed to the Geddes Committee for its arduous labours and for the fact that it had made possible an atmosphere favourable to large economies. On the other hand, it would be unfair to the Departments to interpret the Estimates submitted last July by the Treasury as the lowest figures which they were prepared to accept. Experience showed that as a result of conference with the Treasury these Estimates underwent important modifications. The Geddes Committee had been asked to expose wasteful expenditure and having eliminated such waste to indicate what would be involved in reducing expenditure to a certain hypothetical figure. The amount of sheer waste revealed in the Reports was relatively negligible.
The burden of the Report was that certain services, possibly desirable in themselves, were at present beyond the country's means and it had been the duty of the Cabinet to decide which or how much of these services could with safety be dispensed with. Decision as to policy rested with the Cabinet and not with the Committee on National Expenditure. The real position was most clearly seen by examining the case of education where the Geddes Committee recommended a reduction of £18 millions and where the Cabinet's decision brought this down by two-thirds. This had been done for two sound reasons of policy: the full reduction would involve a breach of contract with the teaching profession in respect of their salaries, or the dismissal of tens of thousands of teachers, and the exclusion of children under six from the schools - a measure which would involve a storm of opposition in the large urban centres. It was also desirable to make plain to the country that in the case of the Fighting Services that the Geddes Report recommended large general cuts of many millions without any precise indication of how they were to be secured. Attention should also be directed to the fact that the Estimates in the last year of the war were £3146 millions and that in a relatively short time these had been brought down to £1200 millions, a remarkable achievement when regard was had to the internal and international difficulties which had beset this country since the conclusion of the war.

2, Whitehall Gardens, S.W.,
February 24th, 1922.
## APPENDIX I.

BOARD OF EDUCATION ESTIMATE FOR 1922-23 (AS SETTLED ON 23RD FEBRUARY, 1922) COMPARED WITH THE JULY FORECAST.

<table>
<thead>
<tr>
<th></th>
<th>July Forecast</th>
<th>New Settled (23rd February, 1922)</th>
<th>Saving on July Forecast</th>
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</thead>
<tbody>
<tr>
<td><strong>Grants to L.E.As.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary Education</td>
<td>36,626,398</td>
<td>34,983,693</td>
<td>- 1,642,705</td>
</tr>
<tr>
<td>Higher Education</td>
<td>7,293,000</td>
<td>5,693,000</td>
<td>- 1,600,000</td>
</tr>
<tr>
<td><strong>Grants to non-L.E.As.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elementary Education</td>
<td>97,563</td>
<td>84,650</td>
<td>-</td>
</tr>
<tr>
<td>Higher Education</td>
<td>2,471,965</td>
<td>2,511,847</td>
<td>+ 26,969</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>4,120,599</td>
<td>3,436,910</td>
<td>- 683,689</td>
</tr>
<tr>
<td><strong>Gross Total.</strong></td>
<td>50,609,525</td>
<td>46,710,100</td>
<td>- 3,899,425</td>
</tr>
<tr>
<td><strong>&amp;luct:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriations</td>
<td>9,525</td>
<td>10,100</td>
<td>+ 575</td>
</tr>
<tr>
<td>Pension contribution</td>
<td>-</td>
<td>1,800,000</td>
<td>+ 1,800,000</td>
</tr>
<tr>
<td><strong>NET TOTAL.</strong></td>
<td>50,600,000</td>
<td>44,900,000</td>
<td>- 5,700,000</td>
</tr>
</tbody>
</table>