CABINET 9 (22).

CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W., on Wednesday, 15th February, 1922, at 12 Noon.

PRESENT:

THE PRIME MINISTER (IN THE CHAIR).


The Right Hon. Viscount Birkenhead, Lord Chancellor.


The Right Hon. S. Baldwin, M.P., President of the Board of Trade.

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

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


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


The Right Hon. Sir Alfred Mond, Bart., M.P., Minister of Health.

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

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

The Right Hon. Sir Hamar Greenwood, Bart., K.C., M.P., Chief Secretary for Ireland.

THE FOLLOWING WERE ALSO PRESENT:

Captain The Rt. Hon. F.E. Guest, C.B.E., D.S.O., M.P., Secretary of State for Air.

Mr. E.S. Amery, M.P., Parliamentary Secretary and Financial Secretary, Admiralty.

Sir Edward Grigg, K.C.V.O., C.M.G.

(1) With reference to Cabinet CS (21), Conclusion 6, the Cabinet had before them the following documents on the subject of Unemployment and Unemployment Insurance:

Memoranda by the Minister of Labour,
(Papers C.P. 3680 and C.P. 3724),

A Memorandum by the Minister of Health,
(Paper C.P. 3721).

After the Minister of Labour had given the Cabinet a short summary of his proposals, and the Chancellor of the Exchequer had expressed his willingness to sanction the expenditure involved by a six weeks' extension of benefit, the Cabinet agreed that the benefits under the Unemployment Insurance Acts should be continued for another six weeks, subject to conditions generally of the following lines:

(a) Workers under 18 years of age who, when employed, are not dependent on their earnings for their livelihood, should be excluded from the extended rights. This was done in the case of the first extension.

(b) In the case of single men and women, and of widowers and widows without children under 14, the extension should not be granted except on the specific recommendation of the Local Employment Committee, who would be asked to exercise special care in considering such cases, and to ascertain the true facts in each case. The Committee should be told that the extension should not be granted to individuals in this class unless it could be shown that they have relatives wholly or mainly dependent on them and that there was in fact no suitable work available for them.

(c) Local Employment Committees should be directed to have regard to the earnings of short-time workers.

(d) Committees should also be specially directed to examine carefully all cases of persons who have previously drawn Unemployment Benefit for long periods. In the case of women there are manifestly vacancies to which their attention should be directed.
(2) With reference to Cabinet 8 (22), Conclusion (1), the Cabinet had before them the following documents on the subject of the Interim Report of the Committee on National Expenditure (Paper C.P.-3570):—

Report of Mr Churchill’s Committee on Part I (Paper C.P.-3692),

Appendices to the above (Paper C.P.-3692 A),

A Memorandum by the Secretary of State for War (Paper C.P.-3682),

A Memorandum by the Secretary of State for War as an alternative to a Ministry of Defence (Paper C.P.-3681),

A Memorandum by the Admiralty on Relations between the Navy and the Air Force (Paper C.P.-3700).

The Secretary of State for the Colonies said that he had circulated to the Cabinet his Report, together with a volume of Appendices showing the observations of the Admiralty, War Office and Air Force, on the Report of the Committee, and also the action taken by the Committee in regard to each recommendation of the Geddes Committee. He explained that the Naval Estimates for 1921-22 amounted to £85,000,000 with Supplementary Estimates. The Chancellor of the Exchequer had earlier in the year asked for a reduction of those Estimates. The Admiralty also had before them the Report of the Cabinet Committee on Capital Ships, and a decision that four capital ships should be built during the ensuing year. The Admiralty had made an effort to reduce their Estimates for 1922-23 so that the cost of the capital ships, which involved an increase of about £12,000,000 in the Building Vote, should be met from economies made elsewhere. The Admiralty had thus effected a reduction of £10,000,000 on the previous year’s Estimates before they submitted sketch Estimates to the Geddes Committee. Thus the sketch Estimates, although they apparently showed a reduction of only £2,000,000 as compared with 1921-22, showed an actual reduction of about £12,000,000. The Geddes Committee had stated that in making their recommendations
they did not take the Washington Conference into consideration. They specified economies of £14,500,000 exclusive of Washington. They then added a lump sum of about £7,000,000, making a total saving of £21,000,000 apart from Washington. Assuming that the savings effected through Washington were from £10,000,000 to £12,000,000, and that a saving of £2,000,000 was made on oil reserves, that made a total saving of £35,000,000, which would result in Naval Estimates of £46,000,000. The purchasing power of £46,000,000 today was equivalent to £22,000,000 before the War. He was certain that such a reduction of the Naval Estimates was impossible. If there were such a reduction the one-Power standard could not be maintained and our Navy would sink below the level of that of Japan. He stated that his Committee had gone through the Geddes Report in detail and had carefully studied each of their recommendations. Their action in regard to each recommendation was shown in Appendix IV to his Report. It was also the duty of his Committee to consider the maintenance of the one-Power standard. They considered that 15 Battleships in full commission was the minimum number required for the training of a sea-going fleet in being. As regards manning, the numbers before the War were 159,000. In the sketch Estimates laid before the Geddes Committee the Admiralty had proposed a figure of 121,000. The Geddes Committee had recommended a reduction to 88,000. His Committee, in collaboration with the Admiralty, had succeeded in reducing the number on Vote "A" to 98,000. He did not consider it was possible to maintain the Navy as an effective force with fewer men. If the United States made great reductions in their personnel during the year, the question might be re-opened and reviewed in the light of the one-Power standard. At present the American Navy had an establishment of 139,000 men. Comparing our proposed strength of 98,000
with that figure, we were apparently not maintaining a one-Power standard; but taking into consideration our reserve of seafaring population and men trained in the War, he considered that the figure of 98,000 could be justified. He felt, however, that the Admiralty should not be pressed to consent to a lower figure. In the course of his Committee's examination of the Naval Estimates, pressure had been put upon the Admiralty by a close examination of the complements of ships, the numbers maintained in depots and schools and on shore establishments, and the Admiralty had reduced the number from 121,000 to 107,000. He then specified an establishment of 95,000, and asked the Admiralty to endeavour to put forward a scheme on that basis. He had discussed the question with Lord Beatty personally. He alone was sufficiently familiar with the Service to be able to say how that further reduction could be made, and he appealed to him to do his best to attain that figure. Lord Beatty had applied the whole prestige of his great naval position to that task, and had managed to bring down the figure to 98,000, and he hoped the Cabinet would accept that figure. With regard to the Vote for new construction, his Committee had cut it down as low as possible, and by delaying the commencement of ships and extending the period of armour-piercing shell and reducing the Vote for oil reserves, by which the mobility of the Fleet was compromised, his Committee was enabled to bring the Estimates down to £61,750,000, a saving of £20,750,000 compared with the Estimates of 1921-22. He was of opinion that there was still room for further Departmental refinements. His Committee had little time at their disposal, and their decisions were necessarily of a rough and ready character, but he believed that if the Board of Admiralty, in collaboration with the Treasury, were to examine the Estimates in detail, further reductions could be made. He believed that if the Admiralty were pressed to make further reductions the Naval Members of the Board would carry out the instructions of
The Government, but they would be compelled to say that they were inconsistent with the maintenance of the one-Power standard. If it became widely known that we had abandoned the one-Power standard, our diplomatic position throughout the world would be weakened, and it would indicate to the Dominions that a new centre had been created for the Anglo-Saxon world. In conclusion, he pointed out that the economies set forth in his Committee's Report would produce increased savings next year, which would, however, be offset by the increased charges that would fall due for the construction of the new capital ships.

The Chancellor of the Exchequer expressed the opinion that Mr Churchill's Committee had done admirable work in the short time at their disposal. He reminded the Cabinet that the people were overburdened with taxation. Leading members of the commercial community had recently been impressing upon him that the weight of the present taxation was not only hindering the development of new business but was seriously hampering the carrying on of the present industries. They had informed him that in many cases Income Tax was being paid out of capital, and that if the burden of taxation was not relieved in the forthcoming Budget further discharges of workmen would be necessary. They had impressed upon him that the only method by which taxation could really be reduced was by a large reduction of expenditure. The Report of the Goddes Committee had exercised a great influence on the minds of the commercial community. Their view was that heavy cuts must be made upon the Estimates of the Defence Departments and on Education. Unfortunately, owing to the contracts made with the teachers as regards their salaries, the great saving which had been hoped for on Education could not be effected. Even if the whole of the economies recommended by the Goddes Committee were effected, there would be a deficit on the Budget for the coming year. The Chancellor
of the Exchequer then handed round a statement showing a sketch of the Budget for next year, which had been prepared before the appointment of the Geddes Committee. He asked that these papers should be returned to him, as it was important that the figures should not be published. He pointed out that it was only by carrying out the recommendations of the Geddes Committee in full that the Budget could be balanced. If the Budget were not balanced the Government would be exposed to a most formidable attack by the business community, and he was doubtful if the Government would survive it. He explained that the recommendations of the Geddes Committee at the present time resulted in a saving of £75,000,000 only. To enable them to reach £100,000,000 it was necessary for a further saving of £15,000,000 to be made by taking into account the cutting down of the warship construction programme and the provision for oil reserves. In the above remarks he had not taken into consideration the question of spreading the terminal charges and the pension charges over a period of years. He considered that these steps could only be taken with the object of reducing taxation and that the Budget must be balanced irrespective of that measure. He pointed out that Mr. Churchill's Committee took into account the saving of £18,000,000 by the cessation of the construction of capital ships and the reduction of expenditure on oil reserves. This left a reduction of only £7,000,000 as against the £20,000,000 saving proposed by the Geddes Committee. He also pointed out that although the personnel of the American Navy stood at 139,000 men, the "Times" of that morning had stated that the Secretary of the Navy had proposed to reduce the number to 96,000.

The First Lord explained that what was proposed was a reduction of the enlisted men by 10,000, to 96,000. That number did not include Marines and officers. If they
were included, the total reduced establishment of the American Navy would be 129,000 to 130,000.

The Chancellor of the Exchequer then referred to several items in Appendix VII to Mr Churchill's Committee's Report. He admitted that only £14,500,000 of the Geddes Committee's economies were actually specified, and that they gave no guidance as to how the balance was to be made up. The question of personnel was, however, of vital importance. The Geddes Committee had recommended an establishment of 88,000 men as against 98,000 proposed by the Cabinet Committee. He urged that the numbers on Vote "A" should be further reduced.

The Secretary of State for the Colonies pointed out that the figures of personnel given in the Geddes Committee's Report contained errors and miscalculations due in some measure to their dealing with the proposed allocations of the men on mobilisation and not with the peace establishment.

The Chancellor of the Exchequer said that Sir Eric Geddes had written to him and had stated that his Committee had taken exception to the recently published Admiralty Memorandum, which used contemptuous language towards them. The Geddes Committee claimed that they had re-examined their figures and were prepared to substantiate them. They had written to him a letter in this sense for publication. He had felt he could do no less than publish it, and had agreed to do so.

The Secretary of State for India suggested that it was almost impossible for the Government to decide as to the value of the recommendations of the Geddes Committee so long as the facts as regards the figures remained in dispute. He had studied the Geddes Committee's calculations very carefully, as a member of Mr Churchill's Committee, and he believed that their calculations were wrong not only as regards the Navy but as regards the Army and Air Force as well. If the Geddes Committee could show
that their figures were right and that further reduction in personnel of the Navy could be made without unduly weakening the Navy, such reduction should be made; but if their figures were wrong, the Cabinet could not assent to make such reductions as might render it impossible for the Fleet to put to sea.

The Parliamentary and Financial Secretary to the Admiralty referred to the Admiralty Memorandum and stated that apart from questions of policy the Geddes Committee had claimed to put forward recommendations which would result in a saving of £20,000,000. Of these £20,000,000, £7,000,000 were not specified, and £7,000,000 were based upon a statement of the position as regards the manning power of the Navy which was altogether fallacious. The true saving the Committee recommended was thus only £7,000,000. The Geddes Report had been published, and if the mistakes in it were not pointed out it would be accepted as a fact by the public. He regretted if the tone of the Admiralty Memorandum was too controversial, but he pointed out that the whole tone of the Geddes Committee's Report implied incompetence and extravagant administration on the part of the Admiralty. The Committee had ignored the facts that had been given to them by the Admiralty correcting their figures. He had felt that it was his duty to defend the Admiralty against a grave injustice.

The First Lord of the Admiralty stated that, although he had been absent from the country when the Geddes Committee's Report was being discussed, he had received a copy when he was in Washington. The impression it had made on him was that the Report was an unfair condemnation of the administration of the Admiralty for its extravagance, and that the Admiralty were charged with maintaining large numbers of unnecessary men. He felt that it was necessary for a reply to be made in defence of the Admiralty.
The Prime Minister deprecated the adoption of a hostile attitude of mind towards the Geddes Committee. The Committee should not be treated as making a wanton attack upon the Government Departments. Such an attitude towards them would be unwarranted and ungenerous. The Committee had acted on the invitation of the Government. For months those great business men had gratuitously given their services to the country. To treat them as a hostile body would be altogether wrong. The Cabinet should treat them generously and should recognise the great services they had rendered. As a result of their labours they suggested means by which a saving of £70,000,000 could be effected. It would have been impossible for the Heads of the various Departments to effect such savings without the pressure created by that instrument. It was unfortunate that the Admiralty document had infused in it an element of bitterness towards the Committee. The result of that would be that opinion would tend to range itself behind the Committee, to the detriment of the Government. He trusted that the other Departments would not defend themselves in that spirit. It would be necessary that the whole Report should be carefully studied on its merits, in order that its recommendations should, so far as possible, be adopted.

The Secretary of State for War pointed out that he had endeavoured, without success, to obtain from the Geddes or from the Treasury Officials who had assisted that Committee Committee, an explanation of the figures contained in their Report, which in certain cases were irreconcilable.

The Chancellor of the Exchequer stated that his officials believed in the figures of the Geddes Committee.

It was agreed –

That, before further progress could be made, it was essential to endeavour to arrive at an agreement as regards the facts.

The First Lord, the Secretary of State for War and the Secretary of State for Air, were requested to appoint officials who
should get into immediate communication with the Treasury Officials with a view to arriving at the facts in regard to the figures in dispute between the Departments and the Geddes Committee.

(3) The Secretary of State for Home Affairs said that a suggestion had been made that a portion of the day of Princess Mary's marriage should be made a general holiday. The suggestion was that all shops should be closed until 1 o'clock, in London alone. The question was how such a suggestion could be given effect to, and whether it might be done by a public announcement that shops would be closed by the desire of His Majesty The King.

The Minister of Labour expressed doubt as to the expediency of taking any action in the direction suggested. It must be remembered that employees would be affected by a declaration of a general half-holiday, as it would involve them in the loss of half a day's pay. He did not think that such a result would be popular at the present time. There was no doubt there would be plenty of people in the streets to witness the wedding without any action on the part of the Government.

It was agreed —

That no action should be taken in the matter.

2, Whitehall Gardens, S.W.
February 15th, 1922.