CABINET 35(23)

Meeting of the Cabinet to be held at 10, Downing St., S.W.1 on MONDAY, JULY 9, 1923, at 11.30 a.m.

AGENDA.

1. THE RELATIVE STATUS OF THE ARMY AND THE AIR FORCE.
   Memo, by the Chairman of the National and Imperial Defence Sub-Committee (Paper C.P.-399(23) - already circulated).
   Memo, by the Secretary of State for War (Paper C.P.-396(23) - already circulated).
   Memo, by the Postmaster-General (Paper C.P.-304(23) - already circulated).
   Memo, by the Secretary of State for Air (Paper C.P.-310(23) - to be circulated).

2. UNEMPLOYMENT.
   Reference: Cabinet 34(23), Conclusion 4.
   Further consideration of Interim Report of Unemployment Committee (Paper C.P.-302(23) - already circulated).

3. THE SUTTON JUDGMENT.
   Report of Committee (Paper C.P.-305(23) - already circulated).

4. THE BRITISH EMPIRE EXHIBITION.
   Memo, by the Secretary of State for the Colonies (Paper C.P.-303(23) - already circulated).

5. PROPERTY AND ENDOWMENTS OF THE CHURCH OF SCOTLAND.
   Memo, by the Secretary for Scotland, covering Report of Departmental Committee (Paper C.P.-301(23) - already circulated).

6. DUTY ON IMPORTED MALTING BARLEY.
   Memo, by the Minister of Agriculture and Fisheries (Paper C.P.-309(23) - already circulated).

Whitehall Gardens, S.W.1
July 5th, 1923.

(Sgd.) M.P.A. HANKEY,
Secretary, Cabinet.
CONCLUSIONS of a Meeting of the Cabinet held at
10, Downing Street, S.W. 1 on Monday, 9th July,
1923, at 11.30 a.m.

PRESENT:

The Prime Minister (in the Chair)

The Most Hon. the Marquess of Salisbury,

The Most Hon. the Marquess Curzon of Kedleston,

The Rt.Hon. the Earl of Derby, K.G.,
G.C.B., G.C.V.O., Secretary of State for War.

The Rt.Hon. Sir Samuel Hoare, Bt., C.M.G.,
M.P., Secretary of State for Air.

The Rt.Hon. Sir Philip Lloyd Greame,
K.B.E., M.C., M.P., President of the Board of Trade.

The Rt.Hon. E.B.L. Wood, M.P., President
of the Board of Education.

The Rt.Hon. Sir Montague Barlow, K.B.E.,
M.P., Minister of Labour.

The Rt.Hon. Sir W. Joynson-Hicks, Bt., M.P.,
Financial Secretary to the Treasury.


His Grace the Duke of Devonshire, K.G.,
G.C.M.G., G.C.V.O., Secretary of State for the Colonies.

The Rt.Hon. Viscount Peel, G.B.E.,
Secretary of State for India.


The Rt.Hon. Neville Chamberlain, M.P.,
Minister of Health.

The Rt.Hon. Sir Robert Sanders, Bt., M.P.,
Minister of Agriculture and Fisheries.

The Rt.Hon. Sir Iaing Worthington-Evans,
Bt., G.B.E., M.P., Postmaster-General.
CABINET 35 (23).

CONCLUSIONS of a Meeting of the Cabinet, held at 10, Downing Street, S.W.1, on MONDAY, JULY 9, 1923, at 11-30 a.m.

REPARATION.

1. The Secretary of State for Foreign Affairs gave the Cabinet an account of further conversations he had held with the Italian, French and Belgian Ambassadors. A full account of these conversations is contained in Papers already circulated to His Majesty the King and the Cabinet, namely:— Despatches No. 855 to Sir R.W. Graham (Rome), No. 733 to Sir G. Graham (Brussels), No. 2267 to the Marquess of Crewe (Paris).

After discussion, the Cabinet agreed—

(a) That an announcement of British policy in regard to the question of Reparations, particularly as arising out of the German Note of June 7th, should be made in both Houses of Parliament on Thursday next, July 12th, 1923.

(b) That a draft of the announcement to be made should be prepared by the Secretary of State for Foreign Affairs for consideration by the Cabinet on Wednesday next, July 11th. This statement, which should be couched in terms of extreme friendliness to France, should contain a review of the events which had led up to the present position, and should set forth the reasons which compel the British Government to formulate their policy. These reasons should mention the fact that no answer had yet been sent to the German Note of June 7th; that it had not been found possible to elicit from the French Government any clear statement of what was to happen in the Ruhr if Germany gave way, and that the French Government had given no clear indication as to exactly what it wished the British Government to do. The statement should further point out
that in the meanwhile Europe was going
to pieces, and, in particular, should
include a brief review of the depressing
effect of the present impasse on British
trade (See Memorandum by the President
of the Board of Trade, Paper C.P.- 312
(83)). The statement should indicate in addition
that this was a matter of concern to
the whole world, since the present
economic situation reacted on every
country. The statement should also set
forth the action to be taken by the
British Government as described below
in (c)(i).

(c) That the Secretary of State for Foreign
Affairs should prepare, for later con-
sideration by the Cabinet, the following:–

(i) The draft of an Allied reply to the
German Note of June 7th. This Note
should be prepared with a view to its
being sent, in the first instance, to
the Governments of France, Belgium,
Italy and Japan, for adoption as a
joint Note. If, however, the French
and Belgian Governments should decline
to sign it, the British Government
should be prepared to send the Note
conjointly with the Governments of
Italy and Japan.

(ii) The draft of a Note replying in detail
to the French Note of June 14th,
transmitted to Lord Curzon by the
French Ambassador on July 8th.

The Secretary of State for Foreign Affairs asked
his colleagues, before referring to critical questions
of foreign affairs in public speeches, to bear in mind
and to observe the customary procedure of consulting the
Foreign Secretary.
2. The Secretary of State for Foreign Affairs stated that he had not as yet received any confirmation of the information transmitted by Press Correspondents that, shortly after midnight, agreement had been reached on the outstanding questions at Lausanne.

Lord Curzon informed the Secretary of State for War that as soon as a Treaty of Peace had been signed by the parties concerned and ratified by the Angora Assembly, the Allied Army of Occupation could be withdrawn from Constantinople.
3. The Cabinet had before them the following documents in regard to the relations of the Army and the Air Force:

A Memorandum by the Chairman of the Subcommittee of the Committee of Imperial Defence on National and Imperial Defence, transmitting the Conclusions of the Subcommittee on this subject (Paper C.P.-299(23)).

A Memorandum by the Secretary of State for War, covering a Memorandum containing the views of the General Staff (Paper C.P.-296(23)).

A Memorandum by the Postmaster-General (Paper C.P.-304(23)).

A Memorandum by the Secretary of State for Air (Paper C.P.-310(23)).

together with Memoranda prepared on this subject in 1921 and 1922 by Mr Balfour, Sir L. Worthington Evans and Captain Guest (O.I.D. Papers Nos. 149-C, 159-C, and 161-C).

After considerable discussion the Cabinet agreed —

"In the course of which the Secretary of State for War strongly advised against the conclusion of the Sub-Committee on an Independent Air Ministry," the proposals of the Secretary of State for War and the General Staff of the War Office advocating the termination of the Air Ministry in its present form and the administration of the Royal Air Force by the War Office and Admiralty, respectively:

(b) To confirm the present arrangement, under which the Royal Air Force is administered by the Air Ministry as a separate Department of State.
3. The Cabinet had before them the following documents in regard to the relations of the Army and the Air Force:

A Memorandum by the Chairman of the Subcommittee of the Committee of Imperial Defence on National and Imperial Defence, transmitting the Conclusions of the Subcommittee on this subject (Paper C.P.-299(23)).

A Memorandum by the Secretary of State for War, covering a Memorandum containing the views of the General Staff (Paper C.P.-296(23)).

A Memorandum by the Postmaster-General (Paper C.P.-304(23)).

A Memorandum by the Secretary of State for Air (Paper C.P.-310(23)).

Together with Memoranda prepared on this subject in 1921 and 1922 by Mr Balfour, Sir L. Worthington-Evans and Captain Guest (C.I.D. Papers Nos.149-C, 159-C, and 161-C).

After considerable discussion, the Cabinet agreed:

(a) To adopt the Conclusion of the Subcommittee of the Committee of Imperial Defence, which rejected the proposals of the Secretary of State for War and the General Staff of the War Office advocating the termination of the Air Ministry in its present form and the administration of the Royal Air Force by the War Office and Admiralty, respectively.

(b) To confirm the present arrangement, under which the Royal Air Force is administered by the Air Ministry as a separate Department of State.
The Cabinet had before them those portions of the Interim Report of the Cabinet Committee on Unemployment (Paper C.P.-302(23)), which had not been dealt with at their previous Meeting.

The Cabinet agreed:

(a) Acceleration of works of undertakers other than Local Authorities (Section III of the Report): That the Minister of Health should authorise the Unemployment Grants Committee to extend assistance, similar to that approved by the Cabinet at their previous Meeting in regard to Local Authorities, to bodies other than Local Authorities who can be stimulated to place additional orders in the very near future. Grants on the same basis and under the same conditions as those recommended in the case of Local Authorities should be made available to:

1. Public bodies, that is, any Board, Commission, Rating Authority or Trustees or other body of persons who manage or undertake work in pursuance of statutory power not being a body trading for profit;

2. Undertakings of the same nature as those carried on by public bodies but trading for profit;

Provided that in the case of undertakings conducted by Companies for private profit the dividends of which are not limited by Statute, the Unemployment Grants Committee shall be required to impose as a term of the grant:

(i) That the division of profits of the Company by way of dividends or bonus shall normally be restricted for the period of the loan, and that only in exceptional cases should the Committee relax this condition by imposing the restriction for a period less than the period of the loan.

NOTE. It will be observed that the above decision modifies the recommendation of the Unemployment Committee contained in Paragraph 11(a) on page 5 of the Interim Report (Paper C.P.-302(23)).

(b) That the grant, or such part thereof as the Committee may prescribe, shall be repaid on such conditions as may be determined by the Committee, and...
that failing fulfilment of the conditions so imposed the whole grant shall be repayable on demand.

(b) Export Credits Scheme (Section IV of the Report).

The following recommendations were reserved for further consideration by the Prime Minister:

That the Overseas Trade (Credit and Insurance) Act, 1920, be included in the Schedule of the Expiring Laws Continuance Bill, and that legislation should be introduced for extending to the 8th September, 1925, the period within which credits may be granted under the Act, and for extending to the 8th September, 1930, the period within which credits so granted should be liquidated.

(c) Financial co-operation with Dominions and Crown Colonies (Section V of the Report):

To concur with the Committee in the importance, from the point of view of the alleviation of unemployment, of the financial co-operation of the Mother Country in the development of the Dominions and the Crown Colonies, which is now before another Committee of the Cabinet, as well as in the recommendation that the earliest opportunity should be taken to introduce legislation providing for such co-operation, although noting that the latter legislation could not be introduced until after the Imperial Economic Conference.
THE "SUTTON" JUDGMENT.

5. The Cabinet agreed —

To approve the Report of the Cabinet Committee in regard to the "Sutton" Judgment, the recommendations of which were as follows:

(a) To authorise payment being made without delay to those Post Office employees clearly covered by the Sutton Judgment (Para. 5 of the Report).

(b) To authorise the presentation by the Postmaster-General to the House of Commons of a Supplementary Estimate for £1,250,000 to cover the cost of the expenditure involved in the payment in the case of those Post Office employees clearly covered by the Sutton Judgment (Para. 7 of the Report).

(c) To authorise the Postmaster-General to make an announcement to the effect that, having regard to the doubtful legal position, it had been decided to facilitate the submission to the Courts of test cases, with a view to decisions being reached as soon as possible by the House of Lords in the various outstanding doubtful categories of cases; that the costs of such litigation should in any case be borne by the Government, and that pending the decision of the House of Lords, no further payments would be made in cases not clearly covered by the Sutton Judgment.
5. After consideration of a Memorandum by the Minister of Agriculture and Fisheries (Paper C.P.-309(83)), pointing out that the Excise Duty on imported malting barley previously approved by the Cabinet could not, for technical reasons, be levied, the Cabinet agreed—

(Previous Reference: Cabinet 20 (83), Conclusion 1.) That the Cabinet Committee which had previously recommended this measure should be re-appointed, with the addition of Lord Wolmer to represent the Board of Trade, and should report to the Cabinet as soon as possible on the best way out of the difficulty.

NOTE. The Cabinet Committee will therefore be composed as follows:

The Minister of Agriculture and Fisheries (Chairman),
The Lord President of the Council,
The Secretary of State for Home Affairs,
The Secretary for Scotland,
The Financial Secretary to the Treasury,
The Secretary for Mines,
The Parliamentary Secretary to the Board of Trade,

Mr R.P.Howorth (Joint Secretaries,
Mr C.T.Houghton)
7. The following questions were postponed until Wednesday, July 11th:

- THE BRITISH EMPIRE EXHIBITION.
- PROPERTY AND ENDOWMENTS OF THE CHURCH OF SCOTLAND.