CABINET 28(24).

Meeting of the Cabinet to be held at
10, Downing Street, S.W.1., on Tuesday, April 29th.,
1924, at 11.0 a.m.

SUPPLEMENTARY ITEM FOR AGENDA.

IRISH BOUNDARY QUESTION.

Joint Memorandum by the Home Secretary
and Secretary of State for the Colonies.
C.P.239(24) - (Circulated herewith).

(Sgd.) M.P.A. HANKEY.
Secretary to the Cabinet.

2, Whitehall Gardens, S.W.1.,
April 25th., 1924.
Meeting of the Cabinet to be held at 10 Downing Street, S.W.(l) on Tuesday, April 29th, 1924 at 11.0 a.m.

AGENDA.

1. THE BUDGET.

2. CABINET MINISTERS AND THE PRESS.
   Note by the Lord Privy Seal.

3. OTHER URGENT BUSINESS (IF ANY).

(Signed) M.P.A. HANKEY:
Secretary, Cabinet.

2 Whitehall Gardens, S.W.(l)
April 24th 1924.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on TUESDAY, APRIL 29th, 1924, at 11 A.M.

PRESENT:--

The Right Hon. J. Ramsay MacDonald, M.P., Prime Minister and Secretary of State for Foreign Affairs. (In the Chair).


The Right Hon. A. Henderson, M.P., Secretary of State for Home Affairs.

The Right Hon. Stephen Walsh, M.P., Secretary of State for War.

Brig.-General The Right Hon. Lord Thomson, C.B.E., D.S.O., Secretary of State for Air.

The Right Hon. Sidney Webb, M.P., President of the Board of Trade.

The Right Hon. Charles Trevelyan, M.P., President of the Board of Education.

The Right Hon. Tom Shaw, C.B.E., M.P., Minister of Labour.


Lieut.-Col. Sir M.F.A. Hankey, C.C.B. Secretary.
THE BUDGET.

1. After hearing from the Chancellor of the Exchequer full particulars of his Budget proposals, the Cabinet agreed—

(a) To approve the whole of the Chancellor of the Exchequer's Budget proposals, the effects of which on taxation may be summarised as follows:

- To impose no new taxes.
- To make no additions to existing taxes.
- To abolish the Corporation Profits Tax.
- To abolish the Inhabited House Duty.
- To give concessions to holders of motor vehicle licenses.
- To extend the Allowance for a Housekeeper.
- To make certain concessions on telephones.
- To abolish the duties on imported manufactured articles.
- To reduce the Entertainments Duty by nearly one-half.
- To abolish the duty on sweetened table waters.

(Cont'd.)
OLD AGE PENSIONS.

Removal of Thrift Restriction.

(Previous Reference: Cabinet 8/4 (24), Conclusion 4/46)

(b) That, in announcing the above summary, the Chancellor of the Exchequer should add that the Budget would provide a surplus balance which would be utilised, among other things, for the removal of the thrift restriction on Old Age Pensions:

IMPERIAL PREFERENCE.

(Previous Reference: Cabinet 27 (24), Conclusion 13.)

(c) That the Chancellor of the Exchequer should circulate a Memorandum on the subject of Old Age Pensions for consideration by the Cabinet:

(d) That the gist of the Chancellor of the Exchequer's statement in regard to the proposals of the Imperial Economic Conference on the subject of Imperial Preference (Appendix I) should be communicated to the Dominions at the earliest possible moment.

( NOTE BY THE SECRETARY: The Colonial Office had already prepared and coded a telegram for this purpose, which was despatched on receipt of a telephonic communication from the Secretary to the Cabinet shortly after the Cabinet assembled. M.P.A.H.)

LAND VALUATION.

(Previous Reference: Cabinet 11 (24), Conclusion 4 (iii).)

(e) To approve the proposals of the Chancellor of the Exchequer in regard to Land Valuation and Land Taxation (Appendix II), including the introduction of a separate short Bill for the purpose of once more rendering available information as to the changing of ownership, boundaries and value of land, which, until 1923, was collected by the Land Valuation Office:

(f) That as, under the proposals of the Chancellor of the Exchequer, the Land Valuation Office would become concerned in a new valuation of land for purposes of new taxation, it was desirable that the Office should remain under the Board of Inland Revenue:

To abolish the 50% additional duty on dried fruits.

To reduce the Tea Duty by 4d. per pound.

To reduce the duties on cocoa, coffee and chicory by one-half;

and

To reduce the Sugar Duty by 1½d. per pound.
(g) To approve the Chancellor of the Exchequer's proposal to renew the McKenna Duties until August 1st, 1924, the ordinary date of renewal of annual Duties, in order to enable the trade to clear their Duty-paid stocks, but that the Duties should expire finally on the date mentioned:

(h) To place on record a strong expression of the Cabinet's satisfaction with the Chancellor of the Exchequer's proposals for the first Budget of a Labour Government.
INDIA.

Proposed Protective Duties on Imported Steel.

(Previous Reference: Cabinet 27 (24), Conclusion 9.)

2. The Secretary of State for India brought to the attention of the Cabinet, as a matter of urgency, the question of the proposed protective duties on steel imported into India. He asked their approval to the telegram attached to Cabinet Paper C.P. -270 (24), which had been approved by the Cabinet Committee on Indian Affairs (with one abstention) at a meeting held immediately before the Cabinet Meeting.

After considerable discussion the Cabinet agreed—

(a) To approve the draft telegram attached to Cabinet Paper C.P.-270 (24), subject to the deletion of the second paragraph:

(A copy of the telegram as approved by the Cabinet is attached in Appendix III.)

(b) That the Secretary of State for India should report to the Cabinet as to the expediency of publishing papers in regard to the Tariff Policy of the Indian Government:

(c) That if any Minister desired to raise the general question of the relations of the British and Indian Governments in regard to fiscal matters, he should circulate a Memorandum on the subject.
3. After consideration of a joint Memorandum by the Home Secretary and the Secretary of State for the Colonies on the subject of the Irish Boundaries (Paper C.P. -239 (24)), the Cabinet agreed --

(a) That the attitude of the British Government should be based on the principle of adherence to the Irish Treaty:

(b) That the Secretary of State for Home Affairs should be authorised to request the Government of Northern Ireland to appoint a Commissioner in accordance with the terms of Article 12 of the Irish Treaty:

(c) That the Secretary of State for the Colonies should take steps to find a suitable Chairman for the Boundary Commission:

(d) That, in view of the advice of the Law Officers that the Boundary Commission will not be constituted in the terms of Article 12 of the Treaty until the Government of Northern Ireland have appointed their representative, the Secretary of State for the Colonies should explore the position which would arise in the event of a failure to obtain the nomination of a representative of Northern Ireland, with a view to advising the Cabinet; he should have authority, in conjunction with the Law Officers, to prepare for consideration by the Cabinet any draft legislation which might be deemed necessary to meet such a contingency.
4. The Cabinet had before them a Memorandum by the Lord Privy Seal in regard to the following Parliamentary Question standing in the name of Mr Ormsby-Gore:

"To ask the Prime Minister whether his attention has been called to a recorded decision of Mr Bonar Law's Cabinet that Ministers of the Crown, while holding office, should refrain from writing articles for publication in the Press; and whether he will adopt this practice in the case of the present Government".

The Cabinet agreed —

That in regard to the second part of the Question the Lord Privy Seal should reply to the effect that it was impossible to draw such a fine distinction between spoken and written statements by Ministers as was implied in the Question, but that, whether speaking or writing publicly, Ministers of the Crown must use their discretion as to what they say.
5. The Secretary for Scotland drew the attention of the Cabinet, as a matter of urgency, to the Memoranda circulated by the Chancellor of the Exchequer and himself on the subject of loans to herring fishermen in Scotland for the purchase of nets (Papers C.P.-250 (24) and C.P.-262 (24)).

The Cabinet agreed --

To discuss the question at their next Meeting.
6. The Cabinet agreed —

That the next Meeting should be held on THURSDAY, MAY 1st, 1924,
at 11 a.m.

2, Whitehall Gardens, S.W.1,
April 29, 1924.
It will be within the recollection of the Committee that at the recent Imperial Economic Conference the then Government submitted certain proposals on this matter and that as a result of the discussions of the Conference these proposals were subsequently added to. A pledge was given to the Dominions and Colonies to submit these proposals to Parliament, a pledge which, in the words of the Prime Minister, we intend to fulfill "to the last letter and to the fullest extent". Subsequently there was an appeal to the electorate — an appeal on grounds chosen not by us but by the late Government — and during the General Election these proposals for increasing and adding to the existing Preferences were brought prominently to the notice of the electors. The result of the appeal is well known and quite obviously it cannot be ignored.

But apart from that, we on this side of the House, though not for a single moment admitting that we are one whit behind those on the other side in our determination to do all in our power to promote the best interests of the Empire, have never believed that those interests will in the long run be well served by a system of Tariff Preference, and this view we have expressed by our votes in this House on many occasions.

In these circumstances the Government are unable to endorse the proposals of their predecessors. We greatly regret any disappointment that this may cause the Dominions and Colonies, but for that disappointment not this Government but our predecessors are responsible.

There is one of these proposals to which I should like to make specific reference. The late Government stated that they were ready to guarantee that if the sugar duty were reduced, the preference should for a period of ten years not fall with it but be maintained at its present rate of nearly
v'd. per lb. so long at least as the duty on foreign sugar did not fall below that level. This proposal followed a previous undertaking given by Mr Churchill on behalf of the then Government in 1922 that for a period of ten years preference would be continued on the articles then entitled to it.

No Government in our opinion should attempt to bind Parliament or future Governments for a period of years in a controversial matter such as tariff preference. The only result must be to raise hopes which are bound sooner or later to be frustrated. I think it important therefore to make our position quite clear. We do not propose to endorse or to offer any kind of guarantee in this connection over a period of years. All we can say is that so long as we remain in office we do not propose, in all the circumstances, to ask Parliament to abolish the preferences now accorded, which, we suggest, should remain on their existing statutory basis. But we wish it to be clearly understood that we reserve full liberty to propose to Parliament, whenever we deem it expedient from the point of view of general and financial policy, the reduction or abolition of duties on the commodities to which the existing preferences apply.

It will be clear from what I have just said that we cannot take the responsibility of putting down Ways and Means Resolutions covering those proposals of the late Government which involve the imposition of new or increased taxation. But if the matter were to be left in that position it would follow that so far as the Budget debates are concerned detailed discussion would or necessity be confined to those of the proposals which involve the reduction of taxation upon Empire products.
The Government therefore intends to allot a day, before the Committee Stage of the Finance Bill, for a discussion of the Preference proposals of the late Government at the Imperial Economic Conference; we shall place upon the Paper a Resolution or Resolutions in a declaratory form dealing with those proposals in order to give an opportunity to the House of full discussion apart altogether from the budget debates and of a free and unretarded decision. Should the House decide in favour of any of the proposals the Government will of course take the necessary steps to incorporate them in the Finance Bill.
LAND, VALUATION AND LAND TAXATION.

Members on this side of the House will expect me to say something on a subject in which they are keenly interested, that of land valuation and land taxation. Speaking on this subject a year ago I said, on behalf of the Labour Party, that when we occupied the Treasury Bench we should deal with this question. We intend to do so. I am quite sure that my friends will not expect that we can be prepared after a few weeks of office to submit in this Budget a full and comprehensive scheme for land valuation and land taxation. It would be undesirable to submit to Parliament ill-considered and hasty legislation on a difficult and complicated subject like this. We want our proposals to be thorough, practical and as simple as possible. We have already begun the necessary enquiries and preparations which will be carried through without delay.

In the meantime there are certain things which can and should be done. The work of the Land Valuation Office, since the demise of the Land Values Duties introduced by the Right Hon. Member for Carnarvon, has fallen into three parts: first, there is the important and productive task of valuing land for purposes of Estate Duty; secondly, the office has acted in valuations and in negotiations for purchase or sale for Government purposes generally; thirdly, it has acted similarly for local authorities where Exchequer funds are involved. In the performance of these varied duties it had until last year the assistance of the information contained in the particulars rendered by transferees and lessors on the occasions of sales or long lettings of land. These particulars
did not merely provide information as to the changing ownership and boundaries of land: they constituted a mine of information as to the changing value of land and greatly facilitated the work performed by a Department highly efficient in itself. The circumstances in which it was decided last year to repeal the requirement of those particulars will be fresh in the minds of Hon. Members. We dissent from that decision and we shall submit proposals under which this information would again become available. In the view of the Government the Land Valuation Office should be a strong office and the Government Valuer, who in dealing with matters of public finance has to operate over a wide area and to know it through and through, should not be deprived of a source of practical information which greatly facilitates his work and which if taken away can be replaced from other sources only with unnecessary delay and difficulty. Those considerations would be weighty at any time: they have added weight at the present day when the value of land is shifting and difficult to gauge.

The necessary legislation I regret to say will not appear in the Finance Bill. I am advised that the proposal would be out of order for inclusion in the Finance Bill of the year, but we hope to introduce a separate short Bill to deal with the matter.

There is a further matter to which I should allude. Owing to the repeal of the Land Values Duties, recruitment in the Land Valuation Office has been suspended for some years. Enquiry is now being made as to the sufficiency of the numbers of the existing staff for the present duties of the office and for additional work which may be imposed upon it. I have had in this connection a review an intention which, as I understand, was formed by the late Government to establish
a Central Valuation Department by amalgamating the Land Valuation Office and certain small staffs engaged in valuation and purchase and sale in other Departments; the organisation of the Central Valuation Office being thus removed from the jurisdiction of the Board of Inland Revenue. I have been unable to concur in the principle underlying that proposal. Quite apart from the consideration that the chief part of the work of the office is work with ultimately a Revenue object, I am bound to take into account our intention that the Land Valuation Office should become concerned in a new valuation of land for purposes of new taxation, and it is therefore desirable that the office should remain under the Inland Revenue Board.
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Your telegram dated 28th March. Steel. You will realise that His Majesty's Government does not hold the view that a policy of fiscal protection is that best calculated to promote the economic and industrial interests of any country. But His Majesty’s Government has no intention of departing from the spirit of the Fiscal Autonomy Convention, which has been built up by pronouncements of successive Governments since 1919; and it accepts the position that (except possibly on specific grounds irrelevant to the present question) it will not disallow any tariff measure which the Government of India, after prior official consultation with the Secretary of State, recommends to the legislature and which the legislature accepts. Moreover, I should add that any measures of preference in favour of British goods in the Dominions have hitherto always come in the form of entirely spontaneous offers from such Dominions; and His Majesty's Government attach importance to this principle being adhered to with regard to India.

As I have not had before me the materials for checking detailed figures of cost on production, price of imported goods, etc., on which they have based their calculations of duties and bounties appropriate to various classes of goods, I cannot express definite opinion on these, but must leave it to your Government to scrutinise these figures carefully and modify the duties or bounties in any cases in which you cannot accept figures on which they are based.

In paragraph 4 of your telegram you remark that procedure adopted by Tariff Board has involved writing down capital of Tata Iron and Steel Company for purpose of arriving at reasonable cost of producing steel in India. I agree with you that as value of works is less than capital expenditure account writing down is necessary. But further, since nominal capital account as exhibited in paragraph 75 exceeds 15 crores adopted for estimating return on investment, it would appear that, apart from unforeseen developments, holders of ordinary and deferred shares will not receive normal dividends if nominal capitalisation is left as at present. This will provide a lever for Company in future years to press for protection to be maintained at a rate sufficient to produce normal dividends on the admittedly inflated capital. I think it very desirable therefore to bring all possible pressure to bear on Tata's to promise early reconstruction on basis of lower capital value. This would have further advantage of securing admission by Tata's that Tariff Board's calculations are correct in substance and that they are in fact over capitalised. It might be put to Tata's that whole object of scheme which is to develop steel industry will be greatly furthered by such reconstruction as this, which will help them to raise new capital when needed in future.
4. Proposal of Tariff Board that your Government should take power to impose offsetting duties is, as you recognise, open to serious constitutional objection. You will have recognised from what I have said above that His Majesty's Government would not desire that you should incur any embarrassment whatever for the sake of establishing principle of Imperial preference if there is not the voluntary disposition in your Government to grant it. I cannot conceal my strong doubt of prospects of success of the methods by which you suggest that this object might in effect be attained.

5. If you find it necessary in last resort to accept proposal to take this power, I shall be prepared to acquiesce, but it is in my opinion clear that absolutely unfettered power over tariff rates should not pass to Executive Government and permissible increase should, I think, be limited to 25 per cent. of rate imposed by Legislature.

6. I note your assurance that this power would be exercised only in case of necessity when you are satisfied of reality and urgency of need, that save in most exceptional cases it would only be exercised after public and careful investigation usually by Tariff Board, and, finally, that wherever feasible you would consult Legislature before taking action. I attach utmost importance to these points. I also think that in legislation contemplated your Government should take power to require manufacturers to give relevant information regarding their business and to produce books if called for.

7. I accept proposals in paragraph 12 of your telegram regarding three-year period.

8. I agree with you in wishing to have report published before end of month.

9. I await views of Railway Board promised in paragraph 3 of your telegram on Tariff Board's estimate of cost of higher duties on railways.