CABINET 28 (25).

Meeting of the Cabinet to be held at 10, Downing Street, S.W.1., on Wednesday, June 10th, 1925, at 11.30 a.m.

AGENDA.

1. AFGHANISTAN.

(To be raised by the Secretary of State for India.)

2. UNEMPLOYMENT - THE SCOTTISH OIL SHALE MINES.

(Reference Cabinet 20 (25) Conclusion 6).

Report of Unemployment Committee,
(C.P. 134(25) Revise - already circulated).
Memorandum by the President of the Board of...

3. THE SUGGESTED AGRICULTURAL SURVEY.

Memorandum by Minister of Agriculture and Fisheries,
(C.P. 202(25) - Circulated herewith).

4. THE EFFECT OF THE INCREASE OF DEATH DUTIES ON AGRICULTURAL INTERESTS.

(Reference Cabinet 27(25), Conclusion 1).

Report of Cabinet Committee,
(C.P. 234(25) - To be circulated).

2, Whitehall Gardens, S.W.1.
6th June, 1925.
CABINET 28 (25).

Meeting of the Cabinet to be held at 10, Downing Street, S.W.1., on Wednesday, June 10th, 1925, at 11.30 a.m.

AGENDA.

1. AFGHANISTAN.
   (To be raised by the Secretary of State for India.)

2. UNEMPLOYMENT - THE SCOTTISH OIL SHALE MINES.
   (Reference Cabinet 20 (25) Conclusion 6).
   Report of Unemployment Committee,
   (C.P.184(25) Revise - already circulated).
   Memorandum by the President of the Board of Trade,
   (C.P.275 (25) - already circulated).
   Memo. by the Secretary for Scotland,
   (C.P.279 (25) - To be circulated.

(Sgd) M.P.A. KILKY
Secretary, Cabinet.

2, Whitehall Gardens, S.W.1.

8th June, 1925.
CONCLUSIONS of a Meeting of the Cabinet held
at 10, Downing Street, S.W.1, on WEDNESDAY,
June 10th, 1925, at 11.30 A.M.

PRESENT:

The Right Hon. Stanley Baldwin, M.P.,
Prime Minister. (In the Chair).

The Right Hon.
Viscount Cave, G.C.M.G.,
Lord Chancellor.

The Right Hon.
W.S. Churchill, C.H., M.P.,
Chancellor of the Exchequer.

The Right Hon.
L.S. Amery, M.P.,
Secretary of State for
the Colonies.

The Right Hon.
The Earl of Birkenhead,
Secretary of State for
India.

The Right Hon.
W.C. Bridgesman, M.P.,
First Lord of the Admiralty.

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

The Right Hon.
Lord Eustace Percy, M.P.,
President of the Board of
Education.

The Right Hon.
The Earl of Balfour, K.C.O.M.G.,
Lord President of the Council.

The Right Hon.
Sir William Joynson-Hicks,
Bart., M.P., Secretary of
State for Home Affairs.

The Right Hon.
Sir Edward Worthington-Evans,
Bart., G.B.E., M.P., Secretary
of State for War.

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

The Right Hon.
Sir Philip Cunliffe-Lister,
E.B.E., M.C., M.P., President
of the Board of Trade.

The Right Hon.
E.H. Wood, M.P., Minister
of Agriculture and Fisheries.

The Right Hon.
Viscount Cecil of Chalwood, K.C.G.
Chancellor of the Duchy of
Lancaster.

The Right Hon. Sir Douglas Hoare,

THE FOLLOWING WERE ALSO PRESENT:

Sir W. J. Tyrrell, G.C.M.G.,
K.C.V.O., C.B., Permanent
Under-Secretary of State,
Foreign Office.

Sir M.P.A. Hankey, G.C.B. Secretary.
AFGHANISTAN.

(Previous Reference: Cabinet 2 (24), Conclusion 1(i).)

1. The Secretary of State for India made a preliminary statement to the Cabinet in regard to the present position in Afghanistan and our policy in that country. In the absence of the Secretary of State for Foreign Affairs and of the Viceroy, whom he hoped the Cabinet would agree should be invited to a discussion of this question, Lord Birkenhead limited himself to the salient factors of the situation, with a view to giving his colleagues a general knowledge of the subject before they received a comprehensive Memorandum which he was about to circulate.

The Secretary of State recalled that a few years ago, on the conclusion of hostilities with Afghanistan, a Treaty of good understanding had been entered into with the Amir. This Treaty was liable to denunciation by either party at twelve months' notice, but up to the present time neither party had given notice of a desire to terminate.

During the last year or two several new factors had been introduced into the situation. The policy of the Amir had antagonised important Moslem sections
of his subjects, with the result that there had recently been a serious insurrection. It was only with difficulty that this movement had been crushed, and one section was still standing out. It was clear, however, that the Amir's personal position was less stable than when he ascended the throne.

Another new factor had been a great increase in the penetration of Afghanistan by the Russian Soviet propaganda. Not only had the countries bordering on Afghanistan adopted the Soviet system of government (and in this connection attention was drawn to the map recently circulated to the Cabinet), but there had been an increasing infiltration of agents, and the Amir had been induced to accept the services of Russian aviators. Every effort was being made to seduce the Amir from British influence, but at present there was no reason to believe that these efforts had been successful or that the Amir was not alive to the certainty that the Soviet representatives would drop the mask and throw him over when the moment came, with a view to substituting in Afghanistan their own system of government.

Our policy up to the present time had been to encourage the Amir to oppose the infiltration of the Soviet agents and propaganda, and to keep him well affected towards ourselves.

In view, however, of the large sums being spent by the Soviet in Afghanistan, it appeared that some counter action, involving a certain amount of expenditure, would be required, and it would be for the Cabinet to consider the principles on which such action should be based.
Another factor, at present of secondary importance, was a tendency on the part of the Germans to carry out a commercial penetration of Afghanistan.

The Cabinet took note of the statement by the Secretary of State for India, briefly summarised above, and agreed --

(a) That, after receipt of the Memorandum by the Secretary of State for India and after the return of the Secretary of State for Foreign Affairs, they should discuss the question of policy towards Afghanistan, in the light of the new factors:

(b) That the Viceroy of India should be asked to be present at the discussion.
FOREIGN AFFAIRS.

2. The Prime Minister read to his colleagues a letter written from Geneva by the Secretary of State for Foreign Affairs to Sir William Tyrrell, giving an account of various conversations with M. Briand, in which the following questions were alluded to:

- Security and the Allied Note.
- German approaches to the Polish Government on the question of security.
- Encouragement given by M. Briand to the Poles to come to terms with Russia.
- Probable postponement, pending the development of the question of security, of the consideration of the system of investigation to be applied by the Council to the demilitarisation of the Rhine zone.
- The situation in the Balkans, including a proposal that Mr Chamberlain and M. Briand should arrange an interchange of views with Signor Mussolini with a view to establishing tranquility in those regions.
- The present policy of the Russian Soviet Government, namely, to carry out subversive propaganda in Oversea Possessions of the Western countries.
- Turkey.
- Allied Debts.

Suggestions by M. Briand for changes in the Covenant, including an enlargement of the Council of the League after the admission of Germany.

In the course of a short discussion which followed the reading of this letter, attention was drawn to a report in "The Times" that in the Dominion House of Commons Mr Mackenzie King, the Prime Minister of Canada, had stated that Canada was not a party to the proposed Security Pact.

The Cabinet were informed that the Dominions had been kept fully notified of all developments, apart from the invitation which had been sent to them to attend a Conference for the discussion of the Geneva Protocol.
3. The Cabinet had before them the following documents in regard to the Scottish Oil Shale Mines:

The Report of the Unemployment Committee, dated March 27, 1925, as submitted at the previous consideration of the question (Paper C.P.-184 (25)).

A Memorandum by the President of the Board of Trade, reporting full information as to the position of the Scottish Shale Oil Companies; pointing out that as the Admiralty are not anxious to obtain the Companies' oil at present and do not attach any considerable importance to keeping the mines in existence, the only ground for giving assistance is to prevent the unemployment which would be caused by closing the mines and works; explaining the objections to giving such assistance to the Oil Shale Companies on which other industries in a worse condition could found a claim to a subsidy; and pointing out that the only ground on which a subsidy to the shale mines could be justified would be that the Government were using part of their profits in the successful Anglo-Persian venture to relieve distress in a kindred undertaking in which they are also interested and which forms part of a larger enterprise (Paper C.P.-275 (25)).

A Memorandum by the Secretary for Scotland, suggesting that before the question is settled, an effort should be made to obtain further information as to which mines would probably be closed in the event of the Companies being left to their own resources, so that the full effect on the unemployment position could be measured (Paper C.P.-279 (25)).

The question was adjourned for further consideration.
4. The Cabinet had before them a Memorandum by the Minister of Agriculture and Fisheries in which he proposed to reject the complete survey of agricultural conditions and possibilities of the country proposed during the Debate in the House of Commons on the Agricultural Returns Bill on April 8th, which would cost £100,000, and to carry out instead a more modest programme in connection with the compilation of the agricultural section of the Census of Production, which should not cost more than £10,000 (Paper C.P.-282 (25)).

The Minister of Agriculture and Fisheries explained that he did not propose to make a statement at all unless he was asked to do so, but if a question was asked he would like authority to reply on the lines of the draft statement attached to C.P.-282 (25).

The Cabinet agreed --

To approve the general lines of the statement proposed by the Minister of Agriculture and Fisheries, subject to prior consultation with the Secretary for Scotland with a view to corresponding action in the two countries, and subject to no additional expenditure being incurred beyond that already provided for in the Estimates of the Department for 1925-26, without further reference to the Cabinet.
5. The Cabinet had before them a Report by the Cabinet Committee which had been asked to consider the question of the effect on agricultural interests of the arrangements incorporated in the Finance Bill for the increase of death duties and the relief of super-tax, with a view, if possible, to some alleviation to those interests (Paper C.P.-284 (25)).

The Cabinet agreed —

To authorise the addition to the Finance Bill of a provision exempting the capital agricultural value of agricultural land from the increased rates of Estate Duty and subjecting such land to Duty at the old rates. The concession not to apply to any element in the value of agricultural land which may be due to suitability for building, and not to operate so as to reduce the aggregate value of an estate for the purpose of ascertaining the proper rate of Duty.
The Chancellor of the Exchequer read to his colleagues a letter he had received from the Governor of the Bank of England in regard to the probable cumulative effect of the numerous loans which had been placed, or were about to be placed, on the London money market by the Dominions. This was bound to lead to an increase in the Bank Rate, which was in the interest neither of Great Britain nor of the Dominions, unless some action was taken either to restrict the borrowing by the Dominions or to divert them to the New York money market, or, alternatively, to ask them to place their loans partly in London and partly in New York.

In order to meet the views of the Governor of the Bank, the Chancellor of the Exchequer had asked the Secretary of State for the Colonies to forward to the Dominions a telegram (which Mr Churchill read to the Cabinet) with the object of warning them of the probable consequences of the placing of further issues and of requesting them to do their best to postpone borrowing for the present.

The Secretary of State for the Colonies explained that he had thought it advisable to consult the Cabinet before sending the Chancellor of the Exchequer's telegram. The policy of the present Government was based on Empire development, including Empire migration. He was reluctant, without the express sanction of the Cabinet, to take any action which would tend to check this policy. At present the expenditure of the Dominions in Great Britain had a most beneficial influence in creating employment in this country, and this was due to the fact that a large proportion of the loans was spent here and never
left the country. Mr Amery felt also that the ill effects of such loans on the international exchanges might be surmounted. In this connection he pointed out that in the case of the Colonies of East Africa, West Africa, and the Straits Settlements, the exchange had been stabilised with the exchange of this country, so that borrowing on their account could take place without affecting the international exchange any more than would a loan within Great Britain itself. The question had been discussed by the Cabinet in the past, and at the Imperial Economic Conference, 1923, but stabilisation of exchanges with the Dominions had not then been possible. Now, however, the situation was completely changed by the return of Great Britain to the gold standard.

In the course of the discussion it emerged that there were two problems involved:

(i) The effect of further borrowing by the Dominions on the international exchanges and the Bank Rate:

(ii) Whether there was enough credit available in this country to supply all the needs for borrowing, both at home and abroad.

The President of the Board of Trade stated that, at his monthly meeting with representatives of industry that morning, considerable apprehension had been expressed as to the probable effect of Dominions borrowing on the Bank Rate.

Attention was also called to the amount of the loans made by this country abroad during the last few years, which exceeded our economic capacity as represented by the balance of trade, including invisible exports.
There was general agreement in any event that it was necessary to warn the Dominions in regard to the effect of further borrowing.

The Cabinet agreed —

(a) That the Secretary of State for the Colonies should send to the Dominions a telegram on the lines proposed, the terms of which would be agreed with the Chancellor of the Exchequer, warning them of the effect of further borrowing, and asking them to exercise caution in regard to further issues:

(b) That the Committee of Civil Research should examine the question of our capacity to meet the demands for credit at home and abroad, having particular regard to the requirements of Empire development and the maintenance of our export trade, and to make recommendations.
7. The Home Secretary informed the Cabinet that the question of the pay and conditions of the Police Forces had been under examination by a Committee under the Chairmanship of Lord Lee of Fareham, and he was glad to report that an agreement had been reached which was acceptable to the Police and the Local Authorities. These proposals would involve an addition, in a complete year, of £280,000 to the pay of the Police. At the request of the Home Secretary, the Cabinet agreed —

That the proposals of the Home Secretary in regard to the pay of the Police should be referred to a Committee to be composed of —

The Prime Minister,
The Chancellor of the Exchequer,*
The Home Secretary —

which should be empowered, in case of agreement, to authorise the Home Secretary to implement the agreement reached, but which, if unable to reach agreement, should bring the question back to the Cabinet.
SAFEGUARDING OF INDUSTRIES

LEGISLATION.

Application from the Iron and Steel Industry.

(Previous Reference: Cabinet 24 (25), Conclusion 6.)

8. The President of the Board of Trade informed the
Cabinet that a request had been received from the
Iron and Steel industry for the application to that
industry of the Safeguarding of Industries Act. The
employers and employed in this industry were agreed on
the subject, and had made out a very strong case for
inquiry.

The Cabinet agreed —

That the question should be considered
at the next Meeting of the Cabinet,
and that in the meantime the President
of the Board of Trade should circulate
full information.

2, Whitehall Gardens, S.W.1,

June 10, 1925.