AGENDA.

1. FOREIGN AFFAIRS. (If required).

2. THE KING'S SPEECH ON THE OPENING OF PARLIAMENT.
   (Reference Cabinet 47 (28) Conclusion 2).
   Preliminary draft of the King's Speech, as approved by the Lord Chancellor.
   (C.P. 313 (28) — already circulated).

3. REPARATIONS AND ALLIED DEBTS.
   (Reference Cabinet 47 (28) Conclusion 4).
   Memoranda by the Chancellor of the Exchequer.
   (C.P. 311 (28) — already circulated),
   (C.P. 317 (28) — circulated herewith).

4. THE FUTURE OF BRITISH GARRISONS IN CHINA.
   Memorandum by the Chancellor of the Exchequer.
   (C.P. 279 (28) — already circulated).
   Memoranda by the Secretary of State for War.
   (C.P. 278 (28) — already circulated),
   (C.P. 314 (28) — circulated herewith).

5. FREIGHT RELIEF ANTICIPATION — CANALS AND PRIVATE MINERAL RAILWAYS.
   (Reference Cabinet 40 (28) Conclusion 1(b) and (f)).
   Memorandum by the Minister of Transport.
   (C.P. 306 (28) — already circulated).

6. THE UNEMPLOYMENT INSURANCE BILL.
   Memorandum by the Minister of Labour.
   (C.P. 312 (28) — already circulated).
7. TO TAKE NOTE OF:-

ROMAN CATHOLIC SCHOOLS.

(Reference Cabinet 45 (28) Conclusion 7).
Memorandum by the President of the Board of Education.
(C.P. 307 (28) - already circulated).

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

2, Whitehall Gardens, S.W.1.
26th October, 1928.
CABINET 48 (28).

CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on MONDAY, October 29th, 1928, at 12 noon.

PRESENT:-

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

The Most Hon.

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

The Right Hon.

The Right Hon.
SIR LAMING WORTHINGTON-EVANS, Bt., G.B.E., M.P., Secretary of State for War.

The Right Hon.
SIR SAMUEL HOARE, Bt., G.B.E., C.M.G., M.P., Secretary of State for Air.

The Right Hon.
SIR PHILIP CUNLIFFE-LISTER, K.B.E., M.P., President of the Board of Trade.

The Right Hon.
W. E. GUINNESS, D.S.O., M.P., Minister of Agriculture and Fisheries.

The Right Hon.
SIR ARTHUR STEEL-MAITLAND, Bt., M.P., Minister of Labour.

The Right Hon.
SIR M.P.A. HANKEY, G.C.B., Secretary.
1. The Prime Minister offered, on behalf of the Cabinet, a welcome to their new colleague, Lord Londonderry, pointing out that he was only the second new member of the Cabinet since the Government had come into office.
The Cabinet had before them a draft of the King's Speech on the Opening of Parliament, approved by the Lord Chancellor for their consideration (Paper C.P.-313 (28)).

The Cabinet agreed —

(a) That the 2nd and 3rd paragraphs should be re-drafted so as to put the reference to the Treaty for the Renunciation of War first, and to touch upon the question of Disarmament in such a way as not to focus attention on the failure of the recent attempts to solve the question of Naval Disarmament.

The President of the Board of Education was asked to forward to the Lord Chancellor certain suggestions he made to the Cabinet to this effect.

(b) That the 4th paragraph should be re-drafted so as to lay less stress on the evacuation of the Rhineland.

In this connection the following draft was handed in by the Acting Secretary of State for Foreign Affairs:

"My Ministers have agreed with the Governments of Belgium, France, Germany, Italy and Japan that negotiations should be opened in regard to the possibility of a complete and definite settlement of the problem of reparations; and it has also been recognised that negotiations should take place relative to the German Government's request for the evacuation of the Rhineland at present occupied by British, French and Belgian troops."

(c) That the first sentence of the 5th paragraph should be changed, in accordance with a suggestion forwarded by Lord Stamfordham, to read as follows:

"The Coronation of the Emperor of Japan is shortly to take place, and I take this opportunity, in the name of Myself and My people, of wishing His Imperial Majesty a long and glorious reign."
(d) That the 7th paragraph, referring to the Estimates of the Public Services, should state that they are prepared with due regard to the need for public economy.

(e) That the 8th, 9th and 10th paragraphs should be re-drafted and re-arranged by the Minister of Health and the Minister of Labour, in concert, who should forward their proposals to the Secretary of the Cabinet, for the Lord Chancellor, with a view to laying less emphasis on the high level of Unemployment and to avoiding the suggestion in the draft before the Cabinet that this is due exclusively to the prolonged industrial troubles of 1926, as well as to bring into greater prominence the importance of the Rating Scheme.

(f) That the 11th paragraph should refer to the question of Agriculture in some such terms as the following:—

"I trust that the relief from the burden of rates afforded under the Scheme may benefit Agriculture and lead to a greater measure of employment in industry generally, and in particular in those basic trades whose condition still causes concern".

(NOTE: The last three words, underlined, were substituted in consequence of a suggestion received from Lord Stamfordham, who had drawn attention to the inconvenient alliteration in the draft before the Cabinet.)

(g) That the Lord Chancellor should consider the substitution of some other term for the words "most conspicuous", at the end of the 10th paragraph.

(h) That the Lord Chancellor should be asked to circulate a fresh draft to his colleagues in time to secure the King's signature at a meeting of the Privy Council on Thursday, November 1st.
3. The Cabinet had before them the following Memoranda by the Chancellor of the Exchequer:—

An account of his conversations in Paris with M. Poincaré and Mr Parker Gilbert on October 19, 1928 (Paper C.P.-311 (28)):

A specially secret Memorandum covering a draft of the Note which he proposes to send to M. Poincaré in accordance with an arrangement made in Paris on October 18th, and a diagram showing how his proposals would work out on the basis of a German annuity of £100,000,000 (Paper C.P.-317 (28)).

The Chancellor of the Exchequer informed the Cabinet that after his meeting in Paris with M. Poincaré he had sent a telegram to Signor Mussolini and had suggested that he should send Signor Alberto Pirelli to London to discuss the question. In reply he had received a telegram, which he read to the Cabinet and which was couched in very cordial terms, conveying Signor Mussolini's acquiescence in the proposal as regards Signor Pirelli, who was due in London on Thursday.

The Chancellor of the Exchequer pointed out that the British policy was founded on the Balfour Note. There was one point, however, on which he had a slight reservation to make, namely, in regard to the arrears of £180,000,000 required to carry out in full the policy of the Note. Hitherto we had stood for the whole of these arrears, but it must now be realised that there was not the smallest chance of our recovering them in full, although we might obtain a part. He was anxious, in the Note to M. Poincaré, not to reverse the policy, but to indicate that there was room for a little "give" on this question.
He asked the views of his colleagues on this point. Mr Churchill stated that there were certain points of detail upon which in any event he would want to alter the Note.

In the course of the discussion it was suggested to Mr Churchill that the reference to the question of arrears should be made at the end of the second sub-paragraph on page 2 of Paper C.P.-317 (28), where it would be linked up with the cost of repairing the devastated regions. It was suggested that the addition, after the words "devastated regions", might be in some such terms as the following:

"and of extinguishing the accumulated deficiency of £150,000,000 referred to above".

The first four lines of the following paragraph might then be omitted.

Another suggestion was that the fourth sub-paragraph, on page 2, should be amended by referring to the Expert Committee as an "independent" Expert Committee. In this connection the Cabinet were reminded that Lord Cushendun had committed the country unconditionally to an expert investigation.

Mr Churchill wished at this stage to avoid the word "Independent", but undertook instead to alter the words "would be", in the second line, to "have been", so as to read:

"On this understanding His Majesty's Government, for their part, have been willing to refer the question of the total annuities to be paid by Germany to an Expert Committee for examination", etc.

Another suggestion made in the course of the discussion was that it was important that any
division of capital mobilised by the marketing of German Bonds should not be on different proportions from the arrangements agreed to at Spa as regards the division of the interest. It was suggested that at the end of paragraph 3 the following words might be added:

"and, if thought expedient, the right of the Government to receive the annuities in accordance with the Spa percentages".

Some discussion took place as to the best procedure to be adopted in order to communicate to other interested Governments the present position in regard to the proposed expert inquiry. On the one hand it was recognised as desirable to avoid presenting the German Government with a formal Note based on the draft Note to M. Poincaré and demanding their adherence thereto. On the other hand, the Governments of Berlin, Brussels and Rome had all been made aware that Mr Churchill and M. Poincaré were about to exchange precise Notes and consequently would expect some full communication. It was recognised to be necessary to acquaint them fairly and fully with the position, lest otherwise the same sort of suspicions might be aroused as in the case of the Anglo-French Agreement on Naval Disarmament, the gist of which had been communicated to certain foreign Governments, but without the text.

The Cabinet agreed —

(a) That the Chancellor of the Exchequer should circulate a re-draft of the Note to M. Poincaré attached to Paper C.P.-317 (28), and that in the absence of any criticism from any of his colleagues he should have authority to despatch the Note without further discussion at the Cabinet.
(b) That the form and method of the communications to be made to the various foreign Governments concerned should be left for arrangement between the Acting Secretary of State for Foreign Affairs and the Chancellor of the Exchequer.
4. The Cabinet had before them the following documents relating to future garrisons in China:

A Memorandum by the Secretary of State for War (Paper C.P.-278 (28)) asking the Cabinet to approve in principle the fixing of the future British garrisons in China at 5 Battalions (in addition to the Indian Battalion) in order that he might discuss with the Treasury the details of the provision of accommodation for the two additional Battalions to be located at Hong-Kong:

A Note by the Chancellor of the Exchequer (Paper C.P.-279 (28)) covering a Memorandum by the Treasury opposing the Secretary of State's proposal on the grounds, inter alia, that it amounts to a confession that our present Army is too small; that in view of the pressing need of economy the proposal could only be justified on grounds of imperative urgency, which does not exist; that the proposed garrison would be an over-insurance; that in the present state of foreign relations there is no menace from Japan; and that the proposal is premature, no decision being required so long as an emergency force is retained in China:

A rejoinder by the Secretary of State for War (Paper C.P.-314 (20)) pointing out that, as explained in Papers before the Committee of Imperial Defence, the British Army is not really adequate for the task which is required of it today, although he accepts the inability of His Majesty's Government to increase it; that he is only seeking to advise as to its best distribution; quoting the opinion of the Foreign Office that China will be the danger area in international relations so long as civil war continues; adducing recent history to combat the argument that it is an over-insurance: emphasizing the inadequacy of the present garrison of Hong-Kong; and urging that the present proposal is not premature and that we must adopt a definite policy which will admit of accommodation being ready in Hong-Kong against the time, not far distant, when we may hope to withdraw the last Battalion from Shanghai.
In the course of the discussion the Secretary of State for War was asked as to why, if there were six Battalions in China before the War, it was now necessary to put up new barracks in order to carry out his proposals.

The Secretary of State for India warned the Cabinet that, in the event of future trouble in China, it would not be safe to count on assistance from India, as trouble in one part of Asia was liable to produce reactions elsewhere in that Continent.

Questions were also asked as to what action, if any, was being taken by the Municipal Council at Shanghai to strengthen the forces maintained locally, as so often urged upon them, and the Cabinet were informed that, although the question had been studied at Shanghai, the Council had so far shrunk from the issue.

The Cabinet agreed:

(a) that, since any decision taken at present time would require reconsideration by whatever Government might be in office after the General Election, and since the tendency in China is towards greater tranquillity, it would be advisable to postpone a decision until after the General Election;

(b) that in the meanwhile the Committee of Imperial Defence should keep the question under careful observation, and report their recommendations in due course.
5. The Cabinet had before them a Memorandum by the Minister of Transport (Paper C.P.-306 (28)) raising for decision the question of whether railway freight relief should be anticipated in the case of canals and private mineral railways, which had been left over for later not consideration when it was decided to anticipate in the case of harbours and docks. After reviewing in his Memorandum the pros and cons of the question, the Minister of Transport advised that the preliminary scheme should be strictly limited to traffic carried by the public railways, and that the answer to other claimants should be that the Government regrets that it cannot see its way to extend to them any special anticipation of the relief from rating which will come into force on the 1st of October, 1929.

After explanations by the President of the Board of Trade, the Cabinet agreed:

(a) That the Minister of Transport should have authority to inform claimants that the Government regrets that it cannot see its way to extend to them any special anticipation of the relief from rating which will come into force on the 1st October, 1929;

(b) That collieries owning private mining lines who consider themselves entitled to relief should be encouraged to approach the Mining Association whose claims for relief from the oppressive burdens of rates on the public railways have been met so handsomely by the Government, and who might possibly be able to make some arrangements among their members if they thought that the special circumstances of the collieries owning private lines justified some adjustment.
6. The Cabinet had before them a Memorandum by the Minister of Labour (Paper C.P.-312 (28)) in connection with the Unemployment Insurance Bill, by means of which it is proposed to increase the borrowing powers of the Unemployment Fund beyond the present limit of £30,000,000 and up to a total of £40,000,000. The Memorandum dealt mainly with the complicated question of the adjustment of the revenue and expenditure of the Unemployment Fund and contained the suggestion that the Bill should not provide for any increase of contributions at the moment but should include powers to do so should it be subsequently found to be necessary.

After some discussion, the Cabinet agreed -

(a) That in increasing to £40,000,000 the borrowing powers of the Unemployment Fund, no attempt should be made at the present time to adjust the revenue and expenditure of the Fund. It should be pointed out to Parliament that the insolvency of the Fund is due to the strikes of 1926, and that the Government do not feel entitled at the present time to inflict extra burdens in respect of it.

(The Minister of Labour asked that his personal dissent from the views of his colleagues on this point might be recorded.)

(b) That the Minister of Labour should consider and discuss with the Chancellor of the Exchequer a proposal made by Mr. Churchill that the increase of the Fund to £40,000,000 should be limited to two years, and report to the next meeting of the Cabinet.
7. At the request of the Secretary of State for Dominion Affairs, the Cabinet agreed that a Committee, composed as follows -

- The Secretary of State for Dominion Affairs (in the Chair),
- The Lord Privy Seal,
- The Secretary of State for War,
- The Secretary of State for India,
- The President of the Board of Trade,
- The Minister of Labour,
- A representative of the Treasury,

should meet to assist the Secretary of State for Dominion Affairs in giving effect to the policy of the Government in regard to migration. The Committee, constituted primarily for the above purpose, should not be precluded from raising new points of policy if they should arise in the course of its deliberations.
EDUCATION.

The Position of Church Schools.

(Previous Reference: Cabinet 45 (29), Conclusion 7.)

8. The Cabinet had before them a Memorandum by the President of the Board of Education (Paper D.P.-307 (28)) covering a report of a speech by the Roman Catholic Archbishop of Cardiff, who is believed to be a strong Conservative, criticising the present Government for its unwillingness to help as regards the building of Roman Catholic Schools and urging that "if they will not recognise the injustice under which we are suffering, and if they will not give us any redress, then let us take the first opportunity we have of trying to find others who will act more in conformity with what we know as British justice. Next Spring or Summer we shall have an opportunity of doing this "when the General Election takes place".

In the course of a statement in amplification of his memorandum, the President of the Board of Education appealed to his colleagues to give an indication in their public speeches that the Government was favourable to voluntary schools. He thought that the question was one of such importance that the Cabinet would do well to devote some time to its consideration.

The Prime Minister agreed with the President of the Board of Education, and said he would try and find time at an early meeting for the discussion of the subject, in which he would ask every Member of the Cabinet to express his opinion. He asked his colleagues in the meantime to give the matter their very careful consideration.
The Prime Minister told his colleagues that he had been informed that there were three very important questions which, though hardly ready for consideration on Wednesday next, would be ripe for settlement towards the end of the week, namely, the Report of the Lord Chancellor's Sub-Committee of the Committee of Imperial Defence on the Persian Gulf; the Local Government Bill now before the Committee of Home Affairs; the Report of Sir Warren Fisher's Interdepartmental Committee on Unemployment.

In the circumstances he proposed not to hold the usual weekly meeting of the Cabinet on Wednesday, but to postpone it until Monday, November 5th, at 5.0 p.m.

Whitcomb Gardens, S.W.1.

29th October, 1926.