CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on SATURDAY, August 22nd, 1931, at 2.30 p.m.

PRESENT:
The Right Hon. J. Ramsay MacDonald, M.P., Prime Minister. (In the Chair).
The Right Hon. Philip Snowden, M.P., Chancellor of the Exchequer.
The Right Hon. J.H. Thomas, M.P., Secretary of State for Dominion Affairs.
The Right Hon. W. Wedgwood Benn, D.S.O., D.F.C., M.P., Secretary of State for India.
The Right Hon. Lord Aungier, C.B.E., K.C., Secretary of State for Air.
The Right Hon. Margaret Bondfield, M.P., Minister of Labour.
The Right Hon. H.B. Lees-Smith, M.P., President of the Board of Education.
The Right Hon. George Lansbury, M.P., First Commissioner of Works.

The Right Hon. Lord Passfield, Secretary of State for the Colonies.
The Right Hon. J.R. Clynes, M.P., Secretary of State for Home Affairs.
The Right Hon. Tom Shaw, C.B.E., M.P., Secretary of State for War.
The Right Hon. Christopher Addison, M.P., Minister of Agriculture and Fisheries.
The Right Hon. W. Graham, M.P., President of the Board of Trade.
The Right Hon. William Adamson, M.P., Secretary of State for Scotland.
The Right Hon. Herbert Morrison, M.P., Minister of Transport.

T. Johnston, M.P.,
Lord Privy Seal.

Mr. R.B. Howorth, C.B., C.M.G., Deputy Secretary.
With reference to the Conclusion mentioned in the margin, the Cabinet met to receive a report from the Prime Minister on the meeting with the Leaders of the Opposition Parties which had taken place earlier in the day.

The Prime Minister informed the Cabinet that he had told the Party Leaders the exact position and those present all realised the seriousness of the situation which had developed. Taking advantage of the authority given by the Cabinet to himself and the Chancellor of the Exchequer he had then sounded the Party Leaders as to whether they would regard as satisfactory an addition of a further £20 millions gross to the list of economies to be made up as to £12½ millions by a 10 per cent. reduction in Unemployment Insurance Benefit, and as to £7½ millions in other ways: it being distinctly understood that in making this inquiry they were merely seeking information, and that the Government were in no way committed to the proposal.

The Party Leaders were unable to give any definite reply beyond indicating that the question was one which in their opinion, should be put to the financial authorities responsible for raising the contemplated loan in New York and Paris. Both he and the Chancellor of the Exchequer had derived the impression that if the banking interests were ready to regard the proposition as adequate and satisfactory the Party Leaders would accept it, but Mr. Neville Chamberlain had made a reservation to the effect...
that acceptance of the proposition by the Conservatives must not be taken as precluding the Conservative Party from pressing for further reductions on Unemployment Insurance when the legislation was before the House of Commons.

The Prime Minister informed the Cabinet that he had invited the Deputy Governor of the Bank of England to come to Downing Street at 3.0 p.m. that afternoon, and he invited the views of the Cabinet on the question whether the Chancellor of the Exchequer and himself should now be authorised to address the same inquiry to the Deputy Governor which they had addressed to the Party Leaders and on precisely the same basis, namely that the question was put to elicit information and that the Government were in no respect committed to the proposition.

It was probable that the Deputy Governor would reply to the effect that he was unable to give any definite answer without first submitting the question in great confidence to Mr. Harrison of the Federal Reserve Bank. Mr. Harrison would himself have to make confidential enquiries in New York and there might be some little delay in getting a reply. Mr. Harrison had, however, intimated that provided confidence could be re-established there would be no lack of American money forthcoming.

After some discussion, in the course of which it was suggested that before the Prime Minister and the Chancellor of the Exchequer saw the bankers, the Cabinet should reach a conclusion on whether or not they would be prepared to implement the proposition, provided it was satisfactory to the banking interests, it was pointed out that the Government would be in a very embarrassing position if, after an affirmative reply
had been received to the hypothetical question, the Cabinet were to decide that they could not implement the proposition.

The Cabinet agreed —

(1) To authorise the Prime Minister and the Chancellor of the Exchequer to ascertain from the Representatives of the Bank of England whether they would regard as satisfactory the addition of a further £20 millions gross to the list of economies to be made up as to £12½ millions by a 10 per cent. reduction in Unemployment Insurance Benefit and as to £7½ millions in other ways; it being distinctly understood that in making this inquiry they were merely seeking information, and that the Government were in no way committed to the proposal.

(2) That the Representatives of the Bank of England might be given permission to discuss the question confidentially with the Federal Reserve Bank authorities.

Note. The Prime Minister and the Chancellor of the Exchequer then withdrew and conferred with Sir E. Harvey and Mr. Peacock.

At the close of this conference the Prime Minister informed the Cabinet that the Representatives of the Bank of England had not rejected the suggestion but had undertaken to get in touch at once with Mr. Harrison, and on hearing from New York would communicate with the Prime Minister. If the answer was favourable the Prime Minister proposed to see the Leaders of the Opposition Parties again and to discuss further with them the parliamentary situation. If the answer from New York was unfavourable, it was not proposed to have any further meeting with the Party Leaders.

The Cabinet agreed —

(1) To approve the procedure suggested by the Prime Minister.
(2) That a further meeting of the Cabinet should be held at No. 10, Downing Street, on Sunday, August 23rd, 1931, at 7.0 p.m. for the purpose of receiving a report from the Prime Minister on the reply of the Bankers, and if necessary, of reaching a final conclusion in regard to the question of the addition to the list of economies of the further £20 millions made up as to the £12½ millions by a 10 per cent. reduction in Unemployment Insurance Benefit, and as to £7½ millions in other ways.

At the close of the meeting the Prime Minister again emphasised the vital importance of reaching some final conclusion on the following day, so that an authoritative announcement of the proposals as a whole, should, if possible, be issued prior to the opening of business on Monday, August 24th, 1931.

2, Whitehall Gardens,
22nd August, 1931.