Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1, on WEDNESDAY, November 14th, 1951, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS. (If required).

2. CABINET PROCEDURE.
   (a) Instructions to the Secretary.
       (C.P. 205 (31) - already circulated).
   (b) Reappointment of Committee of Home Affairs.
       (Reference Cabinet 48 (31) Conclusion 2).

3. THE OTTAWA CONFERENCE.
   (Reference Cabinet 73 (31) Conclusion 3).
   Confirmation of appointment of Cabinet Committee.

4. NATIONAL HEALTH INSURANCE AND WIDOWS' AND OLD AGE PENSIONS: PROLONGATION OF INSURANCE.
   (Reference Cabinet 72 (31) Conclusion 2).
   Memorandum by the Minister of Health.
   (C.P. 269 (31) - to be circulated).

5. THE LONDON PASSENGER TRANSPORT BILL. (If ready).
   (Reference Cabinet 73 (31) Conclusion 4).
6. **CONCLUSIONS OF HOME AFFAIRS COMMITTEE.**

(Reference H.A.C. 13th Draft Conclusions (31) - already circulated).

(i) **The Statute of Westminster Bill.**
(Reference Cabinet 72 (31) Conclusion 2).
Memorandum by the Secretary of State for Dominion Affairs, covering draft Bill.
(H.A. 34 (31) - already circulated).

(ii) **Indian Pay (Temporary Abatements) Bill.**
(Reference Cabinet 72 (31) Conclusion 2).
Memorandum by the Secretary of State for India, covering draft Bill.
(H.A. 35 (31) - already circulated).

(iii) **Expiring Laws Bill.**
(Reference Cabinet 72 (31) Conclusion 2).
Memorandum by the Financial Secretary to the Treasury, covering draft Bill.
(H.A. 36 (31) - already circulated).

(iv) **Educational Endowments (Scotland) Bill.**
(Reference Cabinet 55 (31) Conclusion 11).
Memorandum by the Secretary of State for Scotland, covering draft Bill.
(H.A. 33 (31) - already circulated).

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

2, Whitehall Gardens, S.W.1.
9th November, 1931.
CONCLUSIONS of a Meeting of the Cabinet held at 10, Downing Street, S.W.1., on Wednesday, November 11th, 1931, at 11.30 a.m.

PRESENT:--

The Right Hon. J. Ramsay MacDonald, M.P., Prime Minister. (In the Chair).

The Right Hon. Neville Chamberlain, M.P., Chancellor of the Exchequer.


The Right Hon. J.H. Thomas, M.P., Secretary of State for Dominion Affairs.

The Most Hon. The Marquess of Londonderry, K.G., M.V.O., Secretary of State for Air.


The Right Hon. Philip Snowden, Lord Privy Seal.

The Right Hon. Sir Donald Maclean, K.B.E., M.P., President of the Board of Education.

The Right Hon. Sir Henry Betterton, Bt., C.B.E., M.P., Minister of Labour.


THE FOLLOWING WERE ALSO PRESENT:

Mr. P.J. Pybus, C.B.E., M.P., Minister of Transport.

(For Item 6.)

Colonel Sir M.P.A. Hankey, C.C.B., C.C.M.G. . . . . . . . . . . Secretary.
1. The Secretary of State for Foreign Affairs

informed the Cabinet that the Council of the League of Nations was to resume consideration of the
Chino-Japanese dispute in Manchuria at Paris on
Monday next, November 16th.

In the course of a full statement he described
the nature of the Japanese interests and rights in
Manchuria. They had declared that they had no
territorial designs, but the South Manchuria railway
was Japanese property, with extended rights of a
character similar to those exercised in Canada by
the Canadian Pacific Railway. One of the causes of
the dispute was the construction by the Chinese of
competing railways, which created economic diffi-
culties with Japan.

He then described the origin of the dispute
and the subsequent course of events. On September
21st Dr. Sze, the Chinese representative, had invoked
the Council of the League of Nations as a "friendly
right" under Article XI of the Covenant. The
Secretary of State then referred to the appeal
made by the League to both sides to adopt a reason-
able attitude, to withdraw troops, etc. The
Japanese, he added, had made clear that they could
not withdraw their troops until the safety of
Japanese lives and property was assured and their
Treaty position regularised.

The Japanese representative at Geneva had not
put his country's case very well, and had spoken of
certain fundamental principles that had to be
cleared up with China before evacuation could take
place, without specifying what they were. On the
26th October, however, the Japanese Government had
made a communication of what these fundamental principles were. The fifth principle referred to respect for the Treaty rights of Japan in Manchuria. They considered that these principles should properly form the subject of negotiations between the parties directly involved. The Council of the League had eventually given the Japanese Government notice to withdraw their troops from points outside the railway zone by Monday next, November 16th. This was a serious step, because the League had no means to make the notice effective. The attitude of the League in this matter had been criticised by the American Secretary of State, who had thought the Japanese Government could not possibly meet this demand. The United States Government had supported the attitude of the League, but it would be wrong to assume that they would participate in putting pressure on Japan.

The Secretary of State for Foreign Affairs emphasised that a difficult situation would arise if the Chinese delegate were to shift his appeal to the League from Article 11 ("friendly right") to Article 16 (Sanctions). Article 16 provided that

"Should any Member of the League resort to war in disregard of its covenants under Articles XII, XIII, or XV, it shall ipso facto be deemed to have committed an act of war against all other Members of the League, which hereby undertake immediately to subject it to the severance of all trade or financial relations .......

as well as other sanctions of a similar character. China (as was pointed out by the Prime Minister) had only to prove the violation of Articles XII, XIII and XV of the Covenant to commit Members of the League automatically to these sanctions.
As had been shown at the time of the Corfu incident, however, it was not a practicable policy in a case of this kind to impose the sanctions provided for in Article XVI, which would involve the imposition of very drastic restrictions on trade, including censorship of various kinds. The withdrawal of Ambassadors, which had also been suggested, would be equally unwise. The only way to exercise any influence on the Japanese Government was to keep a representative of high standing at Tokyo. A third suggestion, that an international force, drawn from Legation Guards, and so forth, should be sent to Manchuria, appeared inapplicable, since the Japanese were entitled to police the South Manchuria Railway.

The Secretary of State for Foreign Affairs informed the Cabinet that he had received some information of a more reassuring character, indicating a partial withdrawal of Japanese troops in some places.

The Cabinet generally approved the suggestions of the Secretary of State for Foreign Affairs as to the line which he should take at the forthcoming meeting of the Council of the League of Nations in Paris. These views may be summed up as follows:—

The League of Nations should be upheld. The Cabinet recognised, however, inter alia, that the sanctions provided for in Article XVI of the Covenant were not suitable and could not in practice be applied in the present case. In the interests of the League itself, therefore, every effort must be made to avoid the Chinese appeal being shifted from Article XI to Article XVI. If necessary, it must be impressed on the Chinese delegate that he must assist the League and not throw the responsibility on to the other members of the Council. The Japanese delegate might be reminded that Japan was regarded as one of the principal creators of the League. It was
unlikely, however, that the Japanese Government could be induced to withdraw their troops from places outside the railway zone in Manchuria before negotiations had taken place; but it might be possible to arrange for discussions on the Treaty situation side by side with the question of withdrawal of troops, in order to save the face of both parties. In a word, the policy of the United Kingdom representative should be one of conciliation, with an avoidance of implied threats.

It was suggested to the Secretary of State, with the general approval of the Cabinet, that it might assist in carrying out this policy if he were to propose the maintenance of the status quo for a few days, during which negotiations could take place: that is to say, troops would not be withdrawn, but they would not be reinforced, and would remain where they were while negotiations were started.

The Secretary of State was also asked to bear in mind the importance of not giving the Japanese hostile Press any excuse to place the odium for the initiative on this country, as had already been done for commercial reasons.

The Secretary of State for Foreign Affairs informed his colleagues that as Viscount Cecil of Chelwood had taken the Marquess of Reading's place in the concluding stages of the previous session of the Council on this question, and as the meeting on November 16th was a continuation of that session, he would be accompanied by Lord Cecil. It was his intention, however, personally to act as spokesman of the United Kingdom Government.

The Cabinet invited the Secretary of State for Foreign Affairs to conduct the negotiations in the light of the discussion briefly summarised above, and took note of his intention to report fully to them on the subject.
2. The Secretary of State for India asked if the Cabinet might have a Memorandum from the Secretary of State for Foreign Affairs as to the position in Shanghai.

The Secretary of State for Foreign Affairs said that he had informed the Foreign Office that no further instructions were to be sent on this subject until he himself had had an opportunity to study all the Papers.
3. The Cabinet had before them a Note by the Secretary (C.P.-205 (31)) covering the following documents:

(i) Existing instructions to the Secretary to the Cabinet.

(ii) Existing instructions as regards Cabinet Committees and Conferences.

(iii) Submission of Business to the Cabinet; Circular Letters from the Treasury dated 25th February, 1931, and 28th April, 1934.

(iv) Economic Advisory Council: Copy of Treasury Minute of Appointment, dated January 27, 1931.

A separate Note on the Economic Advisory Council was attached in Appendix V.

The Cabinet were informed that the late Government had taken note of the above documents on September 7, 1931.

The Prime Minister invited his colleagues to make themselves familiar with the above documents, and, if they required any further information, to apply to the Secretary to the Cabinet.

The Prime Minister added that he felt it incumbent on him to say a word about the secrecy of Cabinet Minutes. He appealed to his colleagues to take the utmost personal precautions to ensure that access to Cabinet Minutes was limited to responsible persons of proved confidence, and that they should always be kept under lock and key.

The Cabinet took note of the documents attached to C.P. 205 (31), and of the Prime Minister's statement summarised above.

The Cabinet took note that the Home Affairs Committee, as re-appointed by the late Government, was composed as follows:
The Lord Chancellor (Chairman),
The Chancellor of the Exchequer or Representative,
The Secretary of State for Home Affairs,
The Secretary of State for Scotland,
The Minister of Health,
The President of the Board of Trade,
The President of the Board of Education,
The Minister of Labour,
The Attorney-General,
The Solicitor-General.
The Cabinet were informed that at the last Meeting of the late Government it had been agreed in principle —

"That as soon as the Government has been re-constituted, a Cabinet Committee should be set up which would include the following Ministers:

- The Chancellor of the Exchequer,
- The Secretary of State for Dominion Affairs,
- The President of the Board of Trade,
- The Minister of Agriculture and Fisheries —

to examine all matters relating to the Ottawa Conference and to make recommendations to the Cabinet as to the policy of His Majesty's Government in the United Kingdom at the Conference: the Committee to have authority to invite the attendance of other Ministers ad hoc as required."

The Cabinet confirmed the above terms of reference, and composition of the Committee, with the addition of the Secretary of State for the Colonies.

The Prime Minister left the formal decision as to the Chairmanship to the Committee itself, but intimated that in the ordinary course of Cabinet procedure the Secretary of State for Dominion Affairs should convene the Committee and take the Chair.
5. The Cabinet had before them a Memorandum by the Minister of Health (C.P.-269 (31)) stating that it was necessary to obtain at a very early date a decision whether an Act should be passed to extend the Health Insurance and Contributory Pensions rights of persons who, by reason of continuous and prolonged unemployment over a period of at least two and a half years, would otherwise cease to be insured on the 31st December next. At present the extension referred to was provided by the Prolongation of Insurance Act, 1930, which preserves until the 31st December, 1931, the insurance rights (both Health and Contributory Pensions) of those insured persons, estimated to be between 60,000 and 100,000 in number, who would otherwise have had those rights brought summarily to an end on the 31st December, 1930. The numbers affected now were estimated at about 60,000 to 70,000 in all, and the cost to the Exchequer of paying the necessary contributions to support the Health Insurance of these persons and to provide the related State Grant towards the cost of benefits (as was done in the 1930 Act) would be about £110,000 for the twelve months. It would not be necessary to pay any contributions to the Pensions Account in respect of these persons, but this account would have to bear the liability for Pensions. The May Committee had recommended that no further provision should be made for prolongation after this year, thus saving the cost involved to the Exchequer. At the end of August the late Government had taken the view that it would be advisable to renew the Act for a further year, but no announcement had been made. The Minister of Health reported in his Memorandum that he himself had formed the opinion,
on grounds of financial and insurance principles (which he explained in detail), that prolongation should cease both for health benefits and pensions.

The Cabinet were informed that, during the recent General Election, the Prime Minister and some of his colleagues had made public statements based on the decision of the late Government, (Cabinet 50 (31), Conclusion 1), to the effect "that the prolongation of insurance Act would be renewed by a separate Bill". In these circumstances, apart from political and other considerations, which were discussed at some length, it was felt that it would be difficult to avoid renewing the Act for a further year.

In the course of the discussion a suggestion was made that an Inter-Departmental Committee might be appointed to examine the whole matter. The Cabinet were reminded, however, that the Second Report of the Royal Commission on Unemployment Insurance should be available at the beginning of January, if indeed it could not be expedited. It was suggested that the health insurance and contributory pensions rights of persons now covered by the prolongation of insurance Act could best be examined in the light of and at the same time as the Second Report of the Royal Commission.
For this purpose it was suggested that a special enquiry might be necessary.

The Cabinet agreed —

To confirm the decision of the late Cabinet "that the Prolongation of Insurance Act should be renewed by a separate Bill", on the understanding that this should be a temporary measure, pending reconsideration of the whole question in the light of the Second Report of the Royal Commission on Unemployment Insurance.
6. The Cabinet had before them the Report of the Committee on the London Passenger Transport Bill (C.P.-270 (31)) set up at the Meeting referred to in the margin. As the result of their negotiations with Lord Ashfield the Committee made the following recommendations to the Cabinet:

(1) That the Minister of Transport should be authorised to inform Lord Ashfield—

(a) That if, prior to the passing of the Bill, additional debenture stock is issued by the Underground Companies up to a maximum of £1,500,000, the Government, in the event of their deciding to proceed with the London Passenger Transport Bill, will move amendments to the Bill providing for the issue of Transport "A" and "B" Stock in the due proportions up to the nominal amount of the additional debenture stock so issued. The Government's undertaking to be on the understanding that the amount of such stock and the terms upon which the stock is to be issued, shall be approved by the Minister of Transport after consultation with the Treasury and Sir William McLintock.

(b) That any money raised under (a) above should be treated as part of the £10,000,000 which it is proposed that the Transport Board should be empowered to borrow for general capital purposes by the draft Bill.

(c) That in the event of any issue of Stock being sanctioned and of the subsequent rejection of the necessary amendment, either in the House of Commons or in the House of Lords, the Bill would be withdrawn.

(2) To take note that the Chancellor of the Exchequer will give careful consideration to Lord Ashfield's suggestion for the curtailment by £2,100,000 of the New Works (1930) Programme of the Underground Companies.
The Cabinet agreed --

(a) To approve the recommendations in C.F. 270 (31), as set forth above;

(b) That with a view to an early decision as to whether the London Passenger Transport Bill should be proceeded with, the Minister of Transport should circulate any existing papers containing an explanation of the Bill and the reasons for its urgency, together with a memorandum setting forth the effect of amendments which it was now proposed to make to the Bill;

(c) That the subject should be continued on the Agenda Paper.
7. The Prime Minister recalled that the decision of the late Cabinet on the curtailment of Judges' salaries had been included in the White Paper on Reductions in National Expenditure (Cmd. 3952), in the same category as the reduction of emoluments of Ministers, Members of Parliament, Civil Service, members of the Defence Services. Perhaps in the circumstances of urgency in which the Government had been compelled to act, the announcement had not been made in an appropriate form. He proposed, therefore, that the Judges should be notified that the Cabinet had considered once more the question of economies, and that they would like to invite the Judges themselves to consider whether they would be willing to propose a reduction in their emoluments, as contemplated in the White Paper.

The Cabinet approved the above proposal, and arranged that the Lord Chancellor, in consultation with the Secretary of State for War, should assist the Prime Minister to put the communication in a form acceptable to the Judges. The communication would be signed by the Prime Minister.
The Cabinet had before them a Memorandum by the Secretary of State for Dominion Affairs (H.A.-34 (31)) covering (a) the draft of a Statute of Westminster Bill, which was designed to give effect to the Constitutional Declaration and Resolutions of the Imperial Conferences of 1926 and 1930, and (b) Notes on the Clauses of the Bill: together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 13th Conclusions (51), paragraph 1):

The Committee agreed to recommend the Cabinet —

To authorise the introduction forthwith in the House of Commons of the Statute of Westminster Bill, in the form of the draft annexed to H.A.-34 (31), on the understanding that every effort will be made to secure the passage of the Bill into law by the 1st December, 1931, or as soon thereafter as may be practicable. *

*(NOTE: See Conclusion 9 below. The Expiring Laws Bill must receive the Royal Assent before the Statute of Westminster Bill comes into operation.)*

The Cabinet agreed —

(a) To approve the above recommendation:

(b) That the following names should be placed on the back of the Bill:

The Prime Minister,
The Lord President of the Council,
The Secretary of State for Home Affairs,
The Secretary of State for Dominion Affairs,
The Solicitor-General:

(c) That the Ministers at the head of the three Defence Departments and the Secretary of State for Dominion Affairs should consider what action was desirable in order to secure that the military discipline of any of the armed forces of the Commonwealth, when present by consent within the territory of another, shall rest upon a statutory basis.
9. The Cabinet had before them a Memorandum by the Financial Secretary to the Treasury (H.A.-36 (31)) covering the draft Expiring Laws Bill, which it is necessary to pass into law before the 25th December, 1931, the date on which the Increase of Rent and Mortgage Interest (Restriction) Act, 1920, expires: together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 13th Conclusions (31), Paragraph 3):–

The Committee agreed to recommend the Cabinet -

To authorise the introduction in the House of Commons of the Expiring Laws Bill in the form of the draft annexed to H.A.-36 (31), subject to any drafting or other minor alterations that may be found necessary or desirable, on the understanding that steps will be taken to ensure the passage of the Bill into law before the 25th December, 1931, and in any case before the Statute of Westminster comes into operation.

The Cabinet approved the above recommendation.
10. The Cabinet had before them a Memorandum covering the draft Indian Pay (Temporary Abatements) Bill, the object of which is to take power to reduce the pay of the Services in India by a maximum of 10 per cent. during the period the 1st December, 1931, to the 31st March, 1933: together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 13th Conclusions (31), Paragraph 2):-

The Committee agreed to recommend the Cabinet -

To authorize the introduction in the House of Commons of the Indian Pay (Temporary Abatements) Bill, in the form of the draft annexed to H.A.-35 (31), subject to any drafting or other minor alterations that may be found necessary or desirable, on the understanding that every effort will be made to pass the Bill with the least possible delay.

The Secretary of State for India informed the Cabinet that his Bill was ready and that he would introduce it on the same afternoon.

The Cabinet approved the above recommendation.
11. The Cabinet had before them a Memorandum by the Secretary of State for Scotland (H.A.-33 (31)) covering the draft Educational Endowments (Scotland) Bill, together with the following recommendation of the Committee of Home Affairs thereon (H.A.C. 13th Conclusions (31), Paragraph 4):-

The Committee agreed to recommend the Cabinet:

(i) To authorise the introduction in the House of Commons of the Educational Endowments (Scotland) Bill in the form of the draft annexed to H.A.-33 (31), subject to the specific amendment mentioned in the above Conclusion, and to any other drafting or minor alterations that may be found necessary or desirable:

(ii) That steps should be taken to secure the passage of the Bill into law before the Christmas Recess.

The Cabinet agreed —

(a) To approve the above recommendation:

(b) That the Secretary of State for Scotland should make arrangements with the Parliamentary Secretary to the Treasury for the introduction of the Bill.
The Lord President of the Council informed the Cabinet that no amendment was likely to be moved on the subject of "Dumping", but that there was a strong desire that time should be given for a general discussion of the subject. This would take place the following day, Thursday, November 12th, and the Chancellor of the Exchequer and the President of the Board of Trade should be ready to take part. At present it was proposed that the Opposition's amendment should be taken on Friday, November 13th, and that the Debate should end on Monday. He understood that agricultural questions would be raised.

The Minister of Agriculture and Fisheries informed the Cabinet that he proposed to state that Agriculture would necessarily have to be considered in connection with the Balance of Trade. He would not be able, at the present stage, to say anything definite in response to the desire of arable farmers that some form of encouragement should be given to that form of agriculture. He thought, however, that he might encourage agriculturists to expect that the Government would give consideration to the balance of agricultural farming. He might add that the question of a Wheat Quota was being studied Departmentally. On the marketing side he could promise certain action, as provided for in recent legislation.

On the subject of "dumping" the Cabinet were informed that the Chancellor of the Exchequer and the President of the Board of Trade had agreed on the lines of a Memorandum for circulation to the Cabinet the same day, but that additional information on the subject was being accumulated every day.
Examination of Minister's engagements showed that a Cabinet decision on the above Memorandum could not be taken in time for use on Thursday, November 12th. In these circumstances the Cabinet agreed—

(a) That the Parliamentary time-table should, if possible, be re-arranged so as to enable the question of "dumping" to be discussed on Monday, November 16th:

(b) That the Agenda for the Meeting of the Cabinet already arranged for Thursday, November 12th, at 6 p.m. in the Prime Minister's Room at the House of Commons, should include the question of EXCESSIVE IMPORTS AND "DUMPING", as well as the question of INDIA.

2, Whitehall Gardens, S.W.1.
November 11, 1931.