Meeting of the Cabinet to be held at 10 Downing Street, S.W.1, on WEDNESDAY, 15th February, 1933, at 11.0 a.m.

ADDITIONAL ITEM TO AGENDA.

The following paper should be added to the Agenda, and will become Item 7:--

KENYA: GOLD-MINING IN NATIVE RESERVES.

Memorandum by the Secretary of State for the Colonies.
(C.P. 31(33) - already circulated).

The present Item 7 - PRIVATE MEMBERS' BILLS - now becomes Item 8.

(Signed) M.P.A. HANKY,
Secretary to the Cabinet.

2 Whitehall Gardens, S.W.1.
14th February, 1933.
Meeting of the Cabinet to be held at 10 Downing Street, S.W.1, on WEDNESDAY, 15th February, 1933, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS. - (If required).

2. SITUATION IN INDIA.
   (Reference Cabinet 68(32), Conclusion 16).
   Memorandum by the Secretary of State for India.
   (C.P. 26(33) - already circulated).

3. NAVY ESTIMATES, 1933.
   (Reference Cabinet 1(33), Conclusion 8).
   Memorandum by the First Lord of the Admiralty.
   (C.P. 25(33) - already circulated).

4. INTERNATIONAL CONVENTION ON HOURS OF WORK IN COAL MINES.
   (Reference Cabinet 12(32), Conclusion 3).
   Memorandum by the President of the Board of Trade.
   (C.P. 27(33) - already circulated).

5. UNEMPLOYMENT INSURANCE.
   (Reference Cabinet 3(33), Conclusion 1).
   Second Report of Cabinet Committee.
   (C.P. 22(33) - already circulated).

6. POSITION OF CO-OPERATIVE SOCIETIES IN RELATION TO THE INCOME TAX.
   (Reference Cabinet 22(32), Conclusion 2).
   Note by the Chancellor of the Exchequer, covering Report of Committee.
   (C.P. 19(33) - already circulated).
7. PRIVATE MEMBERS' BILLS.

For Friday, March 3rd.

1. Summary Jurisdiction (Appeals) Bill.  
   (Mr. Turton (Conservative)).

2. Coal Mines (Minimum Wage) Act (1912) 
   Amendment Bill.  
   (Mr. David Grenfell (Labour)).

3. Protection of Dogs Bill.  
   (Sir Robert Gower (Conservative)).

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

2 Whitehall Gardens, S.W.1.  

13th February, 1933.
CONCLUSIONS of a Meeting of the Cabinet held
at 10 Downing Street, S.W.1, on WEDNESDAY,
February 15th, 1933, at 11.0 a.m.

PRESENT:

The Right Hon. J. Ramsay MacDonald, M.P.,
Prime Minister.

The Right Hon. Stanley Baldwin, M.P.,
Lord President of the Council.

The Right Hon. Sir John Gilmour, Bt., D.S.O.,
M.P., Secretary of State for Home Affairs.

The Right Hon. The Viscount Hailsham,
Secretary of State for War.

The Right Hon. Sir Samuel Hoare, Bt., G.B.E.,
C.M.G., M.P., Secretary of State for India.

The Right Hon. Sir Philip Cunliffe-Lister,
G.B.E., M.C., M.P., Secretary of State for the Colonies.

The Right Hon. Sir Edward Hilton Young,
G.B.E., D.S.O., D.S.C., M.P.,
Minister of Health.

The Right Hon. Sir Bolton Eyres-Monsell,

Major The Right Hon. Walter Elliot, M.C., M.P.,
Minister of Agriculture and Fisheries.

Major The Right Hon. W. Ormsby-Gore, M.P.,
First Commissioner of Works.

Colonel Sir M.P.A. Hankey, G.C.B., C.M.G.; Secretary.
1. The Secretary of State for Foreign Affairs called attention to the serious situation that was developing in the Province of Jehol. There was, however, no concrete change which necessitated his asking for any decision from the Cabinet.
The Cabinet had before them a Memorandum by the Secretary of State for India (C.P.-26 (32)) circulating for the consideration of his colleagues some Papers in regard to the political situation in India, with particular reference to the general question of British policy as to Mr Gandhi and the civil disobedience prisoners. In his Memorandum the Secretary of State drew special attention to an important and valuable note by Sir H.G. Haig, the Home Member of the Viceroy's Council, with a great deal of which he was in agreement. There could be no question of a negotiation as to the terms on which the civil disobedience prisoners would recover their liberty, and there were certain individuals who could not in any event be released at present. The Secretary of State agreed with Sir H.G. Haig's strong opposition to an act of grace amounting to a spectacular gaol delivery, but he was not sure that we had any alternative but to let the policy of the last twelve months take its course and that there was no relaxation of the present regime which could safely be undertaken.

The Secretary of State for India made a statement to the Cabinet describing in some detail the political situation as affecting civil disobedience prisoners, at the end of which he said that his own view was, while making no change in policy, to speed up the release of the existing prisoners, who at present numbered 13,500, and meanwhile to watch carefully the situation created by an increase in the numbers released. This view, he said, was shared by Sir Herbert Emerson, a former Secretary to the Government of India in the Home Department, who was about to become Governor of the Punjab.
In the course of a short discussion a proposal was made that the Secretary of State should suggest to the Government of India not to adhere too closely to the line they had hitherto taken, that Mr Gandhi could not be released until he gave a pledge not to revive civil disobedience. It was suggested that a better formula would be that he should not be released "until there is no longer a danger of civil disobedience".

The Secretary of State for India said he would draw the Viceroy's attention to this suggestion.

The Cabinet agreed —

To give their support to the Secretary of State for India's proposal as set forth above.
The Cabinet had before them a Most Secret Memorandum by the First Lord of the Admiralty (C.P.-65 (33)) reminding his colleagues of a serious warning he had given to the Cabinet in C.P.-64 (33), at the time of the crisis at Shanghai, in regard to the Navy's deficiency in material necessary for the performance of its duty in any emergency. On the understanding that the question of adopting a regular programme for remedying the whole of the deficiencies within some definite period should be considered before the Estimates for 1934 were submitted, the Admiralty were prepared to take only a small step in the direction of making good the deficiencies in question, and he had accordingly proposed to the Chancellor of the Exchequer the following special provision in addition to the normal requirements of the year:

- Defensive equipment and reserves £100,000
- Oil Fuel Storage 118,000
- Flights for Fleet Air Arm 146,000
- Oil Fuel 100,000

£464,000.

The Chancellor of the Exchequer had found himself unable to agree to the inclusion of any part of this provision, for reasons set out in the Memorandum, but the First Lord hoped that the Cabinet would feel able to authorise at least a substantial part of the very small additional expenditure he proposed; otherwise he thought the Admiralty were entitled to have an assurance from the Cabinet that they realised and took responsibility for the continued unreadiness of the Navy.

The First Lord of the Admiralty informed the Cabinet that when the existence of so many naval deficiencies was brought to his notice he had felt bound to notify them to the Cabinet. He suggested that some time formula...
was required to take the place of the former assumption governing the Estimates of the Defence Services that from any given date there would be no major war for ten years, and he suggested that some investigation should be undertaken with a view to making a start in defensive preparations next year. He was particularly apprehensive owing to the situation in the Far East, and in this connection he drew attention to a recent telegram (No.58, of February 9th) from the British Ambassador at Tokyo stating that a well-balanced and experienced diplomatic colleague was warning his Government that a threat of sanctions would not merely be resisted but might well be answered by immediate hostile acts without a declaration of war. At Singapore the docks were in a very unprotected state, more especially as attack, if it ever came, was likely to be made without warning.

The Secretary of State for War and the Secretary of State for Air both called attention to corresponding deficiencies in their respective Departments. The former stated his intention of circulating a summary of a Minute in which the retiring Chief of the Imperial General Staff had put on record the position of the Army. When the Cabinet were being asked to take responsibility for the present position he felt bound to let them know, as he had done a year ago, what that position was.

The Secretary of State for Air expressed dissatisfaction as to the co-ordination of the Services.

The Chancellor of the Exchequer drew attention to a Memorandum by the Treasury (C.I.D. 1087-B) which had been considered by the Committee of Imperial Defence when they recommended the cancellation of the ten-year assumption, the last sentence of which was as follows:
"They do, however, submit that today financial and economic risks are by far the most serious and urgent that the country has to face, and that other risks must be run until the country has had time and opportunity to recuperate and our financial situation to improve".

That situation still applied. The Treasury did not deny the risks, but considered the financial risk greater than the war risk. He recalled that the Committee of Imperial Defence had also recommended that a start should be made in providing for commitments which are purely defensive, including the defence of bases, priority being given to requirements in the Far East. That seemed to him the only policy.

The Prime Minister agreed with the First Lord of the Admiralty that it was more convenient to work on some time assumption than to be without a hypothesis at all. The discussion tended to show, however, that at the present moment it would be difficult to find any assumption on which even to base an inquiry. In the financial conditions described by the Chancellor of the Exchequer the Cabinet would have to take responsibility, as they had done before, for the deficiencies of the Defence Departments. If there was any matter of particular urgency the Defence Minister concerned should raise it through the ordinary channels.

The Cabinet agreed —

(a) To take responsibility for the deficiencies in the Defence Services which are imposed by the difficult financial situation of the country at the present time:

(b) That the policy should be that recommended by the Committee of Imperial Defence on March 22, 1932:

"That a start should be made in providing for commitments which are purely defensive, including the defence of bases", first
priority being given to requirements in the Far East:

c) That if any questions of special urgency arise, the Defence Ministers concerned should raise them through the usual channels.
4. The Secretary of State for Foreign Affairs informed the Cabinet of his intention to circulate a report on the present position in the Disarmament Conference.
5. The Cabinet had before them a Memorandum by the President of the Board of Trade (C.P.-27(33)) on the subject of the International Convention on the Hours of Work in Coal Mines, in which he asked, as a matter of urgency, for a decision on the line the Secretary for Mines should take at a meeting called by the International Labour Office to take place on February 20th to discuss the position of the Convention. He recalled that in February, 1932, the then Secretary for Mines had announced, with the authority of the Government, that we were favourably disposed towards the Convention; that the detailed application of some of its provisions presented problems that were under consideration; that as soon as these points had been disposed of the Government would be prepared to ratify, provided that six other countries did so at the same time. The International Labour Office had now secured from six countries statements that they were ready to proceed to simultaneous ratification and had invited the Governments concerned to attend an informal meeting at Geneva on February 20th "to examine the situation in the light of recent developments". The President of the Board of Trade warned his colleagues that if the Convention (which involved a reduction in this country of \( \frac{3}{5} \) of an hour a day) became operative, there was grave danger that the present peace in the coal industry would be replaced by serious trouble, as the present wage rates could not be maintained if hours were reduced unless the coal trade showed a more marked improvement than could yet be foreseen. He had already received a Deputation from the Mining Association. He therefore recommended that our representatives should be instructed to press technical objections at the meeting, but he warned his colleagues...
that if we adopted these delaying tactics — a policy to which he saw no alternative — the Government would be the subject of public criticism in Europe generally from the International Miners' Federation, and in this country from the Miners' Federation. Attached to the Memorandum was an Appendix setting out the more important objections and the line which the President recommended that the Secretary for Mines should take on each.

In the course of discussion it was suggested that the position would be very much eased if the leaders of the Miners' Federation were themselves to formulate objections (which they were believed to hold) to the ratification of the Convention in its present form.

The Cabinet agreed —

(a) To approve the proposals of the President of the Board of Trade as set forth in C.P.-27 (33):

(b) That the President of the Board of Trade should continue efforts up to February 20th in order to try and find some point or points on which the Government would have the support both of the Miners' Federation and the Mining Association in urging objections to ratification of the Convention in its present form.
UNEMPLOYMENT INSURANCE.

(Previous Reference: Cabinet 3 (33), Conclusion 1.)

6. The Cabinet had before them a Most Secret Second Report of the Cabinet Committee on Unemployment Insurance (C.P.-22 (33)), in which the Committee submitted agreed proposals to solve the problem of Ministerial responsibility, and information on five specific points referred to them by the Cabinet at the Meeting mentioned in the margin.

After considerable discussion the Cabinet agreed --

(a) To approve the proposals of the Cabinet Committee in C.P.-22 (33) as to Ministerial responsibility:

(b) To invite the Cabinet Committee to go on working out in detail the Chancellor of the Exchequer's original scheme as modified by C.P.-22 (33), on the understanding that the Cabinet was sympathetic to the general idea of the scheme, and hoped to put it into execution after examination of the advice of the Cabinet Committee:

(c) That if insuperable difficulties should arise in working out the details of the scheme as modified by C.P.-22 (33), the Chairman of the Committee should consult the Prime Minister with a view to a Special Meeting of the Cabinet:

(d) That the question should be treated as one of urgency.
CO-OPERATIVE SOCIETIES.  
Proposed Taxation of.  
(Previous Reference: Cabinet 22 (32), Conclusion 2).  
F.R.  
23(32).

7. The Cabinet had before them a Note by the Chancellor of the Exchequer (C.P.-19(33)) covering the Report of the Committee which was set up, in accordance with the decision of the Cabinet at the Meeting referred to in the margin, to enquire into the position of Co-operative Societies in relation to Income Tax. The principal recommendations of the Committee were as follows:

(a) That Co-operative Societies should be charged to Income Tax in respect of all trading, whether with members or with non-members, the charge being computed in accordance with the ordinary provisions as to allowable expenses, wear and tear, etc., applicable under the Income Tax Acts in the case of corporate bodies carrying on trade:

(b) That the "divi." should be treated as a trade expense:

(c) That the statutory exemption granted by Section 39 (4) of the Income Tax Act, 1918, should be withdrawn:

There was an additional recommendation:

That Co-operative Societies should make their distributions of interest without deduction of Income Tax, the recipients being directly chargeable in accordance with their individual liabilities.

The Report further stated that if the above recommendations were carried out, certain legislation would be necessary.

The Cabinet agreed —

(a) That a Cabinet Committee, composed as follows —

The Chancellor of the Exchequer,
The Secretary of State for Dominion Affairs,
The Secretary of State for War —

should be set up for the purpose of obtaining information as to the application of the principles of the Report of the Committee on the Position of Co-operative Societies in relation to Income Tax, with complete discretion to consult any person whose assistance they might think desirable:

(b) That in the meantime the publication of the Report should be suspended.
The Cabinet had before them a Memorandum by the Secretary of State for the Colonies (C.P.-31 (33)) on the subject of Gold Mining in Native Reserves in Kenya, in which he asked for a Cabinet decision on a question raised in the recent Debate in the House of Lords, when the Archbishop of Canterbury had sought an undertaking that no action should be taken on the Report of the Carter Commission (the Land Commission which is enquiring into the adequacy of the Native Reserves and the working of the Lands Trust Ordinance) until Parliament had considered the Report. The Secretary of State thought it would be unwise and contrary to Native interests to give so comprehensive a pledge, which would preclude prompt action being taken when everyone agreed that such action was necessary. In the circumstances he thought the answer ought to be that Parliament would certainly be given full opportunity of discussing the Report, but that it would be unreasonable to say that no action of any kind should be taken in advance of a Parliamentary Debate, which might not be immediately possible. He would also draw attention to the proviso governing the terms of reference to the Carter Commission, and would say that, notwithstanding this, if the Report recommended any changes in the provisions of the Ordinance these should have an opportunity of not being carried into effect until Parliament had discussed the Report. On the question of prospecting, the Governor of Kenya had had a report from Sir Albert Kitson, which had been published. The Governor desired to follow Sir Albert Kitson's advice, with which the Secretary of State concurred, but he had laid down the condition that the Governor must be satisfied that his administrative arrangements were complete and satisfactory before prospecting was allowed in any area.
The Cabinet agreed —

(a) To approve the proposals of the Secretary of State for the Colonies as set forth in C.P.-31 (83), and

(b) To suggest that the Secretary of State for the Colonies should invite the Archbishop of Canterbury to visit him in connection with a letter from the Governor of Kenya which the Secretary of State had read to the Cabinet.
9. The Cabinet found it impossible to discuss Private Members' Bills of which notice had been given for Friday, March 3rd, as only the third Bill on the list (The Protection of Dogs Bill) had yet been printed.

Previous Reference:
Cabinet 15 (31), Conclusion 9.
FR
14(21)5

2. Whitehall Gardens, S.W.1.
February 15, 1933.