CABINET 5 (38)

Meeting of the Cabinet to be held at No. 10, Downing Street, S.W.1., on WEDNESDAY, 16th FEBRUARY, 1938, at 11.0 a.m.

AGENDA.

1. FOREIGN AFFAIRS - (If required)

2. SOUTH AFRICA: THE HIGH COMMISSION TERRITORIES.
   (Reference Cabinet 32 (37) Conclusion 8)
   Memorandum by the Secretary of State for Dominion Affairs.
   C.P. 26 (38) - to be circulated.

3. DEFENCE EXPENDITURE IN FUTURE YEARS.
   (Reference Cabinet 49 (37) Conclusion 1)
   Further Report by the Minister for Co-ordination of Defence.
   C.P. 24 (38) - already circulated.

4. NEW NAVAL CONSTRUCTION PROGRAMME, 1938.
   (Reference Cabinet 8 (37) Conclusion 4)
   Memorandum by the First Lord of the Admiralty.
   C.P. 29 (38) - circulated herewith.
   Memorandum by the Chancellor of the Exchequer.
   C.P. 30 (38) - to be circulated.

5. ROLE OF THE ARMY.
   (Reference Cabinet 20 (37) Conclusion 4)
   Memorandum by the Secretary of State for War.
   C.P. 26 (38) - circulated herewith.
   Note by the Secretary covering C.I.D. Papers Nos. 1394-B, 1395-B and 1936-B.
6. **RECRUITING.**

(Reference Cabinet 11 (37) Conclusion 7)

Memorandum by the Secretary of State for War.
C.P. 22 (38) -- circulated herewith.

Memorandum by the First Lord of the Admiralty.
C.P. 25 (38) -- circulated herewith.

Memorandum by the Secretary of State for Air.
C.P. 27 (38) -- circulated herewith.

7. **CIVIL AVIATION: REPORT OF THE CADMAN COMMITTEE.**

Question to be raised by the Prime Minister.

8. **EVIDENCE BILL.**

Memorandum by the Lord Chancellor.
C.P. 21 (38) -- already circulated.

9. **PURCHASE OF LAND BY COMPULSORY PURCHASE ORDER PROCEDURE.**

Memorandum by the Minister of Health.
C.P. 23 (38) -- already circulated.

10. **CONCLUSIONS OF HOME AFFAIRS COMMITTEE.**

2nd Conclusions (38) of Committee of Home Affairs -- to be circulated.

**Increase of Rent and Mortgage Interest (Restrictions) Bill.**

(Reference Cabinet 3 (38) Conclusion 7)

Memorandum by the Minister of Health, covering draft Bill.
H.A. 3 (38) -- circulated herewith.

11. **PRIVATE MEMBERS' BILLS.**

For Friday, 25th February, 1938.

1. Local Elections (Proportional Representation) Bill. Second Reading. (Sir William Wayland (C))

2. Protection of Animals Bill. Second Reading.
   (Colonel Nathan (L))

   (Sir Edmund Brocklebank (C))

Whitehall Gardens, S.W.1.
11th February, 1938.

(Signed) M.P.A. HANKEY,
Secretary to the Cabinet.
CONCLUSIONS of a Meeting of the Cabinet held at 10 Downing Street, S.W.1., on WEDNESDAY, the 16th FEBRUARY, 1938, at 11 a.m., and resumed in the Prime Minister's Room, House of Commons, at 5.0 p.m.

PRESENT:

The Right Hon. Neville Chamberlain, M.P.,
Prime Minister. (In the Chair).

The Right Hon.
Chancellor of the Exchequer.

The Right Hon.
The Viscount Halifax,
K.G., G.C.S.I., G.C.I.E.,
Lord President of the Council.

The Right Hon.
Sir Samuel Hoare, Bt.,
G.C.S.I., G.B.E., C.M.G., M.P.,
Secretary of State for Home Affairs.

The Right Hon.
Malcolm MacDonald, M.P.,
Secretary of State for Dominion Affairs.

The Right Hon.
W. Ormsby Gore, M.P.,
Secretary of State for the Colonies.

The Right Hon.
A. Duff Cooper, D.S.O., M.P.,
First Lord of the Admiralty.

The Right Hon.
The Viscount Swinton, G.B.E., M.C.,
Secretary of State for Air.

The Right Hon.
Oliver Stanley, M.C., M.P.,
President of the Board of Trade.

The Right Hon.
The Earl Stanhope, K.G., D.S.O.,
M.C., President of the Board of Education.

The Right Hon.
Ernest Brown, M.C., M.P.,
Minister of Labour.

The Right Hon.
E. L. Burgin, M.P.,
Minister of Transport.

1. The Prime Minister read to the Cabinet the following message which he had received from Mr. Lyons, the Prime Minister of the Commonwealth of Australia, through Mr. Bruce, the High Commissioner:

"The High Commissioner has advised me personally of his conversation with you in regard to rearmament. I desire to confirm his statement that Australia will be prepared to co-operate with the United Kingdom to maximum extent of her power and financial resources in any further defence preparation your Government may decide is necessary for defence of Empire in face of serious International situation."

The Prime Minister added that the High Commissioner was going to discuss the question with the Minister for Co-ordination of Defence.

Much satisfaction was expressed at the above communication.
The Secretary of State for Foreign Affairs summarised the developments in the Austrian situation of the last few days.

On February 7th the German Minister in Vienna first proposed a meeting between Herr Hitler and the Austrian Chancellor. The date suggested was February 9th, but the Chancellor refused to go at short notice, and the meeting eventually took place on February 12th. At that meeting Herr Hitler brought great pressure to bear on Dr. Schuschnigg, with the object of accelerating the absorption of Austria by Germany, and also informed him that Lord Halifax completely approved of Germany's action towards Austria and Czechoslovakia. The Chancellor appears to have put up a good fight, but had had to make two concessions of great importance. The first was that Dr. von Seyss-Inquart had been nominated Minister of the Interior and Security; and the second that Dr. Schmidt, at present State Secretary for Foreign Affairs, had been appointed Minister for Foreign Affairs. The importance of the first point was that Dr. von Seyss-Inquart in his new appointment controlled the Police, although the present Director of Security (as administrative head of the Police) remained in his position but was subordinate to and controlled by the new Minister of the Interior. The appointment of Dr. Schmidt as Minister for Foreign Affairs might be of more importance that it appeared, since his complete loyalty to Dr. Schuschnigg had in certain quarters been called in question, and we knew that the Chancellor was recently considering the possibility of replacing him. We also knew that the Germans were anxious to obtain the appointment of
Dr. Schmidt as Minister for Foreign Affairs, and this in itself was highly suspicious. The concessions which Dr. Schuschnigg had obtained in return (as reported in this morning's Press) did not appear to be of great importance and were probably more of a face-saving character.

It was significant to note that Italy, although she was informed of this meeting, at any rate on the Austrian side, one day before it took place, i.e. February 11th - the same day that we ourselves were informed, did not appear to have taken any action either in restraint of Herr Hitler or in support of the Austrian Chancellor. The only conclusion that could be drawn was that another round in the fight for Austrian independence had just been fought and that that round had gone to Germany. We knew that during the recent episodes in Germany, Herr Hitler had resisted the Nazi party who represented a forward policy in Austria. Eventually a compromise had been reached. It might now be that the price Herr Hitler had had to pay for damping down those who demand quick and forcible action in Austria had been to accelerate the pace of non-forcible action.

Referring to such action as we had had time to take in the short time available, the Foreign Secretary recalled that the British Minister at Vienna, when he first heard of the proposed meeting between the Austrian Chancellor and Herr Hitler, had expressed doubts of its wisdom. By the time we had heard of it, however, it was too late to take any action. We had made the suggestion that the Police should be separated from the Home Office in Austria, but the suggestion had come too late. The
Secretary of State himself had asked His Majesty's Ambassador in Berlin to make enquiries as to what was happening and the Ambassador had been assured by the Minister for Foreign Affairs in Berlin that he had every hope that the upshot of the negotiations would be one of appeasement. In order to bring the Cabinet up to date, he read Vienna telegram No. 22 containing an account of a talk that the British Minister had had with the Austrian Chancellor.

The Lord President of the Council recalled that his general impression as the result of his interview with Herr Hitler had been that the Führer would continue his activities in regard to Austria, but in a manner which did not enable any other country to interfere. This appeared to be what was happening.

The Prime Minister thought that Herr Hitler wanted peace but at his own price.

The Secretary of State for Foreign Affairs said he did not want any decision from the Cabinet at the moment. He would have to watch the situation very carefully and he would keep in close contact with the Prime Minister. He did not want to put himself in a position of suggesting a resistance which we could not, in fact, furnish. The most interesting reaction to watch for was that of Italy.
SPAIN.

3. The Secretary of State for Foreign Affairs said that he had received a message from the Italian Ambassador, who was expecting a further communication from the Italian Government and had asked for an early interview in order to deliver it. The Ambassador had indicated that he thought this communication was likely to be of a favourable character. If this proved to be the case, he proposed to press forward with the Spanish affair as rapidly as possible. He added that His Majesty's Government had been asked by both sides to appoint an arbitrator on the question of the exchange of prisoners and, subject to what the Chancellor of the Exchequer might have to say, this was a matter in which His Majesty's Government ought to bear the cost.

The Chancellor of the Exchequer agreed that this was the kind of expenditure that we ought to be willing to incur. The request for our good offices in this matter was a high compliment to our impartiality and he thought it was very justifiable to incur the relatively small expenditure involved in the appointment of a High Commissioner with a small staff.

The Prime Minister agreed with the Chancellor of the Exchequer, and the Foreign Secretary offered his warmest thanks.

Some discussion took place as to who should be appointed.

The Cabinet agreed:

(a) To approve the proposal of the Foreign Secretary that the expenses of an arbitrator in Spain and his staff, in connection with the exchange of prisoners between the two parties in Spain, should be borne by His Majesty's Government:
(b) That the Secretary of State for Foreign Affairs should consider the appointment of a suitable person as arbitrator.
ITALY.

4. The Secretary of State for Foreign Affairs, in reply to the Home Secretary, stated that he proposed in the near future to circulate to the Cabinet Committee on Foreign Affairs a Memorandum as to our desiderata in the proposed conversations with Italy, together with suggestions as to the timetable. He promised to bear in mind a suggestion by the Prime Minister that instead of transferring the conversations to Rome, as Count Grandi had suggested, it would be desirable to work for the continuance of the conversations with the Italian Ambassador in London and for the Italian Minister for Foreign Affairs to come to London to conclude them.
5. The Secretary of State for Foreign Affairs reported that he had discussed the question of Naval Limitation with the Japanese Ambassador and he thought that another effort ought to be made. Apparently, speaking for himself, the Ambassador had admitted this, but had pointed out that the Japanese Government had taken up a certain attitude and that it was difficult for them to go back. The Ambassador did not know what his Government's intentions were about Naval construction, but seemed to think it might be possible to find some other way than the official channel for communicating their intentions.

The First Lord of the Admiralty said he had seen the American Captain Ingersoll, who had described an interview which he and the American Admiral Leahy had had with President Roosevelt. The latter had approved the result of the discussions held in London. The President had also suggested that the United Kingdom and the United States ought to reach agreement as to what was to be done in view of the Japanese attitude before approaching the French Government on the subject.

The Prime Minister suggested that it was well worth while to explore the situation. It looked to him as though the Japanese Government were anxious not to embark in a race for Naval armaments, but wanted to save their face. The present position was rather a paradox as Japan refused to give information relating to qualitative disarmament because the other Powers had not been willing to discuss quantitative disarmament.
6. Continuing his account of his conversation with the Japanese Ambassador, the Secretary of State for Foreign Affairs said the Ambassador had made clear that his Government did not desire mediation at the present time. He (the Foreign Secretary) felt that if anything was to be done in the direction of mediation, we should need the co-operation of the United States of America. In the meanwhile, at places like Shanghai where the Japanese were in occupation, the difficulties of trade were increasing.
7. The Secretary of State for the Colonies reported that the General Officer Commanding in Palestine had forwarded a request, through the High Commissioner, that the permission already given for the employment of aircraft for dealing with the disturbances in Palestine should be extended to Transjordan. His suggestion was that when the rebels crossed the Jordan, aircraft should be permitted to follow up their operations on the other side of that river instead of having to relinquish them as at present. He had consulted the Foreign Office, the War Office and the Air Ministry on the subject, and he gathered that the Foreign Secretary felt some doubts in view of a speech he had recently made on the subject of limitation on the use of bombing aircraft. He himself was actuated mainly by the desire to support the efforts of the Military authorities to clear up the serious situation in Palestine unless wider considerations rendered particular action undesirable.

The Secretary of State for Air recalled that in 1936 during the rebellion careful instructions had been given as to the use of aircraft against armed bands. Special care had been taken to avoid the destruction of villages with the possible exception of the bombing of refractory villages after due warning - a point on which he was not fully informed as the question had not been on the Agenda Paper.

The present position was that the General Officer Commanding had authority to use his Air Forces in the same way as in the rebellion of 1936. The question of whether he should be authorised to carry out the same instructions in Transjordan appeared to him to
depend on whether the result would be to keep Transjordan quiet or otherwise, a point on which he himself was not the constitutional authority. Subject to that, he thought it desirable that the General Officer Commanding should receive the authority he desired.

The Secretary of State for Foreign Affairs said he did not wish to veto the proposal, but he had felt it necessary to mention that the action we took might be used in Germany and elsewhere against us.

The Secretary of State for the Colonies, in reply to a question, said that no announcement of the extension would be made. In reply to the Lord President of the Council, as to the Emir Abdullah's view, he said that the High Commissioner, who was well acquainted with the Emir's point of view, supported the request.

The Prime Minister thought that the answer depended on how the authority would be used. Was it the intention to pursue rebels mounted on camels or on horseback or to destroy villages?

The Secretary of State for Air said this would depend upon the precise nature of the existing instructions.

The Cabinet agreed:

That the Secretary of State for the Colonies should be authorised to approve the authority asked for by the General Officer Commanding in Palestine to employ Air Forces against Palestine rebels retiring into Transjordan in the same manner as is allowed in Palestine. The Secretary of State was asked, however, first to satisfy himself as to the character of those instructions and their suitability for Transjordan.
8. The Cabinet had before them a Memorandum by the Secretary of State for Dominion Affairs (C.P.-28 (28)) on the Question of the Transfer to the Union of the Government of the High Commission Territories in South Africa, to which he attached for the information of his colleagues copies of correspondence with General Hertzog and the draft of a Joint Statement. The Secretary of State sought approval to the terms of the proposed Statement and to its publication soon after it had been agreed with the Union Cabinet.

The Secretary of State for Dominion Affairs gave the Cabinet a summary of his proposals. At the conclusion of his statement he mentioned three proposals by General Hertzog which had been rejected: first, propaganda in the United Kingdom; second, that we should consult with the Government of the Union of South Africa as to future appointments within the High Commission Territories; and third, that our officials should be used to exercise persuasion on the natives to favour the transfer. The only decision he asked for from the Cabinet was approval to the Joint Statement and for its early publication.

In the course of the discussion, a number of questions were asked relating to the Memoranda to be prepared by the Union Government for the information of the native and European inhabitants of the Territories to give them a picture of the results which would follow a transfer of the Government of the Territories to the Union. For example, what was to be their character? Would they not contain a good deal of propaganda? To what extent were we able to check their use for this purpose? If so, what action should we take if those who were opposed to the transfer wished to distribute counter-propaganda? Would it not be
better to get an agreed text for the Union Government's Memoranda before issuing the Joint Statement, even if this involved some considerable period of postponement?

The Secretary of State for Dominion Affairs answered all these points in turn. He said that the Schedule to the South Africa Act gave the broad lines of the conditions of transfer. Our own object was that the Memoranda should provide as much information as possible as to what would happen if transfer took place, as there was much misunderstanding on this point. He agreed that it would probably not be practicable to eliminate every element of propaganda in the Memoranda. The first draft had been decidedly of a propagandist character. This, however, had been withdrawn and he was using every effort to eliminate undesirable features in the drafts now under discussion. If the Memoranda threatened to assume too controversial an aspect, we could reserve our right to issue counter-statements. This would be very unpalatable to the Government of the Union of South Africa and this gave us a lever for influencing their attitude. His idea was that His Majesty's Government should be responsible for the distribution of the Memoranda to the natives. These would be distributed by the Resident Commissioners, to the natives who would explain that they had been produced by the South African Government in order to show what would happen in the event of transfer. They would probably then allow the Chiefs to take them away for study. An opportunity would be given to the Chiefs to put questions and these might be answered by a representative of the South African Government with the Resident High Commissioner of the Territory affected in the Chair.
As to the possibility of counter-propaganda, this could not be excluded, but we were pledged by the 1935 Agreement to give our co-operation to the Union Government so that our position towards them was different from what it was towards Missionary Societies or other bodies that wished to oppose transfer. We were also bound by our undertakings in 1935 to discourage agitation against transfer to the Union. The Secretary of State was averse to postponing the statement until the Memoranda had been agreed. He had received information to the effect that some members of the Union Government were reluctant to issue the Memoranda before the Elections, as the advantages to the natives of the Territories in question when realised by farmers might have an adverse effect on the Government's prospects. That would involve postponement until June. From other points of view, however, it was desirable to publish the statement as soon as possible in order to show that the disagreement between the two Governments had been allayed and that co-operation was being attempted. That was desirable from a Parliamentary point of view in both countries. He was also anxious to avoid giving the impression that we had any responsibility for the Memoranda. That was not the case. They were the responsibility of the South African Government. Our own interest in them was mainly to avoid any false statements, e.g. reflecting on our own administration and it was in such matters that it might be necessary for us to make a counter-statement in the last resort. To publish the statement without any reference to the proposed Memoranda would arouse much suspicion. He offered, however, to consider his proposals again in the light of the Cabinet discussion.

The Prime Minister agreed to this.

The Cabinet agreed:

That the question should be carried over until their next regular weekly meeting.
9. The Cabinet had before them a Most Secret Further Report by the Minister for Co-ordination of Defence (C.P.-84 (38)) on the question of Defence Expenditure in Future Years, in which he dealt with the revised forecasts of costs of programmes submitted by the Defence Departments in accordance with the Conclusion mentioned in the margin and prepared on the basis indicated in his Interim Report (C.P.-316 (37)). In his conclusions the Minister proposed that the figure of £1,650 millions should be taken as the maximum sum which could be regarded as available for all defence purposes over the five years 1937-41, of which £1,570 millions should be prescribed as the limit up to which the Defence Departments might work for that period, the question of allocation to be the subject of discussion between the Chancellor of the Exchequer, the Defence Ministers and himself, and of a further Report to the Cabinet. He also suggested that an Inquiry should be undertaken in 1939 in order to consider whether, in the light of the international situation as it then existed, it was necessary and possible to authorise Defence Programmes of a wider scope and involving greater expenditure than the Programmes which could be compassed within the proposed limit of £1,570 millions, but without precluding review of the authorised programmes at any time if changes in the international situation rendered reductions possible. At the end of his conclusions the Minister stated that the plain fact was that it was beyond the resources of this country to make proper provision in peace for the defence of the Empire against three major Powers in three different theatres of war. He therefore desired to repeat with fresh emphasis his opinion as to the importance of reducing the scale of our commitments and the number of our potential enemies.
The Prime Minister paid a tribute to the efforts of the Minister for Co-ordination of Defence to resolve a very difficult and complicated problem that had been referred to him, and invited him to open the discussion.

The Minister for Co-ordination of Defence said that his task had proved even more difficult than he had anticipated, and he had not been able to refrain from expressing some disappointment at the result of the fresh forecasts of expenditure. He drew attention to paragraph 28 of his Memorandum, in which were tabulated the revised forecasts.

The Admiralty forecasts were made under two alternative hypotheses, namely, the D.R.C. Fleet and the New Standard Fleet. He drew the attention of the Cabinet to the figures in this Table. Paragraphs 5 to 8 of the Report explained the increase in the Admiralty figures. He gathered that paragraph 8 (ii) was criticised by the Admiralty. He explained, however, that his own statement was an inference from the Admiralty figures on page 17. In any event he thought it was accurate to say that the Admiralty were now contemplating a much larger expenditure on new construction in the remaining years of the quinquennium than was anticipated at the time when the October forecast was compiled. He recalled that at the Meeting of the Cabinet on the 22nd December last (Cabinet 49 (37) Conclusion 1) the Chancellor of the Exchequer had pointed out that —

"The effect of the Minister for Co-ordination of Defence's scheme appeared to be that the Admiralty would continue for next year on their present basis and that in twelve months' time a decision would be taken as to whether their programme was to be increased".

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This remark was based upon paragraph 57 of his own Interim Report (C.P.-316 (37)) —

"For the time being, however, it is possible for the Admiralty to proceed broadly on the basis of the D.R.C. Fleet without prejudice to the adoption at a later date of the proposed new standard should a decision subsequently be given to this effect. This enables us to defer for the time being a decision on a matter which would have such far-reaching consequences. I propose, therefore, that for the present the Admiralty should not incur expenditure which commits them to a Fleet beyond the D.R.C. standard".

The decision of the Cabinet on the subject had been set forth in Conclusion (c)(i) as follows:—

"That, as stated in paragraph 59, the Minister for Co-ordination of Defence will deal, in his next Report, with any modified proposals involving a departure from the D.R.C. standard which the Admiralty may wish to suggest, but that the final decision as to an increased standard of Naval strength need not necessarily be taken until next year."

As a matter of fact he had not received the Memorandum on this subject by the Admiralty until after his Report had been in draft, but this was not of great importance, for the reason that an immediate decision was not necessary.

So far as the Army was concerned, he recalled that the October forecast presented by the Secretary of State for War had included a somewhat vague figure of £100 millions which the Secretary of State had suggested might be required for certain items that had not been included. That item was distributed under the appropriate heads in the latest forecast. Consequently, although the new decisions as to the rôle of the British Army had resulted in the saving of £14 millions upon the Field Force, the distribution of this total of £100 millions had resulted in a considerable increase in the total forecast. The Secretary of State for War, rightly, in his opinion, had taken the responsibility of interpreting the new rôle of the Army as involving the possibility of an Eastern campaign. That matter

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was dealt with in paragraph 15 of his Report.

Turning to the question of the Air Force, he recalled that the Chancellor of the Exchequer, at the Meeting on December 22nd, had presented the position as follows:

"The Air Force was to be increased by the adoption of part of Scheme J...... He pointed out that the authorised programme for the Air Force at present was Scheme F and not Scheme J. Consequently what the Minister for Co-ordination of Defence was suggesting was an advance substantially from Scheme F in the direction of meeting the enemy over our own towns."

In paragraph 64 of his earlier Report (C.P.-313 (37)) he himself had advised as follows:

"In regard to our Fighters, given that our main object is the defence of this country, one of the very last items on which we should seek to effect a reduction would be the Fighter Squadrons which form part of our defensive system. The increases in Fighter Squadrons proposed by the Secretary of State for Air as part of Scheme J must therefore be accorded the first priority."

The Conclusion of the Cabinet had been stated in Cabinet 49 (37) Conclusion 1 (c)(iii) as follows:

"That as regards the policy for the expansion of the Air Force no final decision was reached on Par. 98 (iii) of the Report, but that the Minister for Co-ordination of Defence should, in his future investigations, proceed on the basis of that paragraph and in consultation with the Secretary of State for Air. In particular, further examination should be made of the linked questions of the provision of war reserves and war potential."

In accordance with that decision the Secretary of State for Air had prepared a scheme which did not go as far as Scheme J, but was an advance on Scheme F.

He had to admit that the programmes submitted to him produced a very disappointing result, as set forth in paragraph 35 of his latest Report (C.P.-24 (38)), where it was stated that -
"The intention underlying the Cabinet decision of the 22nd December last, namely, that the Defence Departments should be invited to submit revised forecasts with a view to bringing the total defence expenditure over the five years 1937-41 within a total of £1,500 millions, has thus not been achieved".

Moreover, the question of maintenance, dealt with in paragraphs 39 and 52 of his Report, was very important.

There was another matter which was becoming of great importance and to which the Chiefs of Staff Sub-Committee had drawn his attention, namely, the shortage of skilled labour. This was dealt with in paragraph 44 of his Report as follows:-

"In the first place, the rate of progress of the defence programmes is subject to limitations imposed by the industrial conditions of the country, and in particular by the amount of skilled labour which can be made available without disrupting our peace-time industrial system...."

There were, therefore, two limiting factors, namely, first, the amount of money that could be spared, which was dealt with in paragraph 55 of his Report as follows:-

"Accordingly, I propose that the figure of £1,650 millions should be taken as the maximum sum which can be regarded as available for all defence purposes over the five years 1937-41. Out of this sum it is necessary to provide for expenditure on certain items given in the table in paragraph 31, i.e., Air Raid Precaution measures, say £40 millions, other civil defence measures, say £20 millions, and interest on sums borrowed under the Defence Loans Act, £24 millions. Deducting a total provision of £94 millions for these items, the total available for the three Defence Departments is therefore, say, £1,570 millions.

My first proposal is therefore that this total of £1,570 millions should be prescribed as the limit up to which the Defence Departments may work for the period 1937-41."

Admittedly that recommendation would lead up to a difficult position. His plan for dealing with it was set forth in paragraph 62 as follows:-
"A further enquiry should have been undertaken in the year 1939 in order to consider whether, in the light of the international situation as it then exists, it is on balance regarded as necessary and possible to authorise defence programmes of a wider scope and involving greater expenditure than the defence programmes which can be encompassed within the proposed limits of £1,570 millions. This does not, of course, preclude review of the authorised programmes at any time if the international situation should undergo such changes as to render possible reductions in these programmes.

63. In making these proposals I am anxious to avoid giving the impression that they will be easy to carry out...."

He had been driven to that conclusion, as any other would drive us into an expenditure which it would be impossible to provide.

Finally he drew attention to the remarks in his last paragraph "as to the importance of reducing the scale of our commitments and the number of our potential enemies".

The First Lord of the Admiralty said he did not accept the statement in paragraph 8 of the Minister's Report that the Admiralty were exceeding the D.R.C. standard, but he thought that the matter could better be dealt with on the next item of the Agenda Paper. The proposals for scrapping were of no immediate importance to the Minister for Co-ordination of Defence's statement as this did not arise until 1941. The proposals would have some effect on personnel, but the necessary adjustments could be made next year.

Referring to the quinquennium, he pointed out that the expenditure on the third Capital Ship would reach its maximum in 1941. If the Services were now to be rationed down to what was contemplated in this Report it would be impossible to complete the D.R.C. programme. That would react very gravely not only on Defence Policy but on our general Imperial Policy, since it would not be possible to maintain a covering force in the Far East.
as well as in Europe. All the Naval Powers were increasing their programmes. We ourselves only possessed three Capital Ships that had not been completed before the Battle of Jutland, whereas Germany's Capital Ships were all of post-1932 construction.

The Secretary of State for War agreed that the Further Report by the Minister for Co-ordination of Defence was a powerful document. If, however, the proposals in his latest Memorandum, which was on the Agenda before the Cabinet were adopted, there would be a large reduction in Army expenditure, and the increase mentioned by the Minister would be converted into a reduction and a great economy would be shown. He gave details. He pointed out that the Minister's figures were based on the assumption that the estimates were being carried out. He gave examples to show that this was far from the case: e.g., in regard to anti-aircraft guns, shell bodies, tanks, etc. The figures mentioned were far greater than could possibly be spent. From this point of view he commended the reference to the question of skilled labour in paragraph 44 of the Report. When the enquiry foreshadowed for 1939 came to be made it would be equally important to investigate how far future programmes could be carried into effect, including the question of labour.

The Secretary of State for Air gave an explanation of how the figures stated in paragraph 28 of the Minister's Report had been arrived at. Scheme J, which had been the basis for the Minister's Interim Report so far as the Air Force was concerned, had provided for a larger programme than was now contemplated, though it was the minimum which the Air Staff
thought sufficient as an adequate insurance. The estimates had been made as carefully as possible, and it was interesting to recall that in 1937 and 1938, as he was advised, the expenditure would tally almost exactly with the estimate. The reception of Scheme J, however, had shown that the expenditure involved was greater than the Cabinet felt it was possible to meet. That had led him to draw up Scheme K, which included the full number of Fighters in Scheme J, the minimum number of Bombers which the Air Staff thought consistent with safety, as well as the full provision for trade defence and reconnaissance. Even that relatively limited scheme, however, had resulted in a figure in excess of the £560 millions at which he had to aim. He had then thought it right to try and produce a scheme falling short of the provision for our Metropolitan Forces which was deemed necessary by the Air Staff and to make an attempt to produce some scheme within the financial limits available. The new scheme, costing £587.5 millions, was not what the Air Staff thought ought to be done, but what they thought would be the best value that could be got for this sum. He hoped the Cabinet would be under no illusion in this matter. He noted that the Minister's Report assumed an aggregate expenditure and suggested that this should be divided between the Departments so as to make clear what the expenditure of each would be in the years 1938 and 1939. He did not think that he differed from the Minister in the matter on which he was about to speak, as he had already discussed it with him. He felt bound to say, however, that a decision of this kind would be of no value to the Air Ministry. It was essential to them, if they were
to obtain the production they required, to have a programme looking forward four or five years ahead. Up to 1939 the Air Ministry were already committed by contracts which had been entered into; in fact some contracts went beyond that year. They were, however, already faced with a situation in which, unless they could give orders extending beyond 1939, there would be a gap in production. This was due to the fact that some eighteen months had to be allowed for the production of jigs and tools for new types. Moreover, unless they could give orders on a large scale they would not be able to obtain the necessary speed of production.

In reply to the Prime Minister he agreed that the point in regard to the provision of jigs and tools only concerned new types. The second point, however, relating to speed of production, applied in the case of existing types also, since firms which saw that their orders would be running out in 1939 inevitably sought to spread the time for the completion of the order in order to be sure of keeping their men together longer. Otherwise they might lose them before they could carry out orders for later types. He illustrated this by the case of the "Hurricane" aeroplane. He pointed out, however, that very little risk was run by giving orders for a longer period in the case of aircraft. It was not like the case of the Capital Ship, where once the order was given it had to be carried through. In the case of aircraft, provision was made for a break clause so that the order could be cancelled with a comparatively small amount of nugatory expenditure. He suggested, therefore, that the Air Ministry should be allowed to proceed on the basis of carrying right through the orders for the programmes suggested in the
Report, subject to the inclusion of a break clause. Without that, production would be reduced in future and we should not be able to carry out the present programmes.

The Chancellor of the Exchequer said that this was as serious a matter as any Cabinet had ever had to face in time of peace. He had tried to look at it not from a narrow departmental point of view but as a member of the Cabinet with a wider responsibility. He realised that the Treasury must make its contribution to the national effort. He thought it would not be wasting the time of the Cabinet to state certain figures. He recalled that the Prime Minister, when he was Chancellor of the Exchequer, had announced an effort of re-armament involving the enormous figure of £1,500 millions spread over five years, of which £400 millions were to be borrowed. This really was a stupendous figure which it was difficult to realise. It was impossible to get out of the difficulty by merely saying "Let us borrow some more". It was hard enough to borrow £400 millions, and this would involve much help from the City of London. A first instalment of this money had been borrowed, and at the time it had produced a tremendous effect. The Treasury then began to look at the question of how this borrowing would work out. They had prepared estimates on two hypotheses. Hypothesis A was on the basis of what had already been approved by the Cabinet, and was found to involve an expenditure not of £1,500 millions but of £1,690 millions. Hypothesis B, which was based on the assumption of the new standard of Naval construction for the Admiralty, and Scheme J for the Air Force, had totalled £1,900 millions. Those figures had been very alarming. The Cabinet had then approved that the
Minister for Co-ordination of Defence should examine the problem, and the Minister had produced a very remarkable piece of work. His effort had been to see if he could bring the figures down to £1,500 millions. The result, however, had been a figure of £2,000 millions. He was aware that this was not for want of trying, as everyone had made the strongest efforts. The Minister's suggestion was for an expenditure of £1,550 millions. This would involve a very heavy strain on the national finances. The financial prospects for the immediate future were good enough, but he was fearful for the future. Of course there was no question of announcing a "recession" in the national finances. He would be a sanguine man, however, who thought that we could get to the end of the quinquennium with the present standard of financial prosperity. That was a very serious thought for the Chancellor of the Exchequer. Whenever we tried to revise expenditure it went up. It would be a most serious matter if, when the examination was made in 1939, the expenditure went up again, as by that time taxation prospects would be worse. He felt every sympathy for the Defence Departments, and had come to the conclusion that he ought to ask for the Report to be accepted and for action to be taken to give effect to it. That was to say, he abandoned the figure of £1,500 millions and accepted £1,550 millions: namely, £1,570 millions for the Services, the remainder being for Air Raid Precautions and other civil requirements. He felt he must also agree to the proposal for an enquiry two years hence, though he did so with a heavy heart. He thought it would be wrong for a Government, without consideration of the international situation, to say...
rigidly that they could not spare more than £X millions for defence. He wished to place on record, however, that the expenditure of £1,650 millions on defence not only placed a terrible strain on the national finances, but could not be increased without financial disorganisation to an extent that would weaken the resistance of the country. His conclusion, then, was that the Cabinet ought to accept the proposals of the Minister for Co-ordination of Defence, and that they should then be worked out in detail. This would involve the expenditure mentioned in paragraph 55 of the Report. The next question would be to divide the £1,570 millions between the Services, and the responsibility for that should be placed on the Minister for Co-ordination, who would know what assistance he needed for the task. It meant an assessment of the relative needs of the various Departments. The question of delay in production, mentioned by the Secretary of State for War, would also have to be taken into account, as well as the Admiralty's difficulties in the production of armour-plate. It would be the height of folly to announce a programme larger than could be carried through. Other nations would be encouraged if this were done: e.g., Japan. From this point of view perhaps the conclusion proposed by the Minister was not so gloomy as might appear at first sight. We should be adopting programmes which would not be held up by want of labour or material, as would happen in the case of larger programmes. He drew attention once more to paragraphs 6 to 14 of the First Report by the Minister for Co-ordination (C.P.-316 (37)) which contained a classic statement of the elements that made up our strength for national defence. This showed that the Treasury really ought
to be included as one of the Fighting Departments, as their contribution was as great as that of any.

The Secretary of State for Foreign Affairs realised that he also had a share of responsibility in these matters.

The two points in the remarks of his colleagues which had impressed themselves upon him were, first, the Secretary of State for War's point about present deliveries, which he gathered were, in the case of the Admiralty and War Office together, about £10 millions below the expenditure approved in the Estimates; and, second, the Secretary of State for Air's point as to the need for giving orders for aircraft for some years ahead. This was very important, as next year the international situation was not likely to be better. The Paper showed that next year we should be a good deal below the German standard, and this made any prospect of any further slackening very serious. He suggested that we ought to ascertain more about foreign orders. If more of these could be secured it might be possible to alleviate the situation.

Turning to the wider aspects of the question, he found it difficult to express views on the programme because he did not know what was its strategical basis. A hint of this was given in the last paragraph of the Report where it was suggested that we ought to reduce the number of our potential enemies. If the Report were based on the assumption that we might have to meet three Powers at once, namely, Germany, Italy and Japan, without any assistance from allies, he recalled that the American Admiral Leahy had stated that this was the American position, mentioning the same three Powers. He was unable to gather, however, whether that was the assumption.
The First Lord of the Admiralty said that we had never yet based our arrangements on the assumption of the hostility of three Powers simultaneously.

The Foreign Secretary, continuing, suggested that it would be wrong to assume that the three Powers would all be hostile without France being in alliance with us as a minimum. France had the second Navy in Europe, and her position was much better than it had been in 1914. Our relations with the United States were also much better than in that year. He rather had the impression that this Memorandum was based on the very worst assumption and not on a more reasonable one in which we could count on the assistance of allies.

The Secretary of State for Air pointed out that, so far as the Air Force was concerned, no such assumption had been made. Even Scheme J had provided a minimum for the Middle East, but that had been quite inadequate to the case of a hostile Italy. Scheme K, on the other hand, made no provision for any increases in our air forces abroad, and, to speak quite frankly, was inadequate vis-à-vis Germany.

The Foreign Secretary then took up the point as to whether it was possible to reduce the number of our potential enemies. He pointed out that the three Powers mentioned each had ambitions for the fulfilment of which we stood in the way. Herr Hitler, for example, stood for what he had written in "Mein Kampf", to which he had since added the colonies. Signor Mussolini had ambitions to restore the Roman Empire; and Japan was aiming at aggrandisement in the Far East. He did not say that it was impossible to manoeuvre within these limits, but his difficulties
in reducing the number of our potential enemies were based on fundamentals. He thought that we ought to court our friends and, within limits, to find out what they could do to assist us.

(The Cabinet then adjourned until 5 p.m.)
At 5 p.m. the Cabinet resumed their discussion of the question of Defence Expenditure in Future Years.

The Lord President of the Council said that those who took a general, as distinct from a specialist, view of these questions were under a debt to the Minister for Co-ordination for his illuminating Report. Even so, it was difficult to obtain a clear impression of these complicated programmes. He found himself driven to the melancholy conclusion that there was no finality in armaments. The Cabinet could never say that they had reached the position which the Defence Departments regarded as ideal. On the other hand, somewhere in the field of finance there must be a limit to expenditure. Consequently it was never practicable to cover all our needs. He was also impressed by the Foreign Secretary's remarks that the programmes did not take sufficient account of the assistance we might reasonably count on in certain circumstances from abroad. He had refreshed his memory on a recent Report by the Chiefs of Staff Sub-Committee containing a comparison of the strength of Great Britain with that of certain Powers as at 1st January, 1938 (C.P.-296 (37)), which presented a less gloomy picture. His first reactions, therefore, to the inevitable gap between available expenditure and requirements were, first, that he suspected in fact that we should not be able to spend much more than the £1,500 millions previously contemplated by the Chancellor of the Exchequer for the reasons given by the Chancellor himself; second, that even if we were unable to spend the £1,650 millions now contemplated the armaments that we could provide would...
nevertheless furnish a considerable factor in support of the peace side of the ledger; and, third, that the maintenance costs at the end of the quinquennium must be a cause of apprehension not only to the Chancellor of the Exchequer but to the whole Cabinet. He felt also that it was very difficult for any member of the Cabinet to ignore the Chancellor of the Exchequer's grave warning — as grave, perhaps, as any Chancellor had ever uttered — as to the danger of exceeding these figures. In sum, he doubted whether the Cabinet had any alternative but to accept the judgment of the Minister for Co-ordination, confirmed by the Chancellor of the Exchequer. That was their unavoidable responsibility, and he felt it was the duty of every member to give all possible assistance not only to the acceptance but also to the execution of the plan.

The Home Secretary said that he did not differ broadly from the conclusions of those of his colleagues who had spoken. The Cabinet ought not, however, to ignore the fact that the financial situation counted for a great deal with us but not with the nations whose attitude concerned us. None of the three nations mentioned counted at all the cost of their vast armaments. He wished, however, to raise certain definite points.

He referred first to paragraph 11 of the Air Staff Memorandum attached to the Report of the Minister for Co-ordination (C.P.-24 (38), page 25). The meaning of this paragraph was that, owing to the cutting down of from 16 to 9 weeks the available war reserves, our Air Force would have two alternatives, namely, either to go all-out at the beginning of the war even though it involved exhausting their resources in a month or
two, or else to go slow and reserve their resources mobilised until war potential provided their necessities: in other words, we would have to deprive ourselves of our main weapon of war, namely, ability to maintain a sustained offensive. As the Minister responsible for Air Raid Precautions he had to recognise that this would deprive us of our first means of defence, increase the danger of panic, and result in a great demand for air raid precautions. He asked the Minister for Co-ordination to treat this as a question of vital importance in his further enquiries. It was, indeed, a vital matter in itself, but even more so if the whole picture of air defence was reviewed. He had recently seen a figure of aircraft production in different countries, from which it appeared that the monthly capacity was as follows:

- United Kingdom ....... 200 a month.
- Germany ............ 500 " "
- France ............... 400 " "
- Italy .................. 300 " "

in relation to other countries. So far from increasing our output we were going back. The same considerations applied to anti-aircraft armaments. The key point in A.A. artillery, for example, was the 3.7-inch gun. Up to now there was not a single gun with units. He said this not in criticism, but merely stating a fact. In the next few months we should have a few. The production of the larger gun (4.5-inch) still remained in the dim and distant future. In addition to that, the general defensive position was deteriorating every month. The Japanese had brought a new complication into our programmes. He himself had been responsible for drawing up programmes for the new standard of Naval defence. His main point, however, was
that if we reduced our war reserves for the Royal Air Force we were playing into the hands of Germany by facilitating the knock-out blow.

The Prime Minister pointed out that at the moment the Cabinet were only concerned with the total figure of expenditure and not with its distribution.

The Home Secretary thought it possible that when the distribution came to be considered in detail it might be necessary to raise the total figure.

The Minister for Co-ordination of Defence pointed out that the total could not be pushed higher.

The Home Secretary suggested that it might be necessary to make greater financial efforts in face of the risks accomplished by a greater concentration on output. However, for the moment he was content, provided that the question of war reserves for the Air Force remained open.

His next point was that the Cabinet ought to have figures of how much we were actually spending as compared with the estimates, as that might affect the ultimate programme. He suggested that a report by the Treasury on expenditure might be included in the monthly review of progress by the Committee of Imperial Defence (former D.P.R.).

Next, the Home Secretary suggested that no useful results would be obtained by telling the heads of the Services that they must reduce their estimates within certain limits. This had been tried before and had never produced good results. The Admiralty, for example, must have specific directions as to the part which the Fleet had to play. He was all in favour of taking into account the action of possible allies, but the Cabinet would get better results if the Navy knew the policy. The same principle applied in the case of
the Air Force. It might, he agreed, never be possible to catch up the German air strength. If parity was impossible, however, we ought to have some alternative policy. Without such we could never bring expenditure down to the £1,650 millions.

The Lord Chancellor said he spoke as a former Secretary of State for War. When he had held that office a proposal had been made for rationing the Government Departments and he had opposed it, partly because he had thought it impossible for the War Office to settle their expenditure without relation to that of the Admiralty and Air Ministry, and, in addition, because rationing provoked competition between the Services for the available funds. He was convinced, however, that the Minister for Co-ordination had made out his case. The Chancellor of the Exchequer said that the amount proposed was the utmost that could be afforded, and we should have to cut the Services down to his estimate. This could only be done by rationing. He did not quite agree with the Home Secretary when he asked the Cabinet to fix a Naval or Air standard. That was what had been done, and the Departments had done their best to state what was necessary. The figure they estimated, however, was found by the Chancellor of the Exchequer to be unobtainable.

Referring to the Home Secretary's remarks as to the proposed cut in reserves of material for the Air Force, he pointed out that if this was raised from 9 to 16 weeks reserve, the other Services would go short. In consequence the Navy would be unable to fulfil its responsibility for protecting our fuel and food supplies. He felt, therefore, that it was incumbent upon the Cabinet to accept the advice of the
Minister for Co-ordination of Defence and to leave to him and to whoever he might call to his counsel to do the best he could in the further stages.

The First Lord of the Admiralty thought it essential that the Cabinet should give the Services a policy: otherwise they would have an impossible task. If a global sum was fixed we were driven back on rationing. If we were actually at war we would never accept that position: orders would be given regardless of expense. Whether it was advisable in preparation for war to adopt a different system raised a large question.

The Minister of Transport pointed out that the Cabinet had so far been discussing two factors: first, what was the ideal form of defence, and, second, how much money was available. He thought that the time factor was as important as either. The next two or three years were really the important period. It was not much use discussing what would happen in 1942.

The Minister of Labour agreed in the importance of the time factor, and pointed out that when that factor was raised the question of skilled labour at once arose. He himself had warned the Cabinet some eighteen months ago about this. He had pointed out, for example, that shipbuilders could do a great deal to implement the programme except in respect of labour. The longer the period the better from the labour point of view.

The Minister of Health supported the Report of the Minister for Co-ordination, but agreed with the Minister of Transport as to the importance of the time factor. This discussion made it more important than ever that we should press on with our efforts to have peace with Germany and Italy.
The President of the Board of Trade considered that there was no alternative but to accept the proposals of the Minister for Co-ordination for the establishment of a global figure and a system of allocation. He agreed with the Minister of Transport as to the importance of the time factor. If we had five years of peace ahead of us, this country, he believed, could do better than any other. In that time the resources of some other countries would be to a great extent exhausted. This fact made the year 1942 rather hypothetical. He advocated, therefore, that we should concentrate on what could be done in the next two or three years.

The Secretary of State for Dominion Affairs said that he was driven to the same conclusion. Later he must raise the question of what was to be done about communication with the Dominions.

The Minister of Agriculture and Fisheries shared the general assent to the Minister's proposals. He was, however, impressed by what the Secretary of State for Air had said about the importance of placing orders beyond 1939. From personal enquiry he gathered that some arrangement had been reached.

The Minister for Co-ordination and the Secretary of State for Air said they thought it could be reached.

The Prime Minister, summing up the discussion, said that the dilemma before the Cabinet was presented in paragraph 42, namely, that if we accepted the advice of the Defence Departments an unbearable strain would be placed on our financial resources, whereas if we cut them down we ran into the possibility of danger of war. The Minister's proposals appeared to meet with general acceptance. They were, however, in reality...
to some extent an evasion and a postponement of the decision. In two years' time the Government might be faced with a worse financial situation than today, and the prospect of heavier taxation might be very difficult and unpleasant to face. He had felt some doubt, therefore, as to whether he was justified in accepting a postponement. He had only brought himself to it by his hope for some improvement on the international side. He had been working hard for this for some time, and he thought there was a possible chance of an alleviation in the situation. For example, apprehensions of war would be greatly reduced if some agreement could be reached for the restriction of bombing. He thought that the prospects were sufficiently fair to justify postponing the final decision, though he did not conceal that in the end this postponement might involve later on a decision of the very gravest character: nothing less, indeed, than a disastrous deterioration in the financial and credit situation.

Turning to the question of the tempo of provision of armaments, he realised that the situation was one of urgency. Not long ago he had been asked when the most dangerous situation facing the country was likely to arise. He had replied that now was the most dangerous time. But no action that could be taken now would alleviate that situation. It had been suggested that the sum proposed by the Minister for Co-ordination could not be spent, and this was supported by the fact that we were seriously behindhand already. An improvement might be obtained, however, by action to secure skilled labour, which might be effected by putting pressure on manufacturers to release it for
armament work. That was a possibility that ought to be kept in mind. That would mean that we should meet our short-range difficulties and chance the long-range ones, for the course proposed would involve throwing away a great deal of good will. He thought it only right to say, however, that that was a possibility which could be resorted to if necessary.

Another consideration that had to be borne in mind was that if war were to break out within the next few months it might go on for a long time. Consequently we must always keep steadily in mind the importance of war potential and financial playing power.

He thought the Cabinet were ready to accept the proposals of the Minister for Co-ordination of Defence as set forth more particularly in paragraphs 26, 58, 60 and 62. Referring to paragraph 60, he did not quite agree with what the First Lord had said on the importance of laying down a policy for the Departments. That had been done, and the Departments had told the Cabinet what they considered necessary for safety. The Cabinet's inescapable reply was that our financial resources did not permit us to provide the whole. At that stage the only thing to be done was to ask the Services to do their best with the provision that could be made. The proposals of the Minister for Co-ordination of Defence provided the best method of doing this.

The Minister for Co-ordination of Defence said he thought that the Secretary of State for Air's point about placing further orders could be settled. He understood that his colleague would be satisfied with some percentage (80% had been suggested, but he did not pin himself to that figure) accompanied by a
The proposal of the Minister for Co-ordination of Defence was agreed to.

The Minister for Co-ordination of Defence said that in three or four weeks he hoped to be able to report on the allocation.

The Secretary of State for Dominion Affairs said he only regretted that there was not to be an Imperial Conference this Spring, as the Report of the Minister for Co-ordination contained a great deal which could conveniently be made known to the Dominions Prime Ministers at an Imperial Conference. If that could be done it might influence them in supplementing our efforts. He asked if they could be furnished with some material on the subject. Mr Lyons' offer of help (Conclusion 1 above) gave some idea of what might result. Further information might lead to a greater effort. He suggested that he and the Minister for Co-ordination might prepare a version of the Report for the information of the Dominions Prime Ministers which could be sent under a covering letter from the Prime Minister. Two points would have to be borne in mind: first, to ensure that secrets should not leak out, and he thought there was little chance of this; and, second, that we must avoid alarming some of the Dominions unduly.

The Minister for Co-ordination of Defence said that the production of such a document might not be easy, but he was prepared to help.
The Secretary of State for Dominion Affairs suggested that it might be better to wait until the Minister for Co-ordination of Defence had completed the next stage of his task.

The Prime Minister agreed with the Secretary of State for Dominion Affairs that the Minister for Co-ordination of Defence and the Secretary of State for Dominion Affairs should be asked to work out something for the consideration of the Dominions Prime Ministers and to send it to him in the first instance.

The Cabinet agreed —

(a) To approve generally the Further Report of the Minister for Co-ordination of Defence on Defence Expenditure in Future Years (C.P.-24 (38)) as providing for the due distribution and use of our available resources in accordance with the principles already approved by the Cabinet and set forth in paragraphs 6 to 14 of the earlier Report (C.P.-316 (37)); the main conclusions of which may be summed up as follows:

(i) That the figure of £1,650 millions should be taken as the maximum sum which can be regarded as available for all defence purposes over the five years 1937-41. Out of this sum it is necessary to provide the expenditure of £40 millions for Air Raid Precautions, other civil defence measures £20 millions, and interest on sums borrowed under the Defence Loans Act, 1937, £24 millions. After deducting a total provision of £84 millions for these items, the total limit up to which the Defence Departments may work for the period 1937-41 is £1,570 millions (C.P.-24 (38), paras. 55 and 56):

(ii) That the Minister for Co-ordination of Defence, after consultation with the Chancellor of the Exchequer and the Ministers at the head of the Service Departments, should as soon as possible prepare a plan for the definite allocation of the £1,570 millions between the three Defence Services as submitted to the Cabinet (Para. 58):

(iii) It will be the duty of each Service Department to draw up programmes which can be carried to effective completion, within the sum allotted, by March, 1942. These programmes must be complete in themselves, and no undertaking can be
given that additions thereto will be sanctioned. The allotment of annual expenditure made to each Department for the years 1938-41 should govern (i) the expenditure which may be incurred by each Department in 1938-39, and (ii) the commitments to be entered into by the Defence Departments during 1938-39 in respect of the remaining years of the quinquennium (Para. 60):

(iv) A further enquiry should be undertaken in the year 1939 in order to consider whether, in the light of the international situation as it then exists, it is on balance regarded as necessary and possible to authorise defence programmes of a wider scope and involving greater expenditure than those which can be compassed within the proposed limit of £1,570 millions. This does not, of course, preclude review of the authorised programmes at any time if the international situation should undergo such changes as to render possible reductions in these programmes (Para. 62):

(g) To take note of the view of the Chancellor of the Exchequer that a £1,650 millions programme for 1937-41 represents a very heavy strain indeed on national finances, which could not in any event be exceeded on the review two years hence save under the most compelling circumstances and at the cost of financial disorganisation such as would weaken the power of resistance of the country:

(c) To invite the attention of the Minister for Co-ordination of Defence, in preparing his Report on allocation referred to in (a) (ii) above, to give careful consideration to the question of war reserves for the Royal Air Force, which, however, will have to be considered in the light of the relative importance to be attached to the requirements of all three Services:

(c) That, without waiting for the completion of the Minister for Co-ordination of Defence's Report on the allocation of expenditure between the three Services, the Secretary of State for Air should have authority to place contracts extending beyond the year 1939 to the extent of a percentage to be agreed between him and the Minister for Co-ordination of Defence. This decision is subject to the inclusion of a break clause in all such contracts:
(e) That the Secretary of State for Dominion Affairs, in consultation with the Minister for Co-ordination of Defence, should draw up and submit to the Prime Minister a communication based on the Further Report by the Minister for Co-ordination of Defence (C.P.-24/38) and the discussion of the Cabinet thereon for the information of the Prime Ministers of the Dominions, under cover of a letter from the Prime Minister:

(f) To invite the attention of the Minister for Co-ordination of Defence to the importance attached by several members of the Cabinet to the development of the programmes in the early years of the quinquennium.
10. The Cabinet had before them the following documents:

A Memorandum by the First Lord of the Admiralty (C.P.–29 (38)) stating that the proposed new Naval construction programme for 1938 was as follows:

- 3 Capital Ships
- 2 Aircraft Carriers
- 7 Cruisers (4 of FIJI, 3 of DIDO Class)
- 8 Destroyers
- 7 Submarines
- 4 Small Minelayers
- 2 Escort Vessels
- 4 Minesweepers
- 2 Patrol Vessels
- 2 River Gunboats
- and a number of miscellaneous vessels, viz:-
  - 1 Destroyer Depot Ship
  - 1 Submarine Depot Ship
  - 1 Hospital Ship
  - 1 Fleet Air Arm Supply and Repair Ship
  - 5 Boom Defence Vessels (Improved DUNNET)
  - 2 Tugs
  - 13 Motor Boats
  - and miscellaneous small craft and motor boats.

The total cost amounted to £70,028,850.

A Memorandum by the Chancellor of the Exchequer (C.P.–30 (38)) setting out briefly the main reasons why, in his view, the Programme should be substantially reduced.

The Minister for Co-ordination of Defence, in reply to the Prime Minister, said that any decision on this question appeared either to carry out a part of the task of allocation assigned to him in the conclusions on the previous item, or else to become liable to revision after his conclusions were reached.

The First Lord of the Admiralty suggested that it was not right that the Admiralty proposals for the current year should be reserved until the completion of the Report of the Minister for Co-Ordination on allocation, which was part of a longer-range programme. It was essential to present Parliament...
with some programme with the Estimates. Ultimately, when the Admiralty were rationed they might have to re-examine the matter. The Naval Estimates were to be published on March 2nd.

The Chancellor of the Exchequer said he had circulated a Paper to show that he could not regard the new Programmes as being within the authorised limits. They appeared to involve a new departure and to prejudice the decisions that had just been taken. The Admiralty estimates were produced in the form of a large book. It was decided, in the first instance, not to include new construction in this book, and his idea had been to publish a separate White Paper setting forth quite briefly whatever decision was taken on the subject. Possibly, it might be said that the International situation necessitated postponement of the decision. The question had either to be settled within a week or else some such course must be adopted.

The Cabinet were reminded that on previous occasions, when that course had been resorted to, the real reason had been due to differences of opinion between the First Lord of the Admiralty and the Chancellor of the Exchequer and this might be remembered. One suggestion was that the difficulty over the Japanese intentions as to the size of ships might be used as an excuse for a postponement. It was pointed out, however, that this would raise difficulties later on.

The Prime Minister suggested that it was hardly possible to reach a decision that day and that an effort ought to be made to prepare the ground before the Cabinet took a decision.
The Minister for Co-ordination of Defence offered to meet the Chancellor of the Exchequer and the First Lord on Friday, February 18th, in order to prepare the question for decision at the next meeting of the Cabinet.

The First Lord of the Admiralty accepted this suggestion.

The Cabinet agreed:

(a) To postpone the decision on the New Naval Construction Programme until their next regular weekly meeting:

(b) That, in the interval, the Minister for Co-ordination of Defence should confer with the Chancellor of the Exchequer and the First Lord of the Admiralty with a view to reaching a conclusion.
II. The Cabinet had before them a Most Secret Memorandum by the Secretary of State for War (C.P.-26 (38)) in which he had drawn up for the information of his colleagues a statement of the dispositions and contemplated organisation of the land forces, in order to show what resources were available and to what use it was intended to adapt them in the light of the new rôle allotted to the Army. The Secretary of State concluded his Memorandum with a summary of his main proposals.

The Secretary of State for War made a statement to the Cabinet, in the course of which he emphasised the following points:

1. The proposal that defence against low-flying attack should be undertaken by employees of factories and public utility companies. (Paragraph 4 of C.P. 26 (38).)

2. The suggestion that wherever sea communications are liable to interruption by sea, land or air, the garrisons of defended ports should be maintained in peace time at a strength adequate for defence at the outbreak of war, or, alternatively, that the necessary reserves should be held in the neighbourhood available to reinforce at short notice. (Paragraph 9.)

3. It was his strong hope that the Prime Minister would initiate conversations between the India Office and the War Office with a view to an agreement between the two Departments on the all-important questions affecting the British Army arising in connection with the defence of India.

On the latter point, the Secretary of State for India said that a very large problem was raised, but he agreed that it was essential that it should be considered. If the Secretary of State for War would tell him what were their requirements, he would send his comments and the matter could then be discussed. The question of the ratio of white troops
in particular raised large issues.

The Prime Minister said he would be happy to initiate the conversations.

The Secretary of State for War invited the attention of the Secretary of State for Dominion Affairs to the suggestion that some of the Dominions might render assistance in peace in the defence of Imperial communications (paragraph 13).

The Chancellor of the Exchequer entered a caveat as to the assumptions in this report (which he had seen reflected in other reports) that the new role of the Army involved that the Field Force "should be equipped for an eastern theatre" (paragraph 11 of C.P. 26 (38).) He would prefer to use some such phrase as "for general purposes".

The Secretary of State for War said that some supposition was necessary to enable the amount of reserves to be calculated. It was by making the assumptions in paragraph 17 that he had been able to reduce the estimated cost of the Field Force by £14,000,000.

The Secretary of State for Foreign Affairs suggested that the words "equipped for an eastern theatre" were politically undesirable.

The Minister for Co-ordination of Defence pointed out that the Secretary of State for War had to equip the Army for the largest demand that was likely to be made upon it in the new assumptions. If this involved a campaign in an eastern theatre, it would be necessary to provide special tyres for transport, thin clothing and so forth.

The President of the Board of Education pointed out that, according to paragraph 17, the bulk of the Territorial Divisions would not be sufficiently equipped to proceed abroad until 10 months after mobilization. He asked if, in these circumstances, it was worth while
maintaining so many Territorials.

The Secretary of State for War said he did not differ in theory from this view, but unfortunately public sentiment would be very much opposed at the present time to the disbandment of any part of our small forces and he felt sure that nothing could be done in the matter just now.

In reply to a suggestion that more Territorial Divisions might be converted into anti-aircraft units, the Secretary of State pointed out that by avoiding converting a third Territorial Division, he had been able to effect a very large economy.

The Secretary of State for Dominion Affairs supported the idea of a further approach to the Dominions. It would not be of very much use to approach Canada and there were political objections to an approach to the Union of South Africa, as the only points where they could help us with garrisons in time of peace were in the colonies and mandated territories in Central and East Africa. It would be possible, however, to approach the Australian and New Zealand Governments once more about the garrison of Singapore. He would place himself in communication with the Secretary of State for War on the subject.

The Prime Minister said he understood that this Paper was for the moment only for the information of the Cabinet. As it raised a number of important questions, he thought it should be referred to the Committee of Imperial Defence in the first instance.

The Cabinet agreed:

(a) That the memorandum by the Secretary of State for War on the organisation of the Army for its role in War (C.P. 26 (38) should be referred, in the firat instance to the Committee of Imperial Defence.

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(b) To take note that the Prime Minister authorised the initiation of conversations between the India Office and the War Office on the questions raised in paragraphs 14 and 15 of C.P. 26 (38):

(c) That the Secretary of State for Dominion Affairs should place himself in communication with the Secretary of State for War on the subject of the proposed further approach to some of the Dominions with a view to obtaining assistance in time of peace in the defence of Imperial communications (e.g. in the garrison of Singapore):

(d) That the phrase used in paragraph 17, line 7, of the Report "equip for an eastern theatre" was politically undesirable and that the Secretary of State for War in future communications on the subject should be asked to substitute the phrase "for general purposes".

(See also the following conclusion.)
12. In connection with the discussion recorded in the preceding Conclusion the Cabinet had before them the following documents, circulated on the Prime Minister's instructions, which had been prepared for the Committee of Imperial Defence on the subject of Staff Conversations with France and Belgium, viz.:—

Memorandum by the Chiefs of Staff Sub-Committee, covering letters from the Foreign Office to the Secretary to the Committee of Imperial Defence dated 16th December, 1937, Annex I, and 1st January, 1938, Annex II (C.I.D. Paper No.1394-B):

Cable communications between the United Kingdom and France and their bearing on Staff Conversations:

Report by the Chiefs of Staff Sub-Committee (C.I.D. Paper No.1395-B):

Exchange of information with the Belgian and French Governments on the supply of food, oil and coal:

Letter from the Foreign Office to the Secretary to the Committee of Imperial Defence (C.I.D. Paper No.1396-B).

In his memorandum (C.P. 36 (38)) which forms the subject of the previous conclusion, the Secretary of State for War had included the following passage in paragraph 23:

"I suggest that it is of great importance that our potential allies should be left in no doubt as to the possibilities of direct assistance on our part and that the various alternative operations, whether in defence or in local offence, which our available reserves may have to undertake should be covered by any discussions or interchange of information which take place."

The Prime Minister said that this raised the question of Staff Conversations with France and Belgium, which had formed the subject of a recent memorandum by the Chiefs of Staff Sub-Committee annexed to which was a copy of a letter from the Foreign Office to the Secretary to the Committee of Imperial Defence. He had thought it right to
circulate this memorandum to the Cabinet (C.P. 35 (33)). He had discussed the matter with some of his colleagues (the Chancellor of the Exchequer, the Secretary of State for Foreign Affairs and the Minister for Co-ordination of Defence) and with the Chiefs of Staff. The Cabinet would recall that on March 19, 1936, representatives of Belgium, France, the United Kingdom and Italy, met in London to examine the situation created by the repudiation of the Locarno Treaty and the reoccupation of the Rhineland by Germany. The results were published in a document headed "Text of Proposals", issued as a White Paper (Cmd. 3134), which contained the following Declaration:

"That nothing that has happened before or since the said breach of the Treaty of Locarno can be considered as having freed the signatories of that Treaty from any of their obligations or guarantees and that the latter subsist in their entirety."

The political commitments thus reaffirmed entailed military obligations, and at the present time, as appeared from the documents which had been circulated, the French Authorities were very anxious for Staff Conversations, no doubt with the object of defining or at any rate ascertaining the military contribution which we intended to make.

The Secretary of State for Foreign Affairs interpolated at this point that the same morning he had received very similar requests from the Belgian Government.

The Prime Minister continuing said that it had been suggested that this was not an opportune time at which to let it be known that Staff Conversations were taking place. It seemed to his colleagues and himself that there were special reasons in the case of each of the three Defence Departments which made it necessary to have a different course in each case.
In the case of the Army, they were agreed that it was desirable, and indeed an obligation of honour, to inform the French Government of the effect of the recent Cabinet decision on the role of the British Army on our capacity to send a military force to France, even if the Government of the day should wish to adopt that method of co-operation. They recommended therefore -

that the Secretary of State for Foreign Affairs should have authority, through such channel as he might deem appropriate, to inform the French Government confidentially of the recent decision by the Cabinet as to the role of the British Army and to warn them that, if the obligation involved in the Treaty of Locarno should arise and the Government of the day, after considering our other military commitments at home and abroad, should decide to despatch a military force to France, the maximum force which our present organisation would enable them to send would be two Regular Divisions and a Mobile Division within three weeks, followed by two further Regular Divisions in Z plus 40 days. These Divisions would be equipped for general purposes and not with special reference to a continental campaign. In making this communication the Secretary of State might remind the French Government of the importance of the Navy and the Air Force as a means of possible co-operation.

So far as the Air Force was concerned, he and his colleagues had agreed -

that the Secretary of State for Foreign Affairs should be authorised to state that His Majesty’s Government, on the understanding that no commitment as to the future was involved on their part, were prepared to authorise confidential communications on a purely technical footing between the British and French Air Staffs as to the aerodromes and other facilities which would be required by the British Air Force in the event of a decision by the British Government of the day to co-operate in that manner with the Government of France. He should add that as the re-equipment of the Royal Air Force with longer range machines was completed, their dependence on French aerodromes and facilities would progressively diminish.
These conversations would be begun through the Air Attaches, but might be pursued in connection with exchanges of visits by Air Force officers, which take place from time to time, and it might be necessary later for Air Force officers to visit French aerodromes.

He emphasised that the objects of the proposed steps was not publicity, but merely to keep faith with the French Government and to make certain enquiries which were indispensable to effective co-operation but without taking a commitment.

He and his colleagues had also agreed that in the event of a decision to despatch our Fleet to the Far East we should need the co-operation of the French Fleet to assist in the protection of sea communications in the Mediterranean, Atlantic and Home Areas, but that immediate Staff Conversations were not necessary to secure this co-operation.

The Secretary of State for Foreign Affairs raised the point as to what he should say to the French Government about the rôle of the Army. Was he to say that the two Regular Divisions and the Mobile Division would be "equipped for general purposes"?

The Secretary of State for War suggested that when the time came for the communication to be made to the French, the Secretary of State for Foreign Affairs should approach him on the subject of the technical aspects of the communication to be made. He was glad that the Prime Minister proposed to modify the suggestions of the Chiefs of Staff Sub-Committee. He thought it was more than ever important in view of the Italian concentration in Libya that plans should be worked out for French assistance from Tunis, though this specific point did not appear to be provided for at present.
The Lord President of the Council suggested that however guarded the Air Staff talks might be, if they became public an unfortunate effect might be produced. What would be the effect here, for example, if it became known that the Germans and Italians were discussing the mutual use of each others aerodromes?

The Chancellor of the Exchequer pointed out that the fact that we had a definite commitment arising originally from the Locarno Treaty seemed to make the difference.

The Minister of Health asked if it was necessary to make this communication at once.

The Home Secretary suggested that it depended on whether it was necessary to make an announcement on the role of the Army. If that was necessary, he did not see how the Air Staff Conversations could be avoided.

The Prime Minister suggested that the announcement to the French Government should not be made until a decision had been reached on the Secretary of State for War's memorandum on the role of the Army (C.P. 26 (38)).

The Foreign Secretary said that he had been pressed very hard on this matter for some time by the French Government. He himself did not take the view that the effects of a leakage would be very serious. In view of the fact that we had a political commitment, past experience indicated that if it became known that we were prepared to implement the commitment, the situation might be eased rather than otherwise.

One suggestion was that the Germans should be told frankly what we were doing. Another suggestion was that if the Secretary of State for War proposed to make
some statement in Parliament as to the new role of the Army, it would be important to tell the French first.

The Minister of Health thought that at the moment an announcement would have a most detrimental effect.

The Secretary of State for War read an extract from a despatch he had received from Belgium, the effect of which was to show that practical results might ensue from further conversations, for example, arrangements for warning of air raid attacks.

The Prime Minister suggested that an announcement to the French Government of the new role of the Army could hardly come as a shock, as they had already informed us that two Divisions was all that they had expected. So far as the effect on Germany was concerned, he was inclined to agree with the Foreign Secretary. They knew we had certain obligations and could not possibly be shocked if steps were taken to put ourselves in a position to give effect to them. If the Germans really desired conversations, he did not think that an announcement of this kind would influence them. He did not suggest that we should go out of our way to inform the German Government.

The Secretary of State for Air said that the time factor was important from the point of view of the Air Force. At the present moment, owing to the short radius of action of most of our bomber aircraft, many of them could only operate against Germany if they could use French aerodromes. On the other hand, by the end of the year nearly all the Squadrons would be armed with long-range machines and, in that event, the utmost assistance they would require would be refuelling facilities. Consequently, from his point of view, if the conversations were to take place, the earlier the better.
The Chancellor of the Exchequer suggested that the Cabinet should agree, in principle, to the Prime Minister's proposals, but leave the date to be settled.

The Cabinet agreed:

(a) To approve, in principle, the proposals in the Prime Minister's statement summarised above and, more particularly, the passages marked A, B, C, D and E:

(b) That the question of the date of the communication should be left for later settlement after consultation between the Secretary of State for Foreign Affairs and the Prime Minister.

(c) That before the communication was made to the French and Belgian Governments, the Secretary of State for Foreign Affairs should consult the Secretary of State for War on the technical aspect of his statement on the role of the Army.
13. The Cabinet had before them the following documents on the subject of Recruiting:—

A Memorandum by the Secretary of State for War (C.P.-22 (38)) reporting on the present position in the Army and making proposals with a view to further improvements, together with an estimate of their cost:

A Memorandum by the First Lord of the Admiralty (C.P.-25 (38)) putting forward certain proposals regarding the emoluments of Naval Ratings:

A Memorandum by the Secretary of State for Air (C.P.-27 (38)) reviewing the recruiting problem in the Air Force and setting forth the conclusions he had reached.

The Secretary of State for War explained his proposals to the Cabinet in some detail. He said that, at the request of the Chancellor of the Exchequer, he had withdrawn his proposals as to terms of service, but he asked that the Cabinet would allow him to recruit as many men as possible for long service as an experiment.

The Secretary of State for India said he did not wish to discuss the proposals on merits that day, but he must place on record that the proposals of the Secretary of State for War would place a burden on India and Burma which they could not sustain. He was advised that the figures affecting India in the summary on page 4 of C.P. 22 (38) were not complete. His experts informed him that a very large capital and recurring expenditure would be involved. In view, however, of the conversations which the Prime Minister had agreed to (Conclusion 11(b) above), he would not say more at the moment.
The Secretary of State for Air thanked the Secretary of State for War for the efforts he had made to avoid repercussions on other Services. The marriage allowance proposals would be a great benefit to all the Services.

The Chancellor of the Exchequer took the view that the changes affecting married men were justified on merits. In present conditions it was impossible to defend the existing position. He also approved the proposals for the intake of boys - though he understood from the Minister of Labour that there might be difficulties as to the number - and as to pay. His only difficulty was in regard to the terms of service. He doubted whether it would be possible to obtain a sufficient proportion of short-service men, and this might upset the scheme. He felt he must place on record that he was not at present undertaking any contribution to India.

The President of the Board of Education suggested that it would be better to take boys at the age of 17, instead of 15. He regretted that the Secretary of State for War's proposal to reduce the normal terms of service from 7 with the colours to 5 with the colours could not be carried out. In regard to the marriage allowance, he recalled that the naval man did not receive any assistance for transporting his wife and family. If the soldier was to receive such transport, as well as the provision everywhere of accommodation, it would add greatly to the cost.

The Secretary of State for War said that in the Army the wife had to follow her husband all over the world. Building would go on gradually everywhere.
Some further discussion of a technical character took place as to the position of married men and the allowances for women and children.

The Cabinet agreed:

(a) To approve the proposals of the Secretary of State for War in his Memorandum on Recruiting for the Army (C.P. 22 (38)) in respect of:
   
   A. Intake of boys.

   B. Pay.

   D. Marriage.

   but that C. terms of service, should not be approved.

(b) To take note that the Secretary of State for India entirely reserved his attitude towards the proposals until after the conversations between the Secretary of State for War and himself provided for in Conclusion 11 (b) above.

(c) That, as an experiment, the Secretary of State for War should be authorised to recruit as many long-service men as he could.

(d) To approve the Memorandum by the Secretary of State for Air (C.P. 27 (38)) reviewing the recruiting problem in the Air Force.

(e) To approve the Memorandum by the First Lord of the Admiralty (C.P. 25 (33)) regarding the emoluments of Naval Ratings.
14. The Prime Minister informed the Cabinet that he had received the Report of the Cadman Committee on Civil Aviation. The Report contained a number of criticisms, and the Secretary of State for Air was preparing a paper on the subject. He was being pressed in the House of Commons for publication of the Report, but had replied that he would publish when the Government had reached its own decisions on the subject. He proposed the appointment of a Cabinet Committee on the subject. While recognising that the Minister for Co-ordination of Defence was rather heavily burdened just now, he asked him to take the chair.

The Cabinet agreed:

That the Report of the Cadman Committee together with the comments thereon of the Secretary of State for Air should be considered by a Cabinet Committee composed as follows:

The Minister for Co-ordination of Defence. (In the Chair).
The Chancellor of the Exchequer.
The Home Secretary.
The Secretary of State for Air.
The Secretary of State for Scotland.
The Minister of Health.
The Minister of Transport.

The Prime Minister will also attend when possible.
15. In pursuance of the Conclusion referred to in the margin, the Cabinet had before them a Memorandum by the Lord Chancellor (C.P. 21 (38)) seeking authority to give a favourable reception in the House of Lords to a re-draft of the Evidence Bill, introduced by Lord Maugham, to amend the law of evidence in the direction of increasing the use of documents, chiefly for the sake of their evidential value but partly also to save the expense of calling witnesses. The Lord Chancellor attached a copy of the Bill, together with an explanatory Memorandum by Lord Maugham.

The Home Secretary said that there were one or two points in the Bill which affected the Home Office, but he had arranged that they should be taken up with the Lord Chancellor’s Department.

The Cabinet agreed:

To authorise the Lord Chancellor to give a favourable reception in the House of Lords to the Evidence Bill introduced by Lord Maugham.
10. In connection with the Conclusions mentioned in the margin, the Cabinet had before them a Memorandum by the Minister of Health (C.P.-23 (38)) seeking their concurrence to the introduction of a short Bill dealing with the procedure for the compulsory acquisition of land by local authorities, the general effect of which would be, in most cases, to supersede the Provisional Order procedure by the Compulsory Purchase Order procedure, with a view to simplification and expedition. The Secretary of State for Scotland considered it desirable that the Bill should be made applicable to Scotland, subject to any necessary adjustments of the details and drafting.

The Lord President of the Council suggested that if the Minister of Health would be satisfied with the alternative procedure discussed in paragraph 11 of his Memorandum (C.P. 23 (38)), a certain amount of difficulty might be avoided.

The Minister of Health agreed.

The Cabinet agreed:

(a) To approve the proposals of the Minister of Health in favour of the introduction of a short Bill dealing with the procedure for the compulsory acquisition of land by local authorities on the understanding that the Bill would be based on the proposals contained in paragraph 11 of C.P. 23 (38)).

(b) To take note that the Bill should be made applicable to Scotland also, subject to any necessary adjustments of the details and drafting.
17. The Cabinet had under consideration a Memorandum by the Minister of Health (H.A.-3 (38)) covering the draft Increase of Rent and Mortgage Interest (Restrictions) Bill, the object of which was to give effect to all the recommendations contained in the Majority Report of the Ridley Committee except for that Committee's detailed scheme for future decontrol by areas: together with the following recommendation by the Committee of Home Affairs thereon (H.A.C. 2nd Conclusions (38)):

"To authorise the immediate introduction in the House of Commons of the Increase of Rent and Mortgage Interest (Restrictions) Bill in the form of the draft annexed to H.A.-3 (38), subject to the amendments agreed at the Meeting and to any other drafting or minor alterations that may be found necessary or desirable."

The Cabinet approved the recommendations of the Committee of Home Affairs as set forth above.
18. The Cabinet had under consideration the Local Elections (Proportional Representation) Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 29th February, 1938.

The Home Secretary reported that the Bill had not been printed, but he proposed to offer opposition to any Bill on this subject.
19. The Cabinet had under consideration the Protection of Animals Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, February 25th, 1938.

As the Bill had not been printed, the subject was not discussed.
20. The Cabinet had under consideration the Marriage Bill, introduced in the House of Commons by a Private Member and down for Second Reading on Friday, 25th February, 1938.

As the Bill had not been printed, the subject was not discussed.
The Secretary of State for India drew the attention of the Cabinet to a Memorandum which he had just circulated on the subject of the Release of Political Prisoners in India (C.P. 34 (33)). He had not intended to raise the matter at the present Meeting, but circumstances had rendered this urgent. His Memorandum had explained a demand made by the Ministers in the United Provinces and Bihar at the end of the previous week for the immediate release of the political prisoners in those Provinces. Since then, matters had moved with great rapidity, and yesterday the two Governments had resigned. They did so because, on the instructions of the Viceroy, the two Governors had declined to act on their advice. The considerations which the Viceroy had to take into account included the effect which an indiscriminate release would have, not in the two Provinces only, but in other parts of India, e.g. Bengal and the Punjab, where there were 387 and 44 political prisoners respectively. He recalled the example of Parmanand, which he had already reported to the Cabinet. Moreover, had the Viceroy declined to use his special powers in this case, particularly under a threat of resignation by the Ministers, these powers would have become a dead letter, e.g. on such a question as the pay of the Services. He did not yet know if all the other Congress Ministries would resign. The annual Conference of the National Congress was now meeting and the precipitate resignation of the two Ministries had brought about the situation in which it was very difficult for either side to give way.

S, Whitehall Gardens, S.W.1.,
16th February, 1938.