



(c) crown copyright

(THIS DOCUMENT IS THE PROPERTY OF HIS BRITANNIC MAJESTY'S GOVERNMENT).

S E C R E T.

C A B I N E T.

COPY NO. 30

C.P.383(25).

THE COAL CRISIS.

Memorandum by the Lord Privy Seal.

Though I do not yet know the precise conditions of the Government subsidy to the coal industry, it is, in the circumstances, urgent that we should appreciate the broad outlines of the position in which we are placed.

In the first place it is material not to under-rate the amount of money to which we may be committed; the estimate of the difference we shall have to find per month until next May is, of course, one of the elements of which I have not yet any precise information, but we ought to realise that the subsidy is most unlikely to finish by that date. Though the Commission will probably not suggest that there is in reorganisation any complete remedy yet improvements they will certainly recommend, and the case for going on with the subsidy until the improvements have had time to take effect is not likely to be resisted.

This leads at once to the conclusion that the temporary character of the subsidy, after perhaps a year and a half or two years continuous payment, will be seriously undermined. Be the period, however, short or long, while it continues, the Government must, in its own interest, exercise a controlling oversight over the industry, and the longer the period is, the deeper will the roots of national oversight have struck into the system. But apart from this, in view of the precedent we are now to set, it is surely evident that no Government could again willingly be placed in our position, i.e. in a

capital industrial dispute leaving the parties to make bungle after bungle until Government intervention is held to be inevitable, and the incidental loss, to the tune of many millions, is wrung from the Exchequer; it follows, therefore, that in future, the Government will have to intervene, not at the end but at the beginning of the dispute. In other words, in a crisis, Government control and Government financial responsibility must begin at once. And if, in a crisis, why not in the management of the industry which leads up to a crisis?

The conclusion from these premises seems to be inevitable: as regards industries in difficulties - at any rate important industries - the precedent we are setting leads straight to nationalisation.

I need not say that to a Government pledged as we are, this conclusion is absolutely unacceptable, even if such a policy were feasible. But it is not feasible, because obviously the coal industry cannot be treated, even if our pledges allowed it, as exceptional. What should we have to say to steel, or shipbuilding, or agriculture?

If our present policy leads to nationalisation and this is unacceptable, at what point are we going to draw the line. Is there any ground on which, in our retreat, we could hope to make a stand: and if there be such a ground, which I do not perceive, have we the strength to hold it? Have we any longer the credit to hold it? For good reason or bad we have retreated because we did not venture to fight. We have not only thought it right to give way to force, but we have condoned the breaking of their contracts by the allied unions in their threatened sympathetic strike, and we have actually agreed to pay a large sum for the arrangement. Whatever our own ultimate intentions may be, there is no doubt that this is how the

Trades Unions themselves and the world regard the event. Who will believe us, after the experience of the last few days, when we say we will die in some ill-defined ditch, rather than accept the nationalisation of the coal industry, and inferentially, the nationalisation of every other distressed industry?

I shall be only too glad if my confidence can be restored, but the moral basis of the Government seems to me to have dropped out.

S.

4th August, 1925.