

From the London End

Cabinet Shuffle

THE experience of the last ten years has had the effect of diminishing the appeal of the Tory image. With an eye to the elections two years ahead, the Tory leadership went out of its way to inject some, new enthusiasm into the party conference at Brighton last week. Since they have no new policies to offer, the eve-of-conference Cabinet changes were announced to give a feeling that things were on the move once more. What exactly these new changes in ministerial appointments imply, is hard to interpret. Has, for example, Mr Butler been promoted or demoted? Having relinquished the leadership of the House and the Chairmanship of the Conservative Party, he has now been put in charge of the ministerial group which is to supervise the negotiation, with the European Economic Community - a function previously discharged by the Prime Minister. Is Mr Ian Macleod now definitely in the running for the next Tory Prime Ministership or is his removal from the Colonial Office a sign that more reactionary policies are to be pursued on colonial matters?

Commenting on Mr Macleod's appointment, the leader of the Liberal Party, to Grimmond said: "Mr Macleod's departure from the Colonial Office will be greeted with wide-spread regret and a certain amount of misgiving. No doubt the position of the Leader of the House is a highly honourable one, but one cannot help thinking that he is being kicked upstairs in order to placate the more maverick elements in the Tory Party". The team in charge of implementing the Government's economic policy has been strengthened by taking on a second Cabinet minister to the Treasury. Selwyn Lloyd will now be given charge of economic policy in the broadest sense and Mr Brooke, as Chief Secretary to the Treasury, will be given detailed control on the Estimates and Public Spending. It will be recalled that the need for a separate Cabinet minister to tone up the present weak and fitful Treasury control on public spending was more than hinted at in the Plowden Report. The transfer of Mr Maudling from the Board of

Trade to the Colonial Office seems to imply a further down-grading in political status of the Board of Trade and might, at a later date, provide a pretext for transferring, to the Treasury some of the miscellaneous economic responsibilities with which this Department has been loaded. This new system of "double banking" of ministers may of course help to spread the load and make ministers a little more decisive.

Common Market — a Political Decision

What do the main decisions, taken at the Brighton Conference signify? The impression is being created with an eye on the decline in popularity of the Conservative Party) that Conservative policy has a progressive hue. The victory of Mr Butler on the issue of capital punishment is hailed as heralding this trend, but when it is balanced against the decision taken at the Conference on the question of checking immigration from the Commonwealth, this argument looks a little thin. The prospect outlined by Macmillan that "the bleak ideological struggle between the West and Communism will continue for another generation perhaps even longer can hardly be considered promising. The aim at home of a balanced society in which "public effort is conjoined with private purpose in a common endeavour to increase our wealth and use it well". is sufficiently vague and commits no one.

One point emerged quite clearly from the debate on the Common Market and that is the Government's determination to join it, whatever the consequences. The Prime Minister admitted that "it is a bracing cold shower we shall enter, not a relaxing Turkish bath", but he was determined that Britain must be prepared, in the coming decade to "face changes in her industrial life and organisation, some of them novel, many of them painful, but all of them in the long run salutary." The objections to the Common Market were put up with great force by Sir Derek Walker-Smith and those who supported him.

It is quite clear that the Government's, motive for joining the Com-

mon Market is not economic, but political. The two advantages that the Tories see are that this will strengthen the "free world" and that it will create the opportunity for Britain to assume the leadership of Europe. The Government's anxiety to gain a victory on this question was clear from the attitude of Mr Heath and Mr Sandys; the latter even went so far as to say that a vote against the platform on the Common Market issue would be regarded as a vote of censure. It is not surprising that in these circumstances, the opposition was completely smothered.

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Optimism Wanes

The latest report by the Federation of British Industries on industrial and export trends covering the four months from June to September, shows that the mood of British industry had changed markedly during this period. Business optimism waned significantly, the order position deteriorated and investment intentions showed a downward trend. Views on export prospects were closely balanced between pessimism and optimism. New orders for export were not received quite as fast as in the previous period. Though the majority of firms reported that prices were steady, more firms reported lower than higher prices.

If the latest F B I report is compared with the previous report issued in June, it will be seen that the survey of industrial trends reflects the change of mood induced two months ago by Mr Lloyd's "Little Budget" in July. In the June report, businessmen who felt optimistic about the general business outlook, still outnumbered the pessimists, though only by a small margin. By September the balance had shifted significantly. At the same time, the proportion of time feeling less optimistic about the future jumped four fold from 11 per cent to 47 per cent. During this four-month period output continued to rise - though probably at a slower pace and is expected to go on rising for the next few months. However, costs continue to rise faster than selling prices and

orders are tending to fall as productive capacity grows. The proportion of firms working below capacity has increased from 45 per cent to 51 per cent. What is now expected to act as the main brake on output during the months ahead is shortage of orders rather than shortage of skilled labour. Among the industries that are particularly hopeful about getting more export orders are the engineering, automobile and food and drink industries. Manufacturers expect expanding trade in North America, Latin America and — especially Europe, but less success in the Middle East, Africa, Australasia and India.

The Yawning Gap

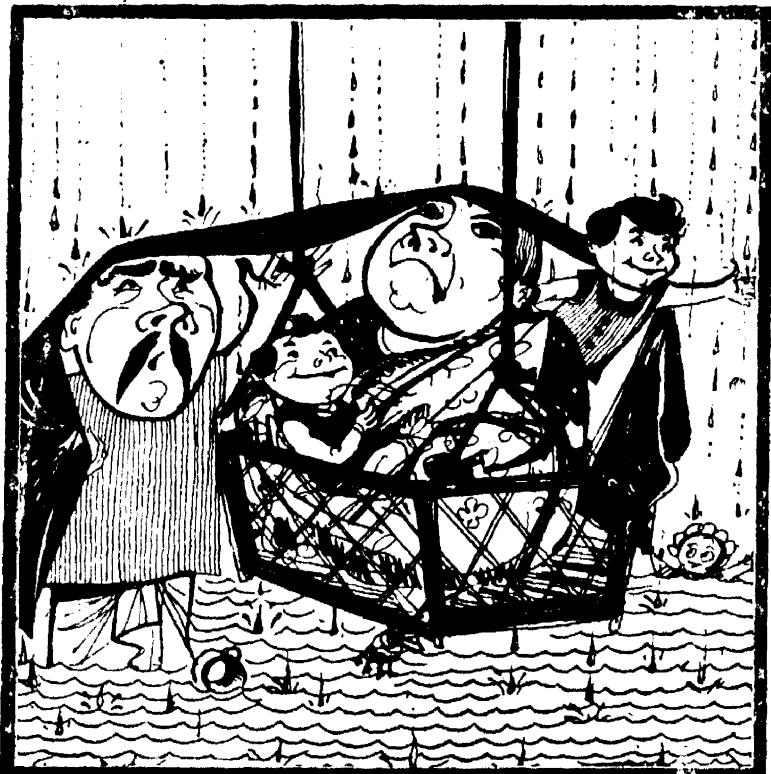
The latest figures released by the Board of Trade show that while exports of manufactures by the main Western countries rose by 5 per cent in the first half of this year, compared to last year, British exports rose by just over 3 per cent. Compared to this, exports by West Germany, Italy, Sweden and Switzerland rose by 10 per cent. Lower down the scale were the U.S.A. whose exports rose by 2 per cent and France whose exports increased by less than 1/2 per cent.


The half-yearly balance of payment figures published last week, show that the U.K.'s position remained extremely unsatisfactory in the first six months of 1961. The figures released indicate that there has been a continued deterioration in most "invisible" items which, from the long-term point of view, is one of the most serious problems facing Britain. The substantial worsening on visible and capital account means that what would have been a fairly good performance on the balance of trade two years ago, is now nothing like good enough. The loss on visibles alone has been over £200 million a year and this trend does not look like being reversed. This underlines the point that exports will have to rise much faster than they have done so far before a satisfactory external balance is obtained.


In view of Selwyn Lloyd's promises to cut Government spending overseas, it is interesting to note that the balance of payments figures show vaster sums than ever going into military expenditure abroad.

In the first six months of this year, U.K. spent £121 million on this, an increase of £11 million compared with the same period last year. If this rate of spending continues for the rest of the year, the total for the whole year will be £29 million more than in 1960.

But for two exceptional items — the sale of the Ford shares for about £130 million and the advance repayment of the German debt of £15 million — the capital account would have shown a deficit of around £220 million, well up on the comparable 1960 figure of £138 million.



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