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**SCOTTISH**

**INDEPENDENCE**

There is a Third Option

The Red Paper Collective

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Edited by Pauline Bryan

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Introduction Pauline Bryan

**What does the future hold for Scotland?**

We know what to expect from the SNP should it become the first government of an independent Scotland. The Growth commission, endorsed by the SNP membership, gives us some detail. It is based on the simple belief that global capitalism with its free markets and neo-liberal policies is the only possible economic structure for a future Scotland. It would lock Scotland into austerity policies for at least the first decade of independence with appalling consequences for public services and jobs.

The Commission report is committed to retaining sterling as its currency for an undefined future. The Scottish government would not have control of monetary policy so that even if it wanted to stimulate investment and growth it would not be able to. But from the author’s point of view, that wouldn’t matter as he saw no need to adopt a different economic strategy from that of the Tory treasury. The report favours ‘flexicurity’ i.e. no security for workers and competitive taxation policies for business.

We also know what we can expect from the status quo. The SNP Scottish Government will continue to claim success where it believes things have gone well and blame the UK Government where there are problems. It will also try to avoid scrutiny by asking its supporters to see independence as the goal while failing to address the major problems that Scotland faces today.

Status quo means continuing to suffer under one of the most right-wing, authoritarian Tory governments which is introducing legislation that attacks basic rights and freedoms and is directing public money at its friends in big business. For all the scandals and disasters within the government, the Tories are still ahead in the polls.

UK Labour under Keir Starmer has made none of the gains that he promised the membership that voted for him. He is failing to connect with its heartlands. Every strategy that he adopts to reach out to the previously labour supporting areas seems to alienate them more. As things stand, it will be some time before we can factor in a radical Labour government.

In the meantime, we are faced with the centralising, authoritarian, anti-trade union Tories who are prepared to override the devolution settlements. There is no way that we can dress the status quo up as an acceptable offer to people in Scotland.

Polling for the Press and Journal in the run up to the May 2021 elections showed that, although the constitutional question remains important, Scotland’s economy and jobs were more than twice as likely as independence to be mentioned by respondents as top election issues. The impact of the pandemic on education and health services was also of greater concern. This was not however translated into votes.

Another poll taken after the May election showed the country evenly split on whether the result was a mandate for a second referendum. That snapshot of Scottish thinking reflects the worrying state of Scotland. The country is divided almost down the middle. This is a recipe for continuing division and distraction from challenging the policies of both the Tories and the SNP that are failing to challenge poverty, insecure work, low pay, falling life expectancy, inequality in education and so many other problems.

**Rejecting status quo and being sceptical about independence**

Where does it leave the large number of voters who are wary of independence but who do not support the Tory government and certainly not Boris Johnson?

While there may not be a referendum any time soon it is still sucking the air out of politics.

The Red Paper Collective believes that one way to tackle the problem is to have a clear agreement now that should there be a future referendum it will be on the basis of three options; status quo, radical change short of independence and independence. It hopes to participate in a coalition for change with those in political and trade union movements that accept that there is a clear democratic case for a third option to be on any ballot paper and that forcing voters to choose between two extremes of the spectrum is blatantly unfair.

Independence once voted for can’t be undone. The status quo does allow the possibility of change in the future but endorsing it would be repellent to many working people. We should be able to say ‘yes we want change’, without that meaning we have to say ‘yes to independence’. Unless that third option is clearly defined, we cannot expect voters to entertain it. To make it a viable radical alternative, it has to be written by socialists. The Red Paper Collective wants to play its part in that process.

With a clear vision for the third option we can actually begin to demand those changes that don’t require new powers to be acted on now. We should remove the excuse that the Scottish government has to wait for independence before it can deliver by campaigning for those changes that can be introduced now.

There is a clear model for a three-option referendum which has been used in many countries. Professor James Mitchell of Edinburgh University argues: ‘A third option must be on the ballot paper in any future referendum if we are truly to understand the views and aspirations of the Scottish people. Instead of one simple binary option, the question of whether people want change could be asked, and then, assuming an affirmative vote, two change options would be offered, independence or more powers. This broadens choice and avoids forcing voters to choose between the lesser of two evils.’

The recent STUC General Council statement has recognised the right of the Scottish Parliament to call a referendum but questions the limited binary (Yes/No to independence) choice and asks for explorations of a third option. The STUC has produced a plan called *The People’s Recovery* which points to some of the changes that could be introduced by the Scottish Parliament now without any additional powers.

**What should that third option be?**

Firstly, it must demand that the Scottish Government uses the powers that it already has to the benefit of working people. These chapters demonstrate that if there was the political will there is much that could be delivered with the existing powers.

It must ensure that Scotland has the powers to enhance, but not reduce, standards, rights and protections that are currently held by the UK Government.

It should have new powers in areas that would enable it to deal with some of its long-standing problems that impact on health, housing, jobs, and the environment. It should have power for a purpose.

There follows a series of chapters detailing what could make up a third option in any future referendum. The Red Paper Collective would aim to work with the trade union movement and campaigners to refine these demands and try to win support for allowing voters in Scotland a truly democratic choice about their future.

**Immigration Dave Watson**

**Devolving Immigration Powers**

Of all the powers that might be devolved to Scotland, immigration is intuitively an unlikely candidate. Borders are created at the nation-state level to maintain the free movement of goods and people throughout the UK. The problem with this arrangement is that different parts of the UK have differing needs for immigration that are not accommodated in the current ‘one-size-fits-all’ model.

This challenge is not unique to the UK, and other countries have established mechanisms to allow for varying levels of devolution. In this paper, we make a case for at least the partial devolution of immigration powers to Scotland.

**The case for immigration**

There is clear evidence that immigration has had a positive impact on the economy and the delivery of our public services. Migrants have a higher employment rate than people born in the UK, are less likely to claim benefits or use the NHS. Skilled migrants can boost innovation, stimulate economic growth and encourage the local labour force to invest in training to specialise in jobs in which the nation or region has a comparative advantage. **See Table 1**

There is arguably nowhere in the UK where the economic and social case for immigration is more robust than in Scotland. Our working-age population is not projected to increase at the same rate as the rest of the UK, and the numbers of working-age Scots to support our ageing population won’t be available without immigration. Since 2007, Scotland has relied on migration for population growth more than any other region in the UK. 63% of Scotland’s growth is attributed to immigration, compared to 53% of the rest of the UK as a whole. Brexit and UK immigration policy threaten this population growth with adverse economic consequences and staffing of our public services.

Chart, waterfall chart

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Policy interventions to support new births have a limited impact and are long-term solutions at best. The only short-to-medium term measures to grow the working-age population are increasing inward migration or raising the state pension age.

The pandemic restrictions have added to these pressures and employers are warning that the end of furlough will not release the number of workers needed to fill vacancies. UK Government visa programmes favour degree-level professionals while side-lining service and trade occupations. The Scottish Hospitality Group is calling on Westminster to work with the three devolved nations to introduce a migrant visa scheme for these groups.

**Immigration frameworks**

Devolved immigration initiatives have been deployed in Scotland, most notably through the Fresh Talent initiative introduced by the then First Minister, Jack McConnell, in 2004 to counter Scotland’s falling population. This limited initiative was aimed at encouraging overseas students to stay in Scotland when they completed their courses.

Dr Eve Hepburn set out three sets of levers for differentiating the UK’s immigration system in a paper for the Scottish Parliament’s External Relations Committee in April 2017.

Soft levers such as migrant integration, awareness and education have been an important part of successive Scottish government policies to encourage migration to Scotland and ensure its success. Examples include *One Scotland* - *Many Cultures,* *New Scots*, and *Welcome to Scotland*, introduced under existing powers. Economic, political and social initiatives would also help ensure that migrants stay, but they don’t address the need to allow migration into Scotland.

Mid-range levers include working with the UK Migration Advisory Committee (MAC) to create a Scotland-specific Shortage Occupation List (SOL). In practice, the variations in the Scotland-specific shortage list have been limited. In any case, short-term migration programmes only address perceived temporary skill shortages. Scotland has long-term demographic challenges that will not be addressed in a short period. Temporary systems, also, do not encourage a high level of integration. The devolution of administrative competencies of the sort that exist in Canada, Finland and Switzerland can help address the backlog in immigration processes. However, the focus should be on substantive powers that deliver the desired outcomes rather than simply on the process.

Hard levers would involve devolution of exclusive competencies over immigration on the Canadian or Quebec model – even if that is within an agreed framework of regional visas. The main criticism of this approach is the risk of leakage of migrants to other parts of the UK once the geographical limitation period comes to an end. The international evidence in the Hepburn Report shows that high retention rates can be achieved. Scotland is not an isolated, low wage, underdeveloped nation, comparable to regions in other countries that have sustained lower retention rates. There is a good quality of life, a developed economy, and a generally welcoming population. While we need to do more on these issues, these factors favour the higher retention rates we have seen internationally – as high as 90% in Quebec.

Approaches to asylum and refugee policy varies internationally with some devolving the competence and others reserving this category to the nation state. There is no practical reason for treating refugees any differently from other migrants, and even under the hard levers approach this could be done within a policy framework agreed between the devolved administrations and the UK Government.

**The way ahead**

While the soft and mid-range levers outlined above can contribute to better outcomes, we believe that hard-range levers will also need to be adopted, given Scotland’s demographic challenges. The Scottish Government proposes a Scottish visa to enter the UK that would let migrants live and work in Scotland, with a Scottish tax code. This would be similar to the Canadian Province Nominee Programme (PNP), which is not quite as extensive as the Quebec model. Holders of the Scottish visa would have to live in Scotland and could not live elsewhere in the UK. They argue that Scottish Ministers should set this. However, there would need to be a dialogue mechanism with the UK Government. This would be a partial devolution of immigration, sharing responsibility within the UK. The Scottish Government paper also makes a case for rural pilot schemes to address population change in our most remote rural and island communities.

The chart below shows how the system could operate. **Table 2**Diagram

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This approach has broad support within Scotland, including business organisations and trade unions. The STUC said, “Bespoke visa schemes for Scotland, combined with expanding international outreach activities in relation to immigration to advertise these new arrangements, would be an effective way of ensuring that immigration policy meets Scotland’s needs.”

The Mayor of London has also made a similar case for London-only visas, supported by business and trade unions.

Opinion poll data shows that while concern for immigration has risen in all parts of the UK in the last five years, it is consistently less concerning to residents in Scotland and London. The Kenmure Street action in Glasgow when the local population took action to prevent two local residents being taken to a detention centre, highlights community support for a different approach. Devolution would also place responsibility for enforcement with the Scottish Government, addressing any perception that immigration is simply used to generate political grievances.

**Conclusion**

The partial devolution of immigration powers on the model set out above could address Scotland’s specific demographic challenges. The UK Government’s claim that this is impossible without internal borders is not supported by international evidence. A shared responsibility would allow the policy to be introduced gradually, providing an evidence base for further action.

Drugs Neil Findlay

**Scotland’s shame The Scottish Drugs Crisis**

At the start of August 2021 the latest statistics on drug deaths in Scotland were published. They showed that in 2020 1,339 of our fellow citizens died from drug related causes, a 5% increase on 2019. The dreadful reality is that 3 people lose their life in Scotland each day to the drugs crisis - a class crisis that impacts most on the poorest who are 18 times more likely to die of an overdose than affluent Scots. If this was a crisis or a condition that was 18 times more likely to result in the deaths of the wealthiest Scots, it would have been resolved a long time ago. In ‘progressive’, ‘left wing’ Scotland, however, the victims of this scandal have been shamefully ignored, cast aside, deemed as having little political capital and therefore dispensable.

After years of ambivalence Nicola Sturgeon eventually admitted her government had taken its ‘eye off the ball’. Her Health Secretary said the statistics were ‘challenging’. These statistics, the worst in Europe by some way, aren't ‘challenging’ or to be dismissed with a throwaway sporting metaphor, they are a shameful outrage - thousands of our fellow citizens, mothers, fathers and children have died unnecessarily.

In the current polarised, political climate drugs, like every other issue, have become embroiled in the constitutional debate where facts are contorted to create fake news: flags are waved and others blamed. Well-rehearsed lines are trotted out – ‘We don’t have the powers to deal with the crisis’- ignoring the fact that England and Wales operate under the same legislative regime yet have four times fewer deaths than Scotland and that Scotland already has powers over education, many taxes and health and justice.

‘Other countries don’t count statistics in the same way’ was another desperate, inaccurate and pathetic claim.

The reality is the war on drugs has failed spectacularly. We cannot and will never arrest our way to a drug free society. Doing the same thing over and over will see more people die, more drugs in circulation and greater profits for organised crime. We need fundamental, radical and lasting change.

The Red Paper Collective has always argued that we want powers for a purpose and that purpose is to redistribute power and wealth to communities in most need. The link between deprivation and addiction is undeniable and whilst the answers to the drugs crisis are complex and multiple, an end to the cuts we have seen impacting on communities at the sharp end of this crisis and the services they rely on, including catastrophic cuts to drug and alcohol services, would be a start. But this must be followed by increased and sustained investment to bring jobs, housing, youth services, community learning and community well-being projects into communities in need. Investment must bring hope, build pride and worth and end alienation.

Rebuilding working class communities will require decades of coordinated action that run parallel to a change in drugs policy. We don’t need to reinvent the wheel, the model for change exists; in the ’80s and ’90s Portugal was in the grip of a drugs epidemic that saw a steep rise in HIV infection and death rates soar to the worst in Europe. Something had to be done and it was.

The socialist government decriminalised personal possession of drugs and implemented a major harm reduction and public health programme. The new policy was based on three pillars: there’s no such thing as a soft or hard drug, only healthy and unhealthy relationships with drugs; an individual’s unhealthy relationship with drugs often conceals wider personal problems (relationship breakdown, violence, poor mental health, trauma etc); the eradication of all illegal drug use is an impossible goal.

This reflects the discussions I’ve had with the drug-using community in Scotland and those who work with them. Most of those using drugs in a harmful way have resorted to drugs because of traumatic, negative events in their lives and unless these issues are addressed then the user will lurch from one substance or dangerous behaviour to another, all the while never coming to terms or being able to cope with their trauma.

The Portuguese policy treats everyone as individuals, resulting in the number of people voluntarily entering treatment increasing significantly. HIV infection has dropped dramatically, down 52 per cent; jail sentences for drug-related offences have decreased and the rates of problematic drug use are down. The drug death rate has gone from more than 1,000 a year to around 50.

While the focus of the discussion in Scotland in recent months has been about safe-injecting rooms, in reality this is a relatively small part of a much bigger jigsaw.

What we need is a change of mindset and an approach that looks at how we help drug users to lead safe, healthy and crime-free lives. We need to consider how we get people the treatment they need to address their underlying issues and their drugs use.

The results from Portugal suggest this would be far more productive than arresting and re-arresting the same offenders without addressing what is at the root of their problems. But even without adopting the Portuguese model there are things we can do now and herein lies the problem for the current Scottish Government because it already holds the powers to:

* Accept that the root of the drugs crisis is poverty, hopelessness and trauma and have a measurable and clear plan of national and local priorities and funding to address this.
* Treat people as human beings and develop a plan with them to address their needs and, more importantly, their rights.
* Stop the cuts to drug and alcohol services and fund them to the level needed.
* Create a drugs treatment guarantee for all who seek help, with the right to appropriate treatment written into it and hold government and service providers to account for delivery.
* Provide equal access to drugs that treat opiate/polydrug use addiction.
* Provide residential rehab for those who need, want it and are ready for it.
* Invest in community, mental health services to meet stringent service standards with guaranteed access to services.
* Bring police, community and public health funding streams together to deliver practical outcomes to help those in need.
* Set up mental health teams in police stations - police officers have been calling for this for years.
* Allow drugs users who have not responded to other forms of treatment to be prescribed heroin in a medical setting.
* Extend the training of people in the application of naloxone and, crucially, fund this roll out in places where people are dying.
* Establish early warning programmes to alert people of new drugs entering the market or risky behaviours on the streets.
* Implement governance and accountability processes to ensure that those who are funded and responsible for delivering change are held to account.
* As in Wales, provide drugs testing facilities to reduce harms and deaths and to educate users.
* Have a concerted long-term plan to address the street benzodiazepine crisis.
* Extend the provision of mental health crisis centres like the Penumbra one in Leith which provides emergency crisis accommodation and a safe place of respite for a short period. It’s the only one of its kind in Scotland — we need a network of such places across the country.
* Get people off the streets and into accommodation with support — the HIV outbreak in Glasgow was predominantly amongst homeless street drug users.
* Stop discharging people from hospital or prison onto the streets with nowhere to go and no follow-up care.
* Stop allowing people to drop out of the treatment system — these are the people that are dying as they are left with no support and no hope.
* End the cuts to youth work, housing support, community education, funding for the voluntary sector and social work — these are the services that civilise us as a society.
* Provide guaranteed long-term funding to projects we know work like Aid n Abet in Edinburgh working with offenders and young people.
* Follow what progressive police and crime commissioners in England and Wales are doing where drugs and alcohol offenders sign a contract to undergo mental health treatment and help is provided to address problematic drugs use.
* Establish a network of community outreach workers who will go into communities seeking out those in need to engage them in services.
* Have a funded local and national strategy of early intervention.
* Support mutual aid groups as one of a suite of treatment options.
* Ensure that there is an annual report and debate in Parliament to coincide with the publication of statistics on drugs deaths.

To ensure that we can deal with the crisis in its entirety and that Scottish politicians are held to account with no constitutional excuses deployed, the misuse of drugs act should be devolved in its entirety, **but** this must be followed by a willingness to address its outdated inadequacies.

And following this, the shift from a criminal justice approach to a public health one would require major reform of the law on drugs. Given that the criminals who are at the heart of the illicit drugs trade operate across international and UK borders, common frameworks, protocols, power sharing arrangements, warrants, border control procedures and laws would be required. The drugs being injected in the alleyways and waste ground of Glasgow probably originated in Asia or South America or labs in Europe, transported across international borders, into England and sold in our towns and cities. The need for power sharing and cooperation is self-evident.

These are just a few pieces of the 1,000-piece complex jigsaw that needs rebuilt to address the crisis in working-class communities and end the deaths that are Scotland’s shame. Most of this can be done now but that of course is the hard part; it requires political will and bravery. A sign of how brave and bold our politicians are on this crucial issue is exemplified by Keir Starmer’s irrational and out of touch opposition to safe injecting facilities and the complete absence of the drugs deaths crisis being even mentioned in the SNP/Green coalition deal. I suspect that many more people will die before we see any real and lasting change.

Local Government Vince Mills

**Progressive Municipalism**

Right across Europe, including Scotland, some local governments are seeking to limit the reach of neo-liberalism by using their spending power to advance what might broadly be termed social justice and environmentally sustainable projects, mainly through ‘progressive procurement’. The sums of money are considerable. In the UK £290 Billion is spent on public procurement and 2000 billion euros in the EU.

The attempts at using procurement for a progressive agenda in the EU have been instructive in light of the proposed changes in the UK mentioned later, because although since 2014 it has been easier to construct tenders that make the social impact of contracts central, nevertheless in the EU “…55% of procurement procedures still use the lowest price as the only award criterion. The public procurement directives leave public buyers entirely free to opt for purchases based on cost-effectiveness, quality-based criteria.”

Open Democracy cites three examples of progressive city leaderships in the EU - Naples, Barcelona and Grenoble seeking to use public procurement to keep multinationals out, in favour of smaller local businesses and co-ops, with the obvious benefit that such procurement will keep money and jobs in the local economy. All three have experienced difficulties with EU rules and regulations. EU interventions to prevent progressive procurement range from attempts to stop progressive local authorities from excluding companies from tendering because of their human rights violations, disallowing tenders that oblige the service provider to protect poor consumers from having their electricity cut off, and opposing requirements that school canteens should use local, organic food - under EU public procurement law it is illegal to include geographical criteria in public tenders. This last example is particularly interesting because it is one of the objectives of the Community Wealth Building Bill agreed between the SNP and the Scottish Greens as part of their recent partnership deal.

Interestingly, the UK example of progressive municipalisation that Open Democracy cites seems to have managed to avoid the inhibiting rules and regulations whether EU or UK based, at least so far.

The UK-EU Trade and Cooperation Agreement (TCA) agreed last Christmas eve, continues to ensure that state aid is heavily policed. This of course includes procurement and as noted above, there is evidence that in the EU attempts to use procurement in a progressive way have been hampered by EU rules.

Also there is the Tories’ Internal Market Act 2020. It concentrates all powers over state aid and competition policy in the hands of the Westminster Parliament taking away the powers delegated to the Scottish Parliament by the 1998 Scotland Act. This is equally true for Wales and the English regions.

And finally, and most recently, there is the Subsidy Control Bill now going through the houses of parliament. While it “will give public authorities the freedom to act swiftly in providing subsidies” it also “introduces a number of prohibitions to prevent public authorities granting subsidies with distortive or harmful economic impacts.” This would suggest a regime operating very much like that developed by the EU, admittedly with perhaps fewer bureaucratic constraints than at present.

Preston is the leading local authority of progressive municipalism in the UK and has given its name to the ‘Preston model’. Its approach is based on five principles of Community Wealth Building: 1. Plural Ownership of the Economy; 2. Progressive Procurement of Goods and Services; 3. Socially Just Use of Land and Property; 4. Fair Employment and Just Labour Markets; and 5. Making Financial Power work for Local Places.

Preston applies a weighting system for tendering which includes criteria like commitment to apprenticeships, attitudes to skills and training, local labour recruitment, approach to sub-contractors, length of supply chains and environmental protection.

As noted, it has not, so far, fallen foul of EU and UK procurement law. It has split large contracts into smaller contracts which allows smaller, local companies to bid. This may also mean that it has not been subject to the same intensity of regulation that large contracts require.

The Council is developing co-operatives based on the Mondragon model to fill gaps in the supply chain and it cooperates both with UK councils pursuing similar strategies - there are currently around 15 – as well as working with international partners. The Mondragon Co-operative Corporation (MCC) is a business-based group of cooperatives which was developed in the Basque Country.

Matthew Brown, Preston’s Labour Council leader and an avowed socialist, hopes eventually, once the cooperatives are up and running, to create a new people’s bank for the northwest, on a cooperative basis.

Of the money that Preston has managed to repatriate using this strategy, 80% came from London based multinationals.

The first council in Scotland to seek to develop the highly successful Preston model was North Ayrshire Council. It is no coincidence that North Ayrshire is also led by a socialist, Joe Cullinane, and he made clear his radical intentions when announcing the Community Wealth Building Strategy on the Scottish Labour Party website last year:

Rather than be beholden to capital, which has no loyalty to place, our Community Wealth Building strategy will utilise the untapped economic power of the local state to shape a new collaborative, inclusive, sustainable and democratic local economy…

Capital flight has been a key cornerstone of the neoliberal economy, with jobs transferred across the globe in pursuit of the lowest employment conditions and maximum profits. But Community Wealth Building emphasises the need to place control over wealth in the hands of communities.

The Community Wealth Bill proposed as part the Scottish Green and SNP partnership is not described in such radical language. Indeed, key elements are qualified by phrases such as 'where possible'. A full assessment will only be possible once the Bill is published.

In the meantime, there is no conceivable argument as to why the left would not pursue the radical models of this strategy already developed in Preston and North Ayrshire. The Scottish Labour movement should use every effort to promote it.

**The Need for Further Challenge**

No doubt those most committed to this strategy would be the first to say it, but on its own, Community Wealth Building cannot address the consequences of almost perpetual austerity and rules that are rigged at state level in favour of big business. Nor can it withstand the, sometimes undemocratic, shifts by central government - in Scotland that means Holyrood – in favour of something perceived to be a priority for that government. This is particularly so because many of the anchor institutions on which Community Wealth Building depends - such as the NHS and further and higher education institutions - are themselves dependent on public funding.

According to the Scottish Labour Party, the Scottish Government has cut councils’ non-ringfenced revenue funding by £937.3 million in real teams between 2013-14 and 2021-22. Non ringfenced funding is the money that the local authority actually controls. For example, nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare. Whereas this is obviously a worthy source for the funding, extensive ringfencing limits both the strategic and operational capacity of local authorities.

This means that we need to continue the struggle for proper funding of local government. However, if local authorities are to get the resources and powers they need to develop radical strategies, we also need constitutional change that guarantees local government autonomy and forbids the absorption of local government areas of responsibility into Holyrood.

The list of functions being sucked into Holyrood gets ever longer. Most recently, SNP plans to create a new National Care Service have been attacked by COSLA as an exercise in centralisation:

The Consultation launched today cuts through the heart of governance in Scotland – not only does it have serious implications for Local Government – it is an attack on localism and on the rights of local people to make decisions democratically for their Place.  It once again brings a centralising approach to how decisions which should be taken locally are made.

This follows similar concern about the SNP’s interventions in education. Writing in the Red Paper publication of 2019 Michael MacNeil notes:

It cannot be ignored that running alongside the devolution rhetoric, the Scottish Government has been introducing the means to shift control to the centre. For example, centralised control over the curriculum (see Curriculum for Excellence), the development of a ‘National Improvement Framework’ and school performance indicators, the introduction of new accountability mechanisms via Education Scotland (central inspectorate) and the advent of regional structures.

Further Education, once run by Local Councils, is now funded centrally; the Fire and Rescue service has been centralised and so have Scotland’s Police Services. Indeed, a cynic might argue were it not for local government’s usefulness as a whipping boy, the SNP might have abolished it some years ago. Clearly this and its financial dependence, (see below) makes local government pliant in relation to central government demands.

To establish autonomy, the system, powers and functions of local government should ultimately be enshrined in a written constitution as part of a UK wide federal settlement, but as soon as possible they should be embedded in Scottish legislation passed by the Scottish Parliament.

The abstract endowing of autonomy would mean very little, however, if the vast bulk of local government funding still comes from central government. Currently the block grant to local authorities from the Scottish government makes up around 85% of their net revenue expenditure, with the remainder coming mostly from the council tax. Consequently, as part of a new arrangement there would need to be a re-assignation of levels and forms of taxation.

This extension of democracy downwards, is the best defence local government has against either UK or Scottish governments acting to make local services, heavily used by the least well off in our society, an additional source of income for corporate capital. This defence would be greatly strengthened by the extensive use of strategies like Community Wealth Building, especially if such strategies were increasingly bottom up in design, giving local communities and council workers through their trade unions, not only the financial benefits of the collective ownership of assets, but democratic control of the kind and quality of the services and employment they need.

We must accept, however, that such a radical shift will have to be won in the face of opposition from big business and its political supporters. We have seen how big business uses EU rules to limit radical approaches at local level in some EU countries. We can expect that and more in the UK given that through the TCA we will still have an EU legacy as well the Tories’ own centralising efforts to secure a neo-liberal approach to procurement. The SNP government in Scotland is hardly any better. It pines for membership of the EU, with the privileges that affords corporate capitalism, and it opposes the centralising efforts of the Johnston’s Tories because it wants to continue in Scotland with its own centralising of local government in Scotland.

If we want to move to a radical, democratic settlement that can provide the material basis for transformational change in our society away from the dominance of corporate, global capitalism, radical federalism is an approach that offers the possibility of autonomy, equality, democracy and solidarity. In the meantime, we should use the powers that the Scottish Parliament already has, to shift the balance of wealth and power in favour of working people in Scotland using strategies like Community Wealth Building and embedding autonomy for local government in Scottish legislation.

Social Security Ida Carroll

**Social security: our powers to build a safety net for all**

The safety net of social security should protect all of us from poverty, support us to live a decent life and to live it with dignity. Covid-19 has shown, all too starkly, just how much we can’t plan for. The loss of a job, ill-health, bereavement or the breakdown of a relationship, can all change our circumstances, our security, in a flash. We need a safety net to protect and care for each other in times of need. Providing social security through the state is the only viable way to deliver social security on a universal basis and on the scale necessary to provide help, if we need it, at every stage of our lives, from cradle to grave.

In our current system, for most of us, work is actually our first safety net. We expect to meet our needs ourselves through earnings from employment, whether that is because we are (or someone in our household is) working now or because we used to work, and therefore through our pensions. The extraordinary growth of in-work poverty demonstrates how, for many folk, work falls far short at meeting our basic costs of living.

The high and rising number of people experiencing poverty in Scotland demonstrates how far short our social security system falls at also meeting our basic needs. Over one million people in Scotland are currently living in poverty, including 240,000 children, and 640,000 working-age adults. While Scotland has slightly lower levels of poverty than most other UK nations and regions, mainly due to lower housing costs and a bigger social rented sector, poverty is rising.

The pandemic has magnified existing inequalities and has hit poorer households the hardest. Women in Scotland are still more likely to be in poverty than men, and black and minority ethnic women, disabled women, lone parents, and refugee and asylum-seeking women in particular. More people in Scotland are disabled than the rest of the UK and disabled people are more likely to experience poverty. There are also persistently high levels of inequality in Scotland. A boy born in 2018 in one of the 10% most deprived areas of Scotland has a life expectancy 13 years shorter than a boy from the most affluent area.

Is poverty rising in Scotland because we don’t have the powers to do something about it, or because we are failing to use the powers we have?

**What powers do we have?**

For people in Scotland, social security is provided by three different spheres of government: the UK Government, the Scottish Government, and local authorities. Together they are responsible for spending £19 billion on social security in Scotland, 17% of which is on devolved benefits.

Although the Welfare Reform Act 2012 shifted responsibility for delivering some benefits administered by local authorities to Scotland, the first devolution of powers came with the Scotland Act 2016. Explicit areas of social security are devolved to Scotland, with anything not mentioned still reserved to the UK Government. Disability benefits, a large and complex area of social security, are among those devolved, along with powers to top-up any benefit, create new benefits and vary some aspects of Universal Credit. Powers over Universal Credit, the main vehicle for providing social security across the UK and delivered to half a million people in Scotland, remain reserved.

The Scottish Government has used its powers since 2016 to create a new social security agency, Social Security Scotland, to deliver devolved social security benefits. Based in Dundee and governed by a new charter, it sets out to take a human rights approach; demonstrate dignity, fairness and respect in all its actions; and involve people with experience of poverty and the social security system in its design and delivery. While this is laudable aspiration, it is broadly untested because Social Security Scotland is way behind schedule. In a perverse transfer of responsibility, five years after securing powers to deliver social security directly, the Scottish Government is contracting the UK Government’s Department of Work and Pensions (DWP) to deliver almost all social security on its behalf.

New powers have been used to reduce child poverty through the introduction of the Scottish Child Payment giving £10 a week to each child under 6 living in a family with low income. *Scottish Choices* give people in Scotland claiming Universal Credit more options about how they receive Universal Credit, including a portion going direct to a landlord to cover rent, and receiving it twice a month instead of the standard monthly payment. Several previously reserved benefits have been adapted and made more generous in their devolved configuration, such as Best Start grants and the Carer’s Allowance. Discretionary Housing Payments, administered by local authorities, have been adapted to mitigate the detrimental impact of the bedroom tax, benefit cap and local housing allowance.

The challenge of establishing a new agency to deliver social security has drawn attention to many technical barriers in devolving these powers, including additional costs, staff recruitment and access to DWP data. While some argue these demonstrate why Scotland cannot handle social security powers itself, these are not fundamental obstacles to devolution itself and can be expected to lessen over time, as infrastructure and expertise is developed.

The biggest challenge to the delivery of social security in Scotland is how existing powers can be used to do more to protect all of us from poverty, support us to live a decent life and to live it with dignity.

Take the Scottish Child Payment. From the outset, the Scottish Government, and much of Scottish civil society, abandoned any idea to provide this as a universal benefit – which is entirely possible using existing powers. Instead, this was to be targeted at families with low incomes, with the inevitable consequence that thousands of eligible children miss out because their families have to apply. Latest figures show 40% of eligible children aren’t receiving the Scottish Child Payment. In the recent Scottish parliamentary elections, all five major parties committed to doubling the Scottish Child Payment, a move that will reduce child poverty from 25% of children to just 10% by 2031. Yet the Scottish Government remains vague about when it will act. There is no limitation on the powers of the Scottish Government to deliver at this scale, and while there are significant costs, it is a political choice not to act.

Despite the half-hearted ambition of the Scottish Child Payment, it models how existing powers can target support to particular groups who are penalised under the UK system, including larger families, single adults and disabled people. Simply by extending the Scottish Child Payment itself for example, the deeply unfair two child limit on UK benefits could be fully mitigated with existing Scottish social security powers. We have to question why this hasn’t been done?

The wait of at least five weeks for the first payment of Universal Credit has increased people’s debt, undermined mental health and driven people to food banks. With existing powers, the Scottish Government could act to remove the five-week wait by targeting support to people at the start of a claim, either as an addition to Scottish Choices or by providing crisis grants through the Scottish Welfare Fund. The cost of mitigating this in full is high, in the hundreds of millions a year, but we already have the powers to do this. Whether we have the powers to raise the funds to pay for it, and if we have the political will to act is another matter.

**What do we need additional powers to deliver?**

**Removing sanctions**

‘Punitive, mean-spirited, and often callous’ is how the sanctions regime, baked into Universal Credit and used as a penalty for failing to meet certain conditions, was infamously described by the UN Special Rapporteur on Extreme Poverty. The Scotland Act 2016 is explicit that Scotland does not have the powers to mitigate or remove sanctions. Nevertheless, the Scottish Greens and Commonweal have both investigated how this could be done - without much success. Fundamentally changing or removing the sanctions regime in Scotland requires additional powers, though not necessarily independence.

Using the existing framework for Scottish Choices*,* Scotland could seek additional powers to add the management of any sanctions to the Scottish Choices package*.* The test for the existing Scottish Choices appears to depend on whether the devolved delivery can be managed concurrently with the Secretary of State’s responsibilities and is practicable. This case can be made.

**Scrapping Universal Credit**

Over the last eight years, the introduction of Universal Credit has been catastrophic. It is no surprise the Scottish National Party, the Scottish Labour Party and the Scottish Greens have all committed to scrap it, should they have the power. However, Scotland would need to manage the social security system, not just 17% of it, to be able to do this and replace it with something better. While this would be a huge increase of powers, it does not require full independence. In fact, this was precisely what the Smith Commission in 2014 was recommending until just a couple of days before publication. With Social Security Scotland, and associated statutory bodies, already established, Scotland is in a stronger position now, more than ever, to assume responsibility for Universal Credit or any social security system to replace it, if only it had the powers.

**Basic income and minimum income standards**

Universal Basic Income (UBI) and a Minimum Income Standard are two popular models that have the potential to replace Universal Credit in Scotland, with both aiming to increase the financial support from the state to meet basic needs, reduce insecurity and eradicate poverty.

UBI provides every individual, both adults and children, with a minimum payment to meet basic needs. At a cost of £67 billion a year for the UK, UBI is expensive, especially when the basic adult income of £7,706 would be much too low to meet everyone’s needs. However, the more fundamental barrier to delivering UBI in Scotland right now, is its comprehensively different approach to work, taxation and social security. This cannot be overcome with a few more powers; either the UK would need to adopt UBI or an independent Scotland would need to adopt it.

On the contrary, the Minimum Income Standard model has the potential to be delivered with more powers, short of independence. Payments are organised by different household sizes, caring responsibilities, disabilities and relationship with paid work, and directed to people who would not otherwise have enough income to live a decent life. IPPR Scotland argues this would be transformative, benefitting 2.5 million people in Scotland and eradicating working-age and child poverty. Scotland would need full powers over working-age social security payments and some further devolution over employment rights and the labour market, but independence is not necessary.

**Conclusion**

Wherever you live in the UK, our social security system is failing many groups of people in multiple ways. The Scottish Government has set its ambition far short of what is possible with the powers it already has. The Scottish Child Payment, Scottish Choices and the Scottish Welfare Fund are existing vehicles that could be used immediately to eradicate child poverty, remove the five-week wait for Universal Credit and mitigate the two-child limit.

A much greater devolution of powers to Scotland, short of independence, would be needed to remove the sanctions regime or scrap Universal Credit. We can hear the Scottish Government’s criticism of these loud and clear, but there’s not so much as a whisper about the practical steps that can be taken to secure the powers to change these, outside of calls for full independence.

We can deliver a safety net to protect all of us in Scotland from poverty, support us to live a decent life and to live it with dignity - without independence. We would need more powers, including to raise the funds to pay for it, but most importantly we need the vision and political will to deliver it.

Employment Law Michael MacNeil

**Introduction**

In striving for a fairer and more equal society, it is essential to examine the economic system and the world of work. Economic and political power remain concentrated in the hands of the few. Technocratic or constitutional tinkering by itself will not reverse this concentration of power, but examining and comparing political actors’ proposals for the institutional arrangements and regulatory framework governing the employment relationship can help to reveal whether they are masquerading as progressives, or if they really do want to tackle the gross imbalance of power between labour and capital.

Although rarely openly acknowledged, discussions around industrial relations (IR) are always underpinned by a range of political philosophies. Some follow the unitarist paradigm, considering that the state should have very little role in determining the relationship between employer and employee – believing the market should decide the terms of employment (except, of course, when workers’ organisations apparently distort the market). Many adopt a pluralist position, taking what they consider to be more enlightened positions, trying to give voice to workers within the economic system. Others take a fundamentally more critical view of the employment relationship, seeing the exploitation of labour power as the crux of the capitalist system and argue that a progressive government should help rebalance the power between labour and capital. An awareness of these perspectives is often the key to understanding why particular approaches to IR are adopted.

This article will start by briefly linking economic restructuring and the role of the state over the last 40 years before highlighting a series of outcomes that could be delivered by a progressive legislative approach. Taking account of both existing and potential future constitutional arrangements, the article considers whether such an approach could be applied in Scotland. The conclusion is that in all scenarios there is much more that could be done by the Scottish Government. The fact that the reform agenda pursued in Scotland is so limited is a matter of political will and ideological perspective.

**Economic restructuring and the role of the state in Industrial Relations**

There has been a tumultuous restructuring of the UK economy since the late 1970s. During this time, the state has acceded to the push by big business and finance capital to break the post-war consensus by implementing competitive de-regulation of labour markets, pursuing policies aimed at weakening the legal frameworks within which workers are employed and eroding the ability of unions to organise and take collective action, hampering their ability to regulate the labour market through collective bargaining.

The election of the New Labour government in 1997 did little to reverse the radical right-wing approaches of the previous Tory Governments. This wasn’t particularly surprising given the ambivalent attitude of the party’s hierarchy to the unions. On paper, individual rights were improved (including the introduction of minimum wage provisions) but nothing was done to repeal a canon of anti-union laws intended to restrict organised labour’s freedom to act, leaving workers with limited means to enforce these individual rights. Admittedly, New Labour made an attempt to appease the unions with a new statutory route to compel employers to recognise trade unions, but the provisions proved to be largely ineffective in helping to rebalance the power between workers and their employers (which was, of course, never the intention).

The Tory/Lib Dem coalition that followed also reduced collective rights and, unsurprisingly, the Tories have continued this approach since their election in 2015.

The legacy of deliberative actions over 40 years has been a significant tilt to increase the power of capital at the expense of labour. We are living with the results: declining living standards, the growth of super-exploitative employment practices, insecure work, and increasing levels of inequality across a range of measures.

It is against this backdrop that proposals for state intervention in IR should be examined. Before looking specifically at Scotland, it is worth considering the kind of reforms that could make a real difference to workers.

**What is to be done?**

Addressing four decades of state policy designed to weaken collective approaches is exactly the task? that the Institute for Employment Relations (IER) set itself. In its 2016 publication, *A Manifesto for Labour Law* it outlined how the state could intervene to address the super-exploitative practices that had developed within the UK labour market. The outcome of long discussions between lawyers, academics, and trade unionists, produced the following key proposals:

* A Ministry of Labour, a Labour Court, and a National Economic Forum
* The roll-out of sectoral collective bargaining
* Stronger trade union rights to recognition, access and inspection of workplaces
* A minimum of two workers on boards
* A real living wage
* A single ‘worker’ status with equal rights from day one of employment for all workers
* Replacing zero-hours contracts with an expectation of a minimum number of guaranteed hours for all workers and a premium rate for overtime
* Stronger equality rights
* An emphasis on in-house dispute resolution to avoid costly litigation
* An independent Labour Inspectorate to monitor labour law compliance
* Compensation commensurate with the losses incurred by the victim and criminal sanctions for the worst offenders.

At core, the recommended actions envisaged an expanded role for the state, one which not only provided a legislative floor of statutory rights but also tackled issues of enforcement both through state institutions and by workers themselves. To be clear, this wouldn’t be a silver bullet to resolve declining union organisation across the economy, but the IER’s initial proposals provided a sketch for a new institutional framework to enable workers to act collectively in a push to improve wages and working conditions. Evidence of the benefit of such an approach for employers and the economy at large was provided, but there is little doubt that the proposals were driven by a desire to improve the lot of workers.

Although the IER’s approach was drafted with an eye on legislation at Westminster, the crucial point to note is that the proposals not only received support from the Labour Party under Corbyn’s leadership but also from the SNP and the Scottish Greens. After further development to provide practical steps to implementing the objectives at a UK-level, many of the proposals were incorporated into the Labour Party’s 2017 general election manifesto. Clearly, the Tory election victory has scuppered those plans for the time being but the key point is that there is now a blueprint for the kind of legislative changes that could be taken by a government that truly wanted to rebalance power and create a fairer framework for the world of work.

**What could be done in Scotland?**

Too often we hear that there’s not a lot that can be done this side of winning independence for Scotland. With employment law remaining a reserved matter, it is easy for Scottish politicians to divert outrage at the current inadequacies and unfairness of the law to Westminster. However, even within the current constitutional constraints, more robust action could be taken at a Scottish level. In the aftermath of the 2019 general election, IER Scotland developed a Charter of Workers’ Rights in Scotland (and importantly how it might be monitored and enforced) that could be adopted if a government was serious about strengthening workers’ rights.

Of course, if employment law was devolved, then, with some adjustment, there is no reason why a legislative programme based on the IER proposals could not be drafted for the Scottish Parliament. But are those in power really prepared to create the conditions for such a profound shake-up of industrial relations in Scotland?

**What is being done in Scotland?**

It is not clear that the SNP in government wants to rock the boat or upset business interests to any extent. At home, their domestic approach has been conservative. In 2014, in the aftermath of the bitter INEOS dispute, the Scottish Government commissioned an (allegedly) independent review (led by Jim Mather, an SNP grandee) to look at workplace relations. This *Working Together Review* led neatly (and predictably) to the establishment in 2015 to the tripartite *Fair Work Convention* (FWC). With an emphasis on boosting productivity and competitiveness, the FWC’s intent is that:

by 2025 people in Scotland will have a world-leading working life where fair work drives success, wellbeing and prosperity for individuals, businesses, organisations and society.

With fair work defined as:

work that offers effective voice, opportunity, security, fulfilment and respect; that balances the rights and responsibilities of employers and workers and that can generate benefits for individuals, organisations and society.

On the face of it, the Fair Work Convention may have laudable, if modest, intentions. However, the approach, even technically, has not been without difficulty. It has taken the FWC a long time to work through what is meant by the definitional words and how to measure progress. External analysis of progress from a number of quarters has been that despite talking a good game about Fair Work, the action of the Scottish Government has, to date, been found wanting.

It is an incredibly managerial rather than political approach. Its reliance on soft regulation and employer co-operation, with no meaningful mechanisms of enforcement and no attempt to address the structural imbalance in power between workers and employers, means that the outcomes are always likely to be fiddling around the edges.

Is this really the best that can be achieved in Scotland?

Even within existing powers, more use could be made of the state’s role as an employer and a procurer of services, so one has to question the political will to implement the kind of changes that would make a real difference to workers. Like so many other aspects of Scottish Government policy, there are much better levels of communication and engagement with trade unions and civic organisations but fundamental differences in policy outcomes are hard to detect.

**Difficulties, contradictions and inconsistencies**

There are those who argue that employment law should remain a reserved matter. It is difficult to accept technical arguments that employment law cannot be devolved when other fiendishly complex areas have been (the right to raise taxes, social security provisions). It is also hard to accept any principled objections when Northern Ireland already had devolved rights under the current constitutional settlement.

Of course, the argument has been made that large employers operating across borders would avoid being subject to Scottish law preferring a jurisdiction with weaker employment regulation. This logic could be used against any extension of powers such as tighter environmental controls and introduce a chill factor so that nothing meaningful is done.

What is clear is that there is a logical inconsistency with politicians representing Scotland bemoaning the state of employment law set by Westminster and backing the IER’s plans for a fundamental review at a UK-level, but then not promoting the same agenda within Scottish institutions. In this respect, the weak approach of the Fair Work Convention bears no comparison to the proposals suggested by the IER’s *Manifesto for Labour Law*. Furthermore it is interesting that the deal struck between the Scottish Greens and the SNP explicitly does not commit to trade union recognition for companies receiving public sector money only that the organisation concerned “provides appropriate channels for effective workers’ voice, such as trade union recognition.”

**Conclusion**

Implementing the kind of changes that would make a serious difference to workers depends on political will. It is clear that the right government in Scotland could make a significant difference, but this would necessitate a considerable challenge to the status-quo within the UK and Scotland.

However, as SNP and Green MPs were happy to support the IER Manifesto at Westminster, perhaps it is time for them to put their money where their mouths are and take a similarly radical agenda into Holyrood? A blueprint for future reform already exists.

Industrial Policy John Foster

**The immediate challenge: the Tory transformation of industrial policy**

The legislative framework governing Britain’s industrial policy is currently undergoing radical change. A Subsidies Control Bill was laid before parliament in summer 2021 and will, as amended, become law later this year. A Green Paper on public procurement was issued in March 2021. A Bill will go before parliament in the autumn. Both will operate, in general, within the terms of the Trade and Competition Agreement (TCA) signed with the EU in December 2020 and embodied in the Internal Market Act. They will do so alongside the World Trade Organisation’s Government Procurement Agreement (GPA) renegotiated by Britain in 2020 and which came into force in January 2021.

The Westminster government is also initiating a new series of practical interventions. In March 2021 the Chancellor announced a two-year Corporation Tax holiday for larger companies, costing up to £20 billion, in return for enhanced industrial investment. Over the past six months the Prime Minister has also launched a series of ‘levelling up’ initiatives valued at a further £20 billion. A legislative framework for this new ‘Levelling Up’ programme will be presented in a White Paper in autumn 2021- replacing, it would seem, the 2017 Industrial Strategy that was scrapped earlier this year. Almost all the new legislation will impact directly or indirectly on industrial policy in Scotland.

In terms of legal powers this new raft of legislation appears to be highly likely to restrict, if not annul, the powers over industrial policy granted to Scotland by the Scottish Parliament Act of 1998. Under the terms of this Act industrial policy was not an area ‘reserved’ to Westminster – and the ability to pursue an active industrial policy had been one of the major objectives of the Scottish trade union movement in the campaign for a Scottish Parliament. In practice, EU legislation quickly limited the Scottish Parliament’s ability to develop meaningful industrial policy. It effectively blocked state aid to sustain key firms, comprehensive public ownership and the planned and directed use of public contracting to develop Scotland’s industrial capacity.

What of the new Tory legislation? It does not entirely block the Scottish government’s ability to initiate policy, or indeed to provide state aid on a new scale in the new post-EU environment. But the new laws do seem highly likely to give the final say to Westminster. Ultimately permission will be reserved to Westminster in the same way as it was previously reserved to the EU.

However, there is also likely to be another equally difficult limitation arising from current Tory policies in Westminster. This is one of resources. The Johnson government clearly intends to limit subventions to the Scottish parliament at the same time as using its own financial powers to leverage partnerships with big business and to intervene itself, and on its own political terms, in Scotland.

**Regaining industrial policy as part of a ‘third option’**

These issues are therefore very immediate. In the past, the Scottish government repeatedly cited EU regulations on state aid, on competition and on procurement to justify its failure to develop a coherent industrial policy. It conspicuously failed to rescue threatened firms, such as the Springburn Rail Workshops, to use public contracting to sustain publicly-owned companies, such as Caledonian MacBrayne, or to require the use of Scottish produced steel or concrete for public projects such as the new Forth Road Bridge – or simply to require contractors to introduce collective bargaining. Today these powers are needed more than ever.

If these powers had been available in Scotland over the last two decades and given political support, they would have enabled the rescue of many endangered firms. They could have ensured that key industries such as steel, electronics and motor manufacturing survived – both through government aid, and, if necessary, ownership. They would also have enabled the coherent development of new industries in bio-medical sciences, information technology, green energy and cybernetics – instead of seeing start-up firms and their personnel, largely funded through public sector university research budgets, being repeatedly bought up and taken offshore.

The existence of strong parliamentary and governmental powers in Scotland will be even more necessary and urgent after Covid. Scotland’s industrial economy, already internationally very weak, will face two particular challenges. One is the intensified impact of financialisation on company ownership as a result of the massive levels of governmental/central bank credit creation. The other will be the way the industrial policies of Johnson government, as already outlined, will be implemented. We will start with this second challenge and, specifically, the policy perspectives of Boris Johnson as outlined on 15 July 2021.

**The Centralising agenda**

In what was a populist and very political speech Johnson committed the government to a range of economic and industrial interventions to ‘level up’ what the prime minister described as the dramatic differences in life chance and wealth across Britain. It sought to dispel any belief that these differences were on a purely north-south basis and therefore that any levelling up should be from ‘south to north’. Disparities existed everywhere. But Johnson did commit the government to a new level of industrial intervention. This covered both immediate actions to support economic development and a commitment to extend local powers with more elected mayors at both city and ‘county’ level. It was predictably made clear that both interventions, financial and administrative, would be on private sector terms. There would be no ‘municipal socialism’ or any return to the 1980s-type localist policies of the Greater London Council. Regeneration would be via the private sector. The job of the new mayors would be to go out and woo the big multinationals.

There was, however, a key additional feature in Johnson’s speech. It was about developing direct partnerships between the Westminster government and local communities. The new town and county mayors, and existing councils and local communities, must directly ‘buy-into’ and help mould the new developments in dialogue with London – by-passing, in Scotland and Wales, devolved administrations. This, it seems, will be the case with the ‘Build Back Better’ scheme that directs £4.8 billion to local authorities for projects designed to create business-attractive environments. It will equally be so with the £5 billion ‘Restart’ for high streets, some university research programmes and other funding streams for regional development previously routed via the European Union. Additionally, and probably even more important in terms of magnitude, will be government-aided schemes for green energy and its expanded military procurement budget.

The political objectives are obvious. On the one hand, they are tactical: to sustain support in the ‘Red Wall’ Tory seats in the north without alienating Tory voters in the south. On the other, they are also strategic in terms of Johnson’s populist ideology: to defend the ‘Union’ by building direct governmental and big business links, bypassing Holyrood and Cardiff, with local councils and communities in Scotland and Wales. New bonds of economic dependency will be created with ‘British’ level companies. As noted earlier, these objectives are quite explicit – particularly in the minds of the more strategic members of the government such as Michael Gove.

Even before the onset of Covid, the UN World Investment Report documented a sharp reversal of the trend to investment in emerging economies, previously the major driver of global growth. Britain itself comes out of the crisis with an additional £400 billion of debt, bringing the total to near 100 percent of GDP, the highest peacetime debt to date. Additionally, the unprecedented expansion of credit, combined with the heightened monopoly control of key commodities, has triggered significant inflationary pressures for the first time this century.

For Johnson’s ‘Global Britain’ this is a particularly dangerous combination. Johnson’s central objective, and that of the City, remains that of sustaining London as a global banking hub, one that combines a stable currency with relaxed regulations, higher leverage and higher returns for international wealth holders. Already in the summer of 2021 the Chancellor of the Exchequer and the Bank of England were stressing the need to pay down national debt and cut current expenditure.

Whether or not the government does so directly, and whether the Bank increases interest rates, inflation will itself enforce real cuts in both public spending and household consumption. This will be the context for industrial policy in Britain and Scotland for the coming period and for any moves to reverse Britain’s very low and decreasing levels of domestic industrial investment.

It is against this background that the interventionist industrial policies of the Johnson government have been developed: an understanding that industrial investment will, in Britain, remain critically low unless the state intervenes on a new scale. But, as noted, there is also a political twist. Johnson intends to use industrial policy actively to ‘protect the Union’: to use ‘buy in’ by British big business to create corporate-led economic development partnerships within Britain’s nations and regions.

**Industrial policy in Scotland**

The current legislative situation is, as we have seen, complicated. Key parts remain undefined. The Subsidy Control Bill will not be finalised before the autumn and legislation governing public procurement six months after that. However, the current drafts seem to indicate that they offer somewhat greater scope for intervention and subsidy than existed under EU regulations – presumably reflecting an understanding at governmental level that such intervention is now necessary for any significant investment-led industrial growth.

In terms of the restoration of policy powers to Scottish and Welsh legislatures, it also seems that these more permissive powers of intervention also apply to the actions of the devolved governments – although the ultimate legal authority, to allow or disallow, rests, under the terms of the Subsidy Control Bill, with the Competition and Markets Authority at British level. Formally, therefore, in terms of ultimate control, the industrial policy powers conferred on Scotland and Wales by the 1998 Acts have not been restored although Westminster will argue that devolved legislatures do have the power to initiate.

In terms of ‘state aid’ the 2021 Subsidy Control Bill would, under Clause 19, enable the Scottish government to ‘rescue’ failing or insolvent companies by providing temporary liquidity to assist restructuring or to provide financial assistance where it is satisfied that the objective is to avoid social hardship, severe market failure or job losses. Clause 20 makes provision for finance to be made available for the ‘credible restructuring’ of SMEs *or* where owners have contributed significant funds. Clause 29 enables the subsidisation of ‘services of public economic interest’ where the public authority is satisfied that the subsidy is ‘delivering required public objectives’.

The Green Paper ‘Transforming Public Procurement’ proposes new policy perspectives that would prioritise ‘levelling up’ and the opening of procurement to small and medium businesses. Acceptable conditions for the award of contracts, by central government, local authorities and devolved administrations, would include ‘social wellbeing’ and contributions to ‘economic, social and environmental outcomes’ as well as creating ‘new businesses, new jobs and new skills in the UK’ and ‘supply diversity, innovation and resilience’. Some greater leeway would therefore appear to exist for the types of policy being pursued under the ‘Preston model’ (or North Ayrshire in Scotland) for rerouting supply contracts to local suppliers as well as taking contracts in-house. However, the shift of emphasis is limited – as Unite stressed in its response, flagging up a number of areas of concern. The terms already agreed by the government under the new 2020 GPA agreement with the WTO will in practice restrict ability to define ‘social value’. Nor do the new Green Paper proposals oblige contractors to give first consideration to locally produced components, such as steel. Nor, finally, do local authorities have any mandatory obligation to give pre-contract consideration to whether in-house provision provides better outcomes – and there are no requirements for trade union recognition or collective bargaining.

However, in practice and certainly for the immediate future, a still more powerful constraint will apply. Scottish government budgets will be very sharply constrained by the Treasury’s drive to cut back spending and there will, additionally, be the impact of inflation itself. The borrowing powers of the Scottish government are limited: £450m annually on capital investment and £600m on resource spending. These figures may appear to be relatively large – but not when viewed against the Westminster’s announced spending on industrial policy over the coming year of over £30 billion (of which a Scottish 10 percent would be £3 billion) – or even the very low figure for Scottish business investment itself: £1.4 billion in 2018-2019. Finance as well as policy would militate against significant public sector intervention by the Scottish parliament.

Against this lack of power, particularly in terms of financial resource, we come to the developmental needs of the Scottish economy.

Previous editions of the Red Paper have documented the problems. Business investment in Scotland is low, lower still than that of Britain as whole, and reached its lowest level just before Covid, less than 7 per cent of GDP. Research and development are also lower than the British average, and, unlike English regions, preponderantly dependent on university research rather than industry (and, without the funding stream from Chinese students, that itself would be minimal).

Only a very small number of significant industrial firms, with export potential, remain independent and under local control – rather than owned by external investors. Since the last edition of the Red Paper in 2019, the number of such firms has reduced from eight to seven with the loss of Alexander Dennis buses, Scotland’s last significant motor manufacturer. The remaining seven cover timber (2), whisky (2), shipping (1), fishing (1) and publishing (1). Other financially significant firms under independent ownership are all geared to services catering for internal markets: car hire, plant hire, property, construction and, in two cases, finance. All other companies listed among the top 100 by *Scottish Business Insider* are either subsidiaries of externally owned firms or firms, such as John Wood or Weirs, now dominated by blocks of shares owned by the big finance companies. BlackRock, Capital Group and Invesco are currently the three most active.

Johnson’s strategy may have some interim success – both economically and, probably, politically. At this stage his government appears to have the resources to direct major British companies to undertake investment in Scotland – on infrastructure, defence and on ecologically privileged projects for carbon storage and wind and wave power. But the battle to pay down the national debt, in order to defend sterling and the City, makes it doubtful whether such state sponsored investment could continue for long. As with the manufacturing branch plants of the 1960s and the electronics companies of the 1980s, rationalisation will then take its toll. Self-sustaining regional growth is highly unlikely.

In today’s world this requires a substantial element of public ownership, or democratic control, to anchor key productive assets – sustained by publicly supplied research and training, deep pools of technical expertise and local supply firms that can ensure external economies of scale. For this, planning has to be long-term, based cooperation between national and local government *and*, critically, the requisite powers to deploy state aid, control procurement and the utilisation of some measure of public ownership.

Such long-term planning, involving coherent co-working between Holyrood and Westminster, is highly unlikely under Johnson’s plans and there will certainly be no public ownership. While there is talk of community ownership and wealth building, this also in unlikely in circumstances where local government will be under acute financial stress – either as a result of new cuts or as a result of inflation or, as is likely, both. So what are the alternatives?

**Independence or a ‘Third Option’: powers for democratic industrial intervention?**

Independence has always been offered as giving Scots power over their economic destiny. However, as embodied in the SNP’s neo-liberal Growth Commission report, this promise now looks increasingly far-fetched. A massively inflated national debt combined with a loss of transfer payments now worth 20 percent of GDP would provide minimal scope for government-led investment and leave a domestic economy with little to attract the sought-for external corporate investors - particularly with a new regulatory barrier covering the 60 percent of exports going south of the border.

Even the golden prospect of international banks switching from London to Edinburgh, a key element in the Growth Commission Report, now looks extremely unlikely. Any relocation will have already taken place – to Dublin, Amsterdam and Paris. And, not least, Scotland would once more be saddled with the EU regulations on state aid, procurement and bans on comprehensive public ownership that have for the past two decades prevented the coherent development of industrial policy.

This brings us back to the ‘Third Option’ – the ability of the Scottish people, in any new referendum, to vote for such powers of intervention being restored to the Scottish parliament. Other elements of the Third Option are detailed elsewhere in this document. Together they would make it possible to ensure the implementation industrial policy took place in the context of a genuine redistribution of income - from the super-rich to the poor as well as geographically – and with a strongly enhanced role for the public sector, state shareholdings in key private companies and trade union representatives on company boards.

But the key levers would be the ability of the Scottish Parliament to supply state aid, to develop comprehensive public ownership of key utilities and to use public procurement to sustain local industry and employment. They need to be fought for now.

Taxation & Borrowing Seán Griffin

**A hamstrung Parliament with pocket money devolution**

One of the most significant missed opportunities of devolution at its founding was the failure to empower the Scottish Parliament with adequate fiscal levers over taxation and borrowing. At the time of the passing of the Scotland Act 1998 (the “1998 Act”), fiscal, economic, and monetary policy were specifically reserved to Westminster, and this included the issue and circulation of money, taxes and excise duties, and government borrowing and lending. There have of course been improvements since 1998 and the Scottish Parliament’s fiscal powers have been augmented to an extent since the time of its inception. However, the powers still fall far short of what is to be expected of powers fit for a Parliament.

If the aim is to create a Parliament able to suitably serve the people of Scotland, capable of fostering a more socially just and prosperous society, and sensitive to Scotland’s needs, the reasons for the deliberate enfeeblement of the Scottish Parliament in this way are difficult to understand. Whatever the rationale, the failure to devolve significant powers over taxation and borrowing have had two main consequences over the lifetime of the devolution settlement. Firstly, the paucity of financial and fiscal powers has hamstrung the Scottish Parliament in its ability to tackle Scotland’s industrial decline as well as its stubborn levels of poverty and cocktail of associated social problems including uniquely high levels of drug deaths and poor general health outcomes. Secondly, this arrangement has set up a constitutional mousetrap for Labour as it has facilitated the SNP narrative of the Westminster bogeyman and the UK economic model being to blame for all of Scotland’s social and economic ills.

It has created a kind of pocket money devolution whereby the Scottish Parliament cracks open the piggybank every year, freely chooses how to spend the money, but without taking responsibility for how the funds are raised. While this evasion of accountability may be attractive in adolescence, sooner or later the Scottish Parliament is going to have grow up and enter adulthood like the rest of us. Taking fiscal responsibility is not only important to enable the Scottish Parliament to create a more socially just and economically vibrant Scotland, but also it is important for democracy as it will make the Scottish Parliament more accountable and transparent to the people it serves and tear up the get-out-of-jail-free card played by the Scottish Government for too long in its denial of responsibility to Scottish voters.

It may be said in response, if financial responsibility and accountability are so important, why not opt for full fiscal autonomy or even independence. For socialists, it is important not to lose sight of the idea of powers for a purpose and we should have that purpose clear in our minds when considering changes to the constitutional relationship between Scotland and Westminster. The objectives of devolving more fiscal powers to the Scottish Parliament are two-fold: firstly, to enable the redistribution of wealth across society and to further the cause of social justice; and secondly, to ensure that the distribution of power across the UK is based on a principle of subsidiarity, so that power is exercised at the lowest level as far as is possible.

From a class perspective, the redistribution of wealth and social justice necessitates that not all fiscal and financial powers are devolved to the Scottish Parliament. Full fiscal autonomy is unattractive because the consequences would be that the scope for achieving a redistribution of wealth across the UK would be severely diminished if not made impossible and the working class would be worse off as a result. It is therefore necessary to balance the subsidiarity principle with the maximisation of the redistribution of wealth at a UK level. It is upon this principle we should consider what fiscal powers should be devolved to the Scottish Parliament.

**Tax raising and varying powers**

The Scottish Parliament currently has certain tax raising and tax varying powers in terms of the 1998 Act as extended by the Scotland Act 2012 and Scotland Act 2016. Scottish Landfill Tax and Land and Buildings Transaction Tax, for example, are fully devolved taxes, although they make up a relatively small proportion of the Scottish Budget. The Scottish Parliament is also now able to set non-savings, non-dividend income tax rates and bands for Scottish taxpayers for the first time, though it does not have power to adjust the personal allowance. Income tax is not a devolved tax and HMRC continues to be responsible for the collection and management of income tax in Scotland, which includes the identification of Scottish taxpayers. The Scottish Income Tax collected by HMRC is paid to the Scottish Government.

This contrasts with Scottish Landfill Tax and Scottish Land and Buildings Transaction Tax which are now collected by Revenue Scotland, a non-ministerial department of the Scottish Government. Also, unlike those taxes, Scottish income tax represents a considerable share of the overall Scottish Budget. The Scotland Act 2016 also devolved Air Passenger Duty. However, on 23 April 2019, the Scottish Government deferred the introduction of the Scottish replacement to Air Passenger Duty, Air Departure Tax, beyond April 2020 until issues have been resolved regarding the tax exemption for flights departing Highlands and Islands airports. Air Passenger Duty will continue to apply to flights departing Scottish airports, and HMRC will continue to have responsibility for administering APD in relation to Scottish flights. The Scotland Act 2016 also devolved the Aggregates Levy. However, the timetable for devolving the tax to the Scottish Parliament is dependent on the conclusion of the current EU and domestic legal proceedings around state aid in relation to the UK Aggregates Levy.

Devolution of further tax powers could be made as part of a new Scotland Bill. In certain areas it will be necessary to retain powers at Westminster to preserve uniformity across the UK, and to avoid tax competition between parts of the UK and a subsequent race to the bottom. The personal allowance element of income tax should be reserved to Westminster as is currently the case, corporation tax, VAT, the capital taxes and National Insurance Contributions should also continue to be reserved to Westminster. Not only will reserving these taxes avert damaging tax competition between different parts of the UK but will also ensure that a future Labour government at Westminster is not hamstrung in being able to deliver redistribution of wealth across the nations and regions of the UK.

However, there are a number of specific changes to the tax system that could be made to give more financial responsibility to the devolved institutions and would enable a radical Labour-led Scottish Government to pursue important social objectives. Firstly, it is suggested that excise duties which apply to alcohol and tobacco should be devolved, but not those which apply to road fuels. This would allow the Scottish Parliament to increase the cost of alcohol and tobacco products to benefit public health, while ensuring fuel prices are relatively stable across the UK. Secondly, it is suggested that betting and gaming levies should also be devolved to enable to the Scottish Parliament to deal with the issue of problem gambling in Scotland. Thirdly, in terms of the Scotland Act 1998, the UK Government has the power to specify new devolved taxes, and this can be a tax of any description. It should exercise this power to create a new Scottish Wealth Tax, and to devolve the setting and administration of the tax to the Scottish Government. This would allow a radical Scottish Government to introduce its wealth tax plan of a 1% windfall tax on the wealthiest 10% of individuals in Scotland.

Consideration should also be given to the Scottish Parliament being given a general competence to create new taxes. Currently, the Scotland Act 1998 Act does not allow the Scottish Parliament to create new taxes that do not exist in other parts of the UK. The Scottish Parliament should have the power to create new taxes in devolved areas of competence without the consent of Westminster, for example, environmental or local government taxes.

**Public sector borrowing in the UK**

Even more frustrating than the lack of tax powers is the current Scottish Parliament’s inability to borrow to an adequate level from the financial markets, and the Scottish Government’s timidity to use current borrowing powers to their fullest extent.

At present in the UK, there are several different types of borrowing powers available to the public sector at different levels of government, from central UK Government, devolved institutions and local authorities. Firstly, bonds are used by the UK Government to finance medium-long term borrowing. In the UK, bonds constitute almost all UK government borrowing. Bonds are interest bearing certificates of UK Government liability in sterling. These can be bought from the UK Debt Management Office (DMO), which issues them on behalf of HM Treasury, and investors managing pension funds typically buy them. The attraction of bonds to buyers is their security: governments can choose to raise taxes or print money so interest, and principal payments, on bonds are almost always paid.

Secondly, Sterling Treasury bills are used by the UK Government to finance short term borrowing. Alongside gilts, they play an important role in managing cash requirements. These are zero coupon debt securities which can be bought from the DMO and do not pay interest, but instead are issued at a discount and redeemed at face value upon maturity. Similar to bonds, Treasury bills are attractive to buyers because of the low risk of default.

Thirdly, the UK Government uses the National Loans Fund (NLF) to lend money to local authorities and other prescribed bodies. It is operated by the Public Works Loan Board, which sits within the DMO. Loans are offered at low interest rates, compared to commercial banks, and are provided with either a fixed rate or a variable rate of interest. Fixed rate loans have a maximum repayment period of 50 years, with repayments due at half-yearly intervals. Variable rate loans have a maximum repayment period of 10 years and repayment intervals are chosen when the loan is issued.

Lastly, within UK public authorities there has been rapid growth in the use of private borrowing to finance capital investment. Typically, in private finance projects (PFPs), a private sector consortium forms a special purpose vehicle (SPV), which enters a contract with a public authority. The SPV usually agrees to build and maintain a capital project, e.g. a bridge or a hospital, over a fixed period of time in return for fixed annual payments or user charges when construction is complete.

The SPV finances its construction by borrowing (usually 85–90%) and owners’ equity (10–15%). There are now about 800 PFPs in the UK, with a capital value of about £64 billion. PFPs cover all forms of public-private partnerships (PPP), with the most widely used model being the Private Finance Initiative (PFI). Other models have been used more recently as alternatives to PFI including the non-profit distribution (NPD) model. The cost of debt for PFPs pre-credit crunch was typically about one percentage point above the nominal cost of government borrowing. The higher cost of debt reflects risks carried by the private sector and a margin for profit. Since the credit crunch, the cost of private finance has risen significantly.

The overreliance of government on private finance to fund major public sector projects is well documented. Research has shown that such funding arrangements help the private sector to achieve significant profits from the delivery of public services while the quality of those services has concomitantly declined. Private finance procurement models also diminish the democratic accountability of our public services and instead hands power over to private contractors in a form of privatisation. They can also frequently lead to a diminution in the rights and standards of workers who work in our public services. This dependency on private finance underscores the need for more substantial borrowing powers for the Scottish Parliament to be able to directly fund major public projects on its own, without ceding control to the private sector.

Commercial banks are a key source of finance for PFPs, but not the only source. For example, the European Investment Bank, which lends on a not-for-profit basis, is a very significant finance provider and has lent €3–4 billion of funding for PFPs in the United Kingdom since 2005. The financial crisis has increased the EIB’s attractiveness as a source of funding.

**Scottish Government borrowing powers**

The Scottish Government can borrow for capital and resource purposes. Capital spending is on assets that last for a number of years (such as infrastructure or vehicles). Resource spending concerns expenditure on things that are used up (such as salaries, grants, public services, administration).

Generally speaking, resource borrowing is available for cash management of the Scottish Government’s budget – including dealing with volatility in devolved tax receipts – rather than allowing for more to be spent on services than the income received from HM Treasury and tax receipts. Put another way, resource borrowing cannot be used simply to run an unbalanced budget.

Scotland’s borrowing powers are set out in its fiscal framework. Scotland has an annual capital borrowing limit of £450 million and total (accumulated) capital borrowing limit of £3 billion. The Scottish Government can borrow a cumulative total of £1.75 billion for resource purposes.

Borrowing for Scotland-specific economic shocks will be available when annual growth in Scottish GDP is less than 1% and is also 1% point below UK GDP growth. This applies to either actual growth data or forecasts. The borrowing will be available in the financial year in which it was triggered and the two following years.

Audit Scotland’s report into Scotland’s new financial powers gives a good summary of the borrowing powers (see paras 37-44 for capital borrowing and paras 45-46 for resource borrowing). The report covers the use of the powers. Scotland’s resource borrowing must be funded from the NFL. Capital borrowing can be funded from the NLF, commercial loans or the issue of bonds.

By the end of 2018/19 the Scottish Government had accumulated capital debt of £1.46 billion, which is within its £3 billion limit.Analysis from the Scottish Parliament Information Centre (SPICe) suggests that the Scottish Government could continue to borrow the maximum of £450 million per year until 2022-23 before it would breach the £3 billion limit, assuming that the repayment terms for future borrowing are similar to those for existing borrowing.

The Scottish Government has not needed to use its resource borrowing powers. This is not surprising, as the borrowing is restricted to very specific circumstances – largely to do with cash management and volatility – and does not detract from the requirement for a balanced Scottish Budget each financial year.

While the Scottish Government has capital borrowing powers via the NLF, commercial loans and the issuing of bonds, capital borrowing has been made by the Scottish Government only via NLF. The Scottish Government planned to draw down approximately £450 million from the NLF in 2019/20, as it did in 2017/18. Although it planned to draw £450 million from the NLF in 2018/19, the Scottish Government in fact drew down £250 million.

Prior to this, the Scottish Government reached an agreement with HM Treasury that allowed it to use its capital borrowing limit to accommodate the impact of some classification changes made by the Office for National Statistics (ONS). This did not involve the Scottish Government actually borrowing, as is explained by Audit Scotland, as in 2015/16 and 2016/17 the Scottish Government used its capital borrowing limit to accommodate the impact of decisions by the ONS to reclassify some major Non-Profit Distributing investment projects as public-sector projects. The Scottish Government agreed with HM Treasury that these amounts would be recorded against its capital borrowing limit.

This notional borrowing was £283 million in 2015/16 and £333 million in 2016/17. This notional borrowing will be treated as if it is being repaid over 30 years for the purposes of the overall limit. As no actual borrowing occurred, no repayments need to be accommodated in future year’s budgets.

Therefore, the Scottish Government is not utilising the borrowing powers available to it to their full extent. In an era of austerity and restraints on public spending, the Scottish Government is refusing to exhaust all of the borrowing powers available to it to mitigate the worst effects of austerity. Much more could be done now by the Scottish Government with the current powers available to it to invest in the Scottish economy, to stimulate economic growth and create jobs but it refuses to do so, instead blaming Westminster and the UK for all of Scotland’s economic woes.

**Reform of Borrowing Powers**

In order to give real financial responsibility to the Scottish Parliament and the Scottish Government, the restrictions on resource and capital borrowing should be lifted in their entirety. Without the ability to issue its own bonds uncapped by Westminster, the Scottish Government will not take responsibility for its finances, and there is significant moral hazard latent within the Scottish devolution settlement that the Scottish Government can act in any way it chooses, and always be bailed out by Westminster if disaster happens.

The Scottish Government should therefore have the power to borrow and issue bonds for both resource and capital spending without any restriction. In addition, consideration may be needed on whether borrowing via the National Loans Fund should be restricted for the Scottish Government, in order to encourage borrowing via the issue of bonds or commercial loans. This will further increase financial responsibility at a devolved level rather than the Scottish Government hiding behind the UK Government and using the lack of powers as an excuse for a failure to act.

As the Fiscal Framework is up for renewal[[1]](#footnote-1) between the UK Government and Scottish Government, this is a fortuitous moment to make the argument for greater tax and borrowing powers for the Scottish Parliament. Such changes will not only allow a future radical Scottish Government to invest in the Scottish economy to stimulate economic growth, create jobs and tackle poverty across the country but also it will expose the SNP narrative that Westminster is to blame for all of Scotland’s social and economic ills and their perennial denial of responsibility to the people they serve. The devolution of tax and borrowing powers as outlined above will at long last deliver fiscal powers fit for a Parliament.

Green New Deal Francis Stuart

Tackling climate change requires nothing short of a complete and fundamental restructuring of our economy. Over the next ten years we need to change to how we produce our energy, construct our buildings, transport our people, manufacture our products, grow our food, and process our waste.

There may be a lack of green jobs, but there is no shortage of work to be done. However, 40 years of privatisation, outsourcing, short-term investment and austerity have weakened the power of workers and undermined the capacity of the state to respond.

The deindustrialisation of large parts of Scotland in the 1980s has caused gaping wounds which many parts of Scotland have still to heal from. And let’s be clear, this isn’t just a story of the 1980s. Over the last 25 years, Scotland’s manufacturing workforce has dropped from 346,000 to 179,000 today.

Rebuilding our manufacturing sector and localising supply chains, through an industrial strategy, public sector investment and new models of ownership, is absolutely crucial to a green recovery. A Green New Deal could help tackle climate change while tackling inequality and rebuilding our industrial base. But let’s be honest, Scotland’s track record on renewables – while impressive in terms of deployment – has led to real scepticism in parts of the trade union movement about the benefits of climate action filtering down to working class communities.

A decade ago, the then First Minister, Alex Salmond, spoke about Scotland becoming ‘the Saudi Arabia of renewables’. In 2010, the Scottish Government’s Low Carbon Strategy predicted there would be 130,000 low-carbon and renewable energy jobs by 2020 – with 28,000 direct jobs in offshore wind alone.

The latest figures show there are only 23,000 direct jobs in the entire low-carbon and renewable energy economy. And what is worse – these figures have fallen since 2014, despite massive deployment of renewables. Chart 1

Source: Authors analysis of ONS statistics

These promises of green jobs are being broken because Scotland’s low-carbon and renewable energy economy is dominated by private and overseas interests. Our low-carbon economy suffers from a huge trade deficit - importing more goods and services than we export. Apart from one single demonstration turbine off the coast of Leven, all of Scotland’s offshore wind is controlled by private corporations or overseas governments: 45% is controlled by overseas private companies, 29% by overseas Governments and 25% by UK based multinationals. These multinational companies have limited interest in providing good quality jobs in Scotland’s supply chain. See Chart 2

To take one example, SSE and Total’s £5.7 billion offshore windfarm, Seagreen, off the coast of Angus, has been found to be paying migrant workers less than the minimum wage to undertake survey work. Rather than award the contract to manufacture the 114 jackets – the huge steel structures the turbines sit on – to local yards in Fife and Arnish, SSE and Total have offshored the work to China and the United Arab Emirates, transporting steel foundations half-way round the world on diesel-burning barges.

**Chart 2 Is it Scotland’s Offshore Wind?**

Source: Author’s analysis based on Transition Economics data

It is real life events like this, that make many of Scotland’s energy workers and unions suspicious when business and government talk of a ‘Just Transition’, at the same time as they engage in a race to the bottom on terms and conditions and fail to intervene to create real jobs.

Put simply, if trade unions are to be more green, we need green policy to be more red.

As well as cynicism there are constitutional challenges to a Green New Deal. For Scotland to decarbonise, we need investment in the hundreds of billions of pounds. The STUC estimates that it would take £13 billion of investment, to create 140,000 green jobs through a green economic stimulus. Beyond an immediate stimulus package, decarbonisation requires hundreds of billions of pounds of investment. That’s unlikely to come under a Tory Government and so greater borrowing and tax powers for the Scottish Parliament are required.

However, public investment, in and of itself, isn’t enough. The story of Scotland’s wind sector highlights that too often we’ve seen an approach to climate action based on throwing public money at the private sector. Multinationals then hoover up the profits, offshore the jobs (and the tax revenues), and leave little social or environmental benefit to workers and communities. The fact that more than a quarter of Scotland’s offshore wind is owned by the public sector highlights that there is no practical barrier to public ownership. The only problem is, it is the Chinese, Danish and French public sector, not the Scottish or UK public sector.

So what devolution of powers might be needed in the key areas of energy, transport and buildings to enable more public ownership and local economic benefit?

**Energy**

While energy is largely reserved, the Scottish Parliament has powers over planning consents as well as rights to the seabed through Crown Estate Scotland. It is therefore in the Scottish Government’s gift to ensure that consents for new offshore windfarms are conditional on providing genuine social and economic benefit. That they have not yet done so is the fault of the Scottish Government.

It is also in the gift of the Scottish Government to establish a publicly owned energy company. Until recently this was Scottish Government policy. While initial proposals focussed on buying from existing suppliers, a publicly owned energy company that invested in generating renewable energy could have helped democratise Scotland’s renewables industry. That a publicly owned energy company appears to have been ditched by the Scottish Government is therefore deeply disappointing.

At a UK level, subsidies for renewables are mainly delivered by the UK Government through its ‘Contract for Difference’ (CfD) mechanism. This is intended to incentivise low-carbon technology but as contracts are awarded solely based on price, companies are incentivised to bid at the lowest possible price. This effectively drives cost savings down the supply chain and leads to work being offshored.

While CfD could, in theory, be devolved, the funding for CfD comes from a levy on household fuel bills. Given the UK has ten times as many dwellings as Scotland, there is a need for some form of continued cooperation between the UK and Scottish Government to ensure that Scotland’s renewables resource (which is necessary for the UK to meet renewable energy targets) benefits from the broader UK financial resource. The SNP’s White Paper on Independence supported the continuation of a UK-wide energy market for this very reason.

**Buildings**

Almost a quarter of Scotland’s emissions are associated with our buildings. To create good quality, unionised jobs and ensure that profits aren’t hoovered up by the rich, we need a street-by-street retrofitting programme to insulate and climate proof our homes. While this requires national funding, it is best delivered by local authorities, using direct labour, with national sectoral bargaining to improve terms and conditions.

This doesn’t require further devolution to Scotland, but it does require political will and public investment.

**Transport**

The Scottish Government’s commitment to nationalise Scotland's railways next year is warmly welcome. But it must come with investment, rather than cuts to the service.

Bus fares have soared, and passenger numbers have slumped since Scotland's buses were deregulated by Margaret Thatcher more than 30 years ago. The current system allows private bus companies to cut routes and raise fares, with no regard for the communities that rely on them.

The alternative, illustrated by the success of Lothian Buses, is to take back control of our buses’ networks, re-regulate services and set up municipal bus companies. Again, this doesn’t require further devolution to Scotland, but it does require public investment and political willingness at both local and national level to move beyond ‘Bus Partnerships’ with private operators.

Beyond sector-specific policies, the devolution of employment law and further devolution of social security could help workers to transition between high-carbon and low-carbon sectors without losing out.

Rather than lining the pockets of the rich, a transformative Green New Deal could benefit the majority of working people. But it requires significant public investment, far greater levels of public ownership and clear answers to longstanding constitutional questions.

Global relations Katy Clark

A significant driver of support for constitutional change in Scotland has been discontent with aspects of Westminster foreign affairs and defence policy. Currently, the Scottish Parliament has little role in international policy. It does however regularly discuss international issues, and votes on motions relating to a wide range of foreign affairs and defence related matters.

The Scottish Government is anti-nuclear but not anti-NATO. There is a widespread view in Scotland that the Parliament should support humanitarian projects and in the Parliament that the current aid cuts are unacceptable. There is no consensus in support of a principled stance against Western military intervention or a broader analysis of the West’s role or focus on the extent to which Scotland seek to rupture from this settlement.

The Scottish Government also has a small international budget. It undertakes work relating to several countries, and on specific issues such as safe water, and women and girls. Unlike the German Lander, it does not have the right to enter international treaties. Whatever position the Scottish Parliament or Scottish Government takes, they have no direct input into any aspect of foreign policy taken at a UK level.

Of course, the view of many politicians south of the border is that the pro-independence side failed in the 2014 referendum, and so the UK Government and UK institutions are entitled to continue making decisions irrespective of views in Scotland. There will be many who oppose independence in Scotland who also take that view. They may think that the contention that the Scottish Parliament should have a role in international policy is ludicrous and will not countenance the idea that the Scottish Parliament should have any powers in relation to defence or foreign affairs.

This fundamentally misunderstands the outcome of the 2014 referendum. The debate which led up to the vote clearly showed the discontent with the status quo and the wish for major constitutional change in Scotland, not just among those who voted Yes but also among many who voted No. Those advocating a No vote in the Better Together campaign argued that it was possible to get the best of both worlds with decisions affecting Scotland being taken in Scotland within the context of a strong UK. This “strong Scotland in a strong UK” had militaristic overtures to some.

Many leading No campaigners argued the union was a relationship of partners. The obvious counter argument to this remains that the larger population of England means without constitutional locks the House of Commons parliamentary arithmetic will usually mean that Scottish representation can be outvoted.

Similarly, the Brexit referendum of 2016 did not have any constitutional lock to require each nation of the UK to agree to leaving the European Union. So, whilst the majority of those voting in England and Wales voted to leave the European Union, those voting in Scotland and Northern Ireland did not. The Brexit decision has consequently reignited the continuing constitutional debate in Scotland, with Scotland re-joining the EU becoming a central component of the SNP’s post-independence prospectus.

The opposition to the Thatcher government resulted in the Tories failing to get even one MP elected in Scotland at the 1997 general election. This highlighted what had been a growing disconnect between Scotland and England. With this in mind it is now perfectly legitimate to scope out how political structures can be further changed.

**The Arms Industry in Scotland**

There is a large defence and arms manufacturing sector in Scotland, which has a substantial positive employment and economic impact in many parts of the country, and for many communities. There are also many military systems sites in Scotland including both conventional and nuclear systems, as well as complex weapons bases. There are ammunition production factories producing arms both for the UK military but also for countries with very concerning human rights records. Large tracts of land are also owned by the Ministry of Defence.

Decision making in relation to most aspects of this sector currently lies at a UK level. Some political decisions made – for example, the sales of arms to Saudi Arabia – are controversial. However, many more of these big policy actions have commanded the majority support of Scottish politicians when taken i.e. the war in Afghanistan and the intervention in Libya.

Despite their stated anti-nuclear policy, the SNP are still committed to NATO, which considers nuclear weapons a “core component” of its “overall capabilities for deterrence and defence”. The party are not fundamentally opposed to Western intervention but to perceived, and sometimes real, imposition of military solutions by the UK government without any say.

**Trident**

That said, there are times when UK policy is clearly not in line with the majority view of elected representatives of the Scottish people at either Westminster or Holyrood. Faslane, where the Trident nuclear weapons system is based, is probably both the most high-profile and controversial military installation in Scotland. The House of Commons has been required to vote to proceed with the Trident replacement system at various stages, but there are elements of the British state as currently constituted that are almost impossible to vote away under parliamentary arrangements.

Opinion polls carried out in Scotland since the 1950s have consistently shown most of the public are opposed to the possession of nuclear weapons and the citing of nuclear weapons systems in Scotland. This has been reflected in the positions taken by Scottish politicians over generations. The majority of Scottish MPs at Westminster have voted against renewing the Trident nuclear weapons programme in 2007 and since, reflecting the balance of views in Scotland.

Whilst it is true that there are policy areas where the majority views of political representatives across the UK align, lightning rod issues like Trident and unpopular wars such as Iraq have effectively been recruiting sergeants for the cause of independence.

It is where there are these divergences that the focus should rest. The principle of the union between the nations should be based on the consent of each nation. It is perfectly possible for there to be a constitutional settlement which requires the specific consent of the nation affected in relation to certain decisions. North of the border, this could require that political decisions relating to defence which specifically affect Scotland – including major decisions on the Trident nuclear weapons system – to also require the consent of the Scottish Parliament or the block of Westminster MPs representing Scottish constituencies in the House of Commons.

The 1997 Labour Government created the Committees of Arms Exports Controls to give oversight, scrutinise and consider the human rights implications of arms exports. A similar body could be created to perform such a function for arms being exported from Scotland and the Scottish Parliament could be empowered to set policy on arms exports policy. Sensitive information and foreign office information could be provided to the Committee in the same way as it currently provided to the House of Commons Committees.

**War Powers**

In recent years, there has been a campaign for a UK-wide War Powers Act which has still not been enacted. This would require the House of Commons to vote in favour of military action in certain circumstances and therefore provide a democratic mandate and oversight of significant military interventions. There would be specific provisions for emergency situations such as responding to armed attacks. Whilst there are currently no legislative provisions which require a vote in Parliament for military interventions and war, in all recent significant military interventions UK Governments have taken such decisions to the House of Commons. On occasion, MPs have even stopped military action, such as on Syria in 2013. There could be legislative provisions to allow the Scottish Parliament to be required to give approval for such military actions within a similar framework to this proposed War Powers legislation.

There is considerable scope for the Scottish Parliament to have a greater role in setting foreign policy and providing democratic oversight within the UK to ensure that controversial projects are not foisted on Scotland against the will of the Scottish people. This should not be regarded as a technical fix but as a change of tack in how decisions are taken and how we incorporate democratic accountability into decisions which have always been Crown Prerogative.

The debate taking place in Scotland could be the lever to breathe democracy into this murky field. Brexit aside perhaps, the Scottish Government itself tends to raise these issues in the context of independence rather than with the aim of building a meaningful anti-nuclear alliance. This requires not just more constitutional powers but strong social movements on the ground and politicians driving it onto the agenda at all levels.

Text

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1. The Fiscal Framework Agreement states that a review of the Fiscal Framework should be undertaken by the Scottish and UK Governments after the Scottish Parliament elections in 2021, and that this will be informed by an independent report which will be presented to both governments by the end of 2021. [↑](#footnote-ref-1)