SCOTLAND:
Myths
Realities
Radical Future

Red Paper Collective
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Myths, Realities, Radical Future

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The Red Paper Collective is a group of trade unionists, academics and political activists. Our purpose is to provide a labour movement alternative to the sterile nationalist v unionist debate. We are more interested in social and economic change than in constitutional change.
Home Rule - Nationalist Myth and Current Realities

Ewan Gibbs, Stephen Low, Vince Mills

“Historical error, is a crucial factor in the creation of a nation.”¹ That observation from Ernst Renan in the 1890’s is very much to the point in today’s Scotland. Following the expression of the Sovereign Will of the Scottish People (to use a phrase much in vogue until mid September last year) delivering a No vote, Nationalist attention has turned to the delivery of ‘Home Rule’. So unsurprisingly, this is defined in terms which match exactly the current demands of the SNP and these in turn are presented as a traditional demand of the Labour movement. The reality is somewhat different. This should surprise no one. As Eric Hobsbawm put it “No serious historian of nations and nationalism can be a committed political nationalist... Nationalism requires too much belief in what is patently not so.”²

There are many examples but to take a high profile one, SNP MSP Joan McAlpine in her Daily Record column³ produced an article titled: “Only Home Rule will do if political establishment is to satisfy terms of ‘The Vow’”. The article goes on “…that Labour founder Keir Hardie was a great Home Rule man, so was Jamie Maxton and all the other Red Clydesiders. But whenever they were on the point of achieving that dream, their leaders let them down. Now ‘The Vow’ revives Home Rule hopes. Days before the referendum, the three party leaders promised ‘extensive new powers’ if Scots voted No to independence...Devolution is NOT Home Rule. Devolution allows the Westminster parliament, overwhelmingly dominated by MPs elected for English constituencies, to ‘give’ Scotland its own Parliament and whatever powers they choose.

“In Home Rule, all powers are exercised in Scotland – unless there is good reason for them to go to London. In practical terms, that means we control everything except foreign affairs and defence. It means we control all taxes and can use them to help business, create jobs and support public services.”

Joan McAlpine is, of course, a propagandist rather than a historian, concerned more with advancing a current position than accurately representing the past. In reality the assumptions underpinning Ms McAlpine’s and others’ use of the term ‘Home Rule’ and the political perspective that she attributes to Maxton and other Red Clydesiders have a very limited basis in actual history and will not bear the weight that nationalist mythmaking places on them. By the mid 1920s Labour movement concerns were more around how the British state could be used as a defence against the ravages of international capitalism than pursuing an autonomous Scottish parliament. Nor is it the case that that their leaders “let them down” (leaving aside for the moment that some of them were leaders themselves). There is little sign of division or serious disappointment with this outcome.

The Scottish Home Rule Association

So what does and what did ‘Home Rule’ mean in the Scottish context and how should it be viewed in terms of a class perspective and in relation to the current political convulsions in Scottish politics? Home Rule is now seen as the property of a politically left tradition and is associated with leading Labour figures like Keir Hardie and Maxton. It was, rather, born in the period of Liberal hegemony, or more precisely, as Tom Devine⁴ points out, in the period that began to see the decline of that hegemony.

In 1885 the Scottish Home Rule Association (SHRA), was set up leading to no less than seven Home Rule motions being presented to parliament by 1900 although those that did gain majorities ran out of parliamentary time. Devine argues that in any case Liberal leadership was unenthusiastic and more pertinent to the purpose of this article, there was lack of clarity as to whether real self-government was being proposed or limited administrative reform.

Both the SHRA and the Young Scots, a pressure group set up within the Liberal party took an aggressive approach to Home Rule. Naomi Lloyd Jones⁵ contends that the SHRA lobbied heavily within the Scottish Liberal Association (SLA) for the adoption a radical form of Home Rule including the restoration of a Scottish Parliament and despite disappointment with the level of support it did have an impact on the stance of the SLA. It eventually wound up in 1908 when its secretary, Charles Waddie, informed the press that the Liberal Association had taken up the issue of Home Rule and that there was no longer a reason for its existence. It was reconstituted some ten years later.

The lack of success and enthusiasm was tackled by the Young Scots who were able to shift priorities by insisting that “there is not one single item in the whole programme of Radicalism or social reform today, which, if Scotland had powers to pass laws, would not have been carried out a quarter of a century ago.”

It was to this vision of Home Rule that the future leaders of the Scottish Labour Party, the Independent Labour Party and the Labour Party, initially signed up, although arguably this changed as the nature of the struggle the British working class had to undertake became apparent.
In the Mid Lanark by-election in 1888 Hardie stood as an independent Labour Candidate when the Liberal Association to which he had put his name forward as a candidate, chose instead a young Welsh lawyer. They dismissed Hardie’s insistence on the need for Labour representation, creating conditions for the foundation of Scottish Labour Party. Hardie supported Home Rule in almost exactly the same terms as the Young Scots supporters of the Liberal Party. Hardie wrote to the Liberal Association in support of his candidacy that “I am strongly in favour of Home Rule for Scotland, being convinced that until we have a parliament of our own, we cannot obtain the many and great reforms on which I believe the people of Scotland have set their hearts.”

The lack of a Scottish Parliament was not seen as an ‘injustice’ which is how its absence in Ireland was described by Hardie; Ireland was a colony and that clearly differentiated national demands there from the call for Home Rule in Scotland. Scottish Home Rule, by contrast, was a question of improving the machinery of the British state in order to facilitate a programme of reform. His decision to stand was welcomed by the secretary of the London Committee of the SHRA, one Ramsay Macdonald, on the grounds among other things that his “…victory will reconstruct Scottish Liberalism” and while this may show the extent to which liberalism dominated Scottish radicalism, Hardie nevertheless emphasised class in his candidacy, pointing out that in the Westminster Parliament of the “72 members sent from Scotland , not one represented working people”

Naomi Lloyd Jones finds it curious that SHRA does not feature in “the SNP’s founding narrative”. However, that is perhaps understandable given as she points out herself that the Home Rule conceived of in this period was not a call for national independence, quoting SHRA vice-chairman John Romans that : “No Scotsman, whose opinion is worth repeating, entertains for a moment, an approximation to repeal of the Union”.

Indeed as Lloyd acknowledges ‘Unionist-Nationalism’ - seeing the Union as the best way to express the Scottish national interest - was an important part of nineteenth and early twentieth century politics that linked Scottish national identity and even nationalism with a small ‘n’ within a unionist framework.

The 1913 Government of Scotland Bill which passed its second reading but is generally thought to have to have disappeared because of the outbreak of war and the fall-out from Easter Rising and consequent war of independence in Ireland, set out in some detail exactly what the notion of Home Rule meant to its supporters.

William Cowan, Liberal MP for Aberdeenshire East moved the Bill arguing, on the grounds of administrative and democratic effectiveness, that matters like Scottish temperance reform and land reform, would already have been dealt with by a Scottish legislature freed from the traffic of the Westminster legislation. But it was a Scottish parliament still very much part of the imperial framework and limited in terms of its fiscal reach he argued for, although it would have enfranchised women ahead of the Westminster parliament:

“Nowithstanding the establishment of the Scottish Parliament or anything contained in this Act, the supreme power and authority of the Parliament of the United Kingdom shall remain unaffected and undiminished over all persons, matters, and things in Scotland and every part thereof."

Reserved powers included “Everything affecting the Crown, peace, war, foreign affairs, national defence, naturalisation and domicile, trade marks, Scottish lighthouses, coinage, weights and measures, external trade, postal service, public loans to Scotland before the passing of the Act, and the collection of Imperial taxes. All those will remain in the full control of the Imperial Parliament with which the Scottish Parliament will have nothing to do and surely we have reserved a large measure of the activities of the Imperial Parliament.” Hardly “Full Fiscal Autonomy”.

Exactly what position the Scottish Labour movement as represented by its MPs took on this form of Home Rule, is not clear from interventions in the parliamentary debate. Hansard does not record any contribution from the small number of Scottish Labour MPs at the time. Hardie by then was representing the Welsh constituency of Merthyr and deeply embroiled in the turbulent and sometimes violent industrial conflicts in Wales and Dublin, while fighting off right wing attempts to ally Labour more closely to the Liberal Party. Perhaps most importantly of all, he was working internationally to halt increasing militarisation and jingoism that led to the global bloodletting of the ‘Great War’.

It was becoming apparent to Hardie and the ILP’s left at least, that aggression at a British level was linked to international aggression by British imperialism, through military action - areas in which a Home Rule parliament would have had little impact. Kenneth O Morgan is his biography of Hardie, records that he wrote an article for Labour Leader in 1913 which accused Lloyd George of deliberately stirring up anti-German sentiment over the Agadir crisis in Morocco in 1911 where, in an imperialist confrontation, Britain supported France against Germany. This had taken place at the same time as the intervention of the army in a dispute with rail workers in Llanelli which had led to the death of two rail workers. Morgan writes: “Hardie now alleged that the chancellor had concluded a secret deal with Sir Guy Garnet, the chairman of the Midland Rail company, by which a bargain was struck over the Railway Rates Bill in return for a settlement of the strike. The outcome was that the British Army was being employed to protect, in the first instance, the dividends of the Railway shareholders and the blacklegs they introduced into British Railways. The quid pro quo was that they were then to be released to protect the interests of British speculators in Morocco. The Railway strike and the Agadir crisis, were, then
inextricably linked together as part of a seamless web of capitalism in its most brutal guise.”

This emphasis on the British and international aspects of contemporary struggle is entirely consistent with the primary purpose of the ILP and the Labour Party which had developed as a Labour movement designed to challenge capital with the aim of improving the lot of working people. It was not, as some nationalists try to portray it, a Home Rule movement with socialism attached. Not even John Maclean, icon of the nationalist left, offers much succour to nationalists here. In 1918 he may have been welcomed back to Glasgow, as the song has it “their fame and their pride” but he was an official Labour candidate in the general election a few weeks later, not a supporter of independence, and his election campaign (organised by others because he was in jail) was fought mostly around issues of rent and wages. By the time Maclean espoused independence he was a much more peripheral figure and by taking this position he marginalised himself still further.

In the election in 1918 Labour only managed to win seven seats in Scotland. By contrast in 1922 Labour became the largest party in Scotland returning 29 MPs, 10 from Glasgow, ending the Liberal hegemony. Two of those who were elected then and spoke in the debate on the doomed Home Rule Bill of 1924 Jimmy Maxton and David Kirkwood were veterans, like Maclean of the political and industrial unrest during the war known as the period of the ‘Red Clydeside’. The proposal for a Scottish Parliament in 1924 was not outlined in terms of its use as a vehicle for class struggle but rather as an improved form of administration. The ILP speakers, like their Liberal predecessors tended to emphasise the capacity of a Scottish Parliament to have the local knowledge and time to introduce necessary reforms, although these at least had changed since the examples offered in 1913 with the need, for example to address poor housing. Once again there was no challenge to the sovereignty of the Westminster parliament or the Union as this exchange during the debate between Sir Samuel Chapman, Scottish Unionist MP and Jimmy Maxton shows:

“Sir S. CHAPMAN
No one now doubts that the conclusion to which the Convention came in deciding for Union rather than Federation was wise and sound. If hon. Members opposite are in favour of that scheme, then I am with them all the time...
Mr. MAXTON
But here we have the union. The union is in the Bill, which makes no attempt to break it.”

However, as Devine argues, by the mid-1920s attitudes were nevertheless changing. John Wheatley, the ILP’s leading thinker and former Red Clydesider, in a move away from Home Rule, came to the conclusion that only by winning power in the British state could you defend the working class, given the predatory nature of international capitalism and the economic crisis. Devine quotes fellow ILPer and the seconder of the 1924 Home Rule Bill Tom Johnston: “What purpose would there be in our getting a Scottish Parliament in Edinburgh if it has to administer an emigration system, a glorified poor law a desert?” Similarly Jimmy Maxton Chair of ILP and MP for Shettleston moved away from nationalism and in 1943 he repudiated his speech in support of Buchanan’s 1924 Home Rule Bill when he had declared that he would “ask for no greater job in life (than to transform) the English-ridden, capitalist-ridden, landlord-ridden Scotland, into a Scottish socialist commonwealth.” The Labour Party and the STUC had abandoned support for Home Rule by 1932 when the ILP disaffiliated from the Labour Party.

It is probably not surprising that in 1927 another Home Rule bill was defeated. This contributed to the collapse of the Scottish Home Rule Association and the formation of the SNP from a merger of the left wing National Party of Scotland and the right wing Scottish Party in 1934.

The relationship of the left in the Labour Movement to the Home Rule movement was then, especially towards the mid 1920s, complex. The Home Rule that was promoted first by the Liberal Party and then an alliance of Labour and Liberals, while seeking the basis for wider reform in Scotland, was not calling for a process of withdrawal from the Union or for a set of powers that could specifically be used to advance socialism in Scotland. This was in a context where strategies for change were perhaps less obvious since it pre-dated some of the most significant advances that a left wing government could achieve such as nationalisation and the welfare state. It also pre-dated the Barnett process (successor to the Goschen formula introduced in the debates around Irish Home Rule) which intimately links the range of taxation that can be undertaken by one nation in the United Kingdom to the other nations and regions, since it affects the capacity of the UK government to redistribute.

The debate is now particularly sharp because as we have seen the SNP is without historical justification describing full fiscal autonomy as ‘Home Rule’. Unfortunately for the oil workers of the North East and Scotland as a whole, the sharp reduction in the price of oil from around $110 per barrel in June 2014 to around $55 a barrel by the end of December 2014 raises serious questions about Scotland’s capacity to provide current levels of spending making Tom Johnston’s question, quoted earlier, very relevant.

In posing ‘Home Rule’ as at least an interim solution to Scotland’s contested constitutional position, the SNP is quite deliberately tapping into a cherished but mythologised period of both the Liberal and successor Labour traditions. They are entitled to do this. What they are not entitled to do is claim that the entirely different context of the early 20th century and the socialist culture shared by the figures they refer to are comparable with the situation of 21st century and the concerns of the SNP to achieve independence through an interim position of Full Fiscal Autonomy.
The modern labour movement argument for ‘Home Rule’, as opposed to independence, has its origins not in the early 20th century but in the post-Second World War period. The context of the development of growing external economic control and remote administration was key in shaping labour movement demands for a Scottish parliament which grew in force from the late 1960s onwards. It is important to acknowledge this because it clarifies the character of the Home Rule discussion of the 1910-20s, as being essentially liberal in conception. The arguments of the 1960-70s were qualitatively different in the class content and political objectives ascribed to a ‘workers’ parliament’.

The political heritage of that approach is much more apparent in the words of Pauline Bryan where she sketches the kind of alternative that contemporary socialists should campaign for:

“The object of this alternative should be to create the conditions where the power of capitalism and the use of markets can be brought under democratic control. The purpose of achieving democratic control would be, firstly to enable a variety of forms of public ownership to build a sustainable and secure economy and secondly to redistribute wealth from the super rich to the rest of the population and geographically, from areas of greater wealth to areas of need.”

From Devo-Max to Devo-Austerity
Dave Watson

After the referendum, focus has shifted from independence to new devolved powers for Scotland, which also has implications for the rest of UK. The main SNP pitch in this new environment is for Full Fiscal Autonomy (FFA), or Devo-Max as it is commonly known. While the Smith Commission recommendations don’t go this far, the SNP has indicated that it would be on the agenda for any discussions with an incoming UK Labour government, if they need SNP support to maintain a majority in parliament.

This catapults Devo-Max from an academic paper to a serious possibility. In this chapter we therefore examine Devo-Max and the implications for Scotland.

What is Devo-Max?

Probably the first, and certainly the most comprehensive description of Full Fiscal Autonomy was set out by the academics Andrew Hughes Hallett and Drew Scott in their well argued 2010 paper ‘Scotland, a New Fiscal Settlement’. They defined Full Fiscal Autonomy as:

"full tax and expenditure devolution within a full political union. In this case the Scottish authorities choose all tax and expenditure rates (including the tax bands, the tax bases and exemptions); and it extends devolution to include social security, unemployment benefits, sales taxes, corporation tax, other business taxes, carbon taxes and so on. But, because there is no connection to a central budget, except in so far as Scotland may agree to pay for certain functions to be performed by the centre, there are no fiscal transfers between the upper and lower levels of government or between regions."

Despite the, often personal, attacks on these academics for their nationalist leanings, the paper emphasises that this option exists within a political union. In other words, it is explicitly a devolution option and not written as proxy for independence. They set out in some detail the arrangements needed to deliver it.

The main features of their proposal include:
• Extensive fiscal autonomy is required to provide the levers need to guide the Scottish economy and improve its performance;
• Extended fiscal autonomy is the only arrangement consistent with increasing political and economic accountability for Scottish policymakers;
• Competence to set not only all devolved tax rates, but also all aspects of those taxes (bands, base, exemptions);
• Borrowing powers are necessary to manage the economy while observing stability conditions for the UK debt level as a whole;
• Reserved powers (tax and spending) to be limited to those with no significant economic consequences locally but important for the UK as a whole, and certain policies with development or infrastructure (physical and non-physical) implications;
• Reciprocal remittance arrangements to pay for the reserved policies;
• Limited equalisation payments via a fund linked to economic capacity, not incomes;
• Addressing potential problems of tax competition, fiscal coordination and reliable debt management are a key feature of our blueprint;
• Certain institutional changes will be necessary (a fiscal policy commission, a Scottish Treasury and/or tax service, a UK policy forum/monetary fund).

They also argued that not only was full fiscal autonomy technically feasible, but that it would also boost the Scottish economy. They accepted that full fiscal economy of this type had not been introduced anywhere in the world. However, they argued that the different elements had been and there was nothing inconsistent with federal systems in Europe and elsewhere.

Devo-Max has always been assumed as the SNP’s fall back position if independence was not achievable, although for understandable tactical and internal party reasons it had not been articulated. That changed after Scotland rejected independence in the referendum and the Smith Commission was established to consider further powers for the Scottish Parliament.

The SNP submission to the Smith Commission outlined their version of Devo-Max². They set out the standard Devo-Max position of full fiscal accountability with "all tax revenues should be retained in Scotland. The Scottish Parliament should have policy responsibility for all taxes unless there is a specific reason for a continued reservation". All expenditure including welfare would also be devolved. Powers reserved to Westminster would be limited to the UK constitution, monetary policy, citizenship, intelligence, defence and foreign affairs.

The Smith Commission reached an agreement³ with all the main political parties on 26 November 2014. The package of measures included additional fiscal and non-fiscal powers for the Scottish Parliament. However, these fall considerably short of Devo-Max.

The UK government subsequently published a Command Paper⁴, Scotland in the UK: An Enduring Settlement, on the legislative clauses necessary to implement the agreement. Some of these will be devolved administratively, while most will require a new Scotland Act after the May General Election.

**Criticisms of Devo-Max**

The main criticism of Devo-Max is that it is untried anywhere in the world. Nationalists sometimes argue that it would be similar to the Isle of Man or other Crown Dependencies. However, even if the comparison is accurate, these are not comparable nations to Scotland. Drawing comparisons with tax havens is also less than helpful to the case for further devolution.

The fiscal powers of sub-governments across the world are broadly similar, probably for good reasons. The most popular devolved taxes are those related to income and property. Business and consumption taxes are usually reserved. The key feature of a good devolved tax is that it should be relatively stable and non-cyclical. This ensures the sub-government can plan its income and expenditure and not be forced into radical policy shifts.

The SNP representatives on the Smith Commission included the Cabinet Secretary for Finance, John Swinney. Unsurprisingly, he does not appear to have pressed his party’s submission on Full Fiscal Accountability. As an astute finance minister, he could well see the risks in taking responsibility for declining revenues like oil and increasing expenditure like welfare. Contrary to popular misconception, more than half of welfare spending relates to older people and Scotland’s demographics means this spending is only going in one direction.

Putting to one side the fiscal downside of Devo-Max, it also undermines the principle of solidarity across the UK. Scotland will still be a nation within the UK and as such has reciprocal responsibilities that require some common approaches across the UK. These include a degree of fiscal uniformity when you share a common currency and a legitimate desire to maintain a degree of uniformity in taxes and benefits and to transfer resources across the UK in accordance with need at any one time.

As one blogger put it; “It’s like sharing a flat and declaring that you’re going to stay in your room and keep the television there. Your other flatmates will point out that if you want to stay in their flat then you have to share and share-alike as they do. If you want to keep the television for yourself then you should find your own flat.”⁵
In the Red Paper on Scotland I set out some of the economic consequences of independence and many of these also apply to Devo-Max. While there would be a common currency, the temptation to engage in tax competition would be very strong. Welcome though the First Minister’s recent roll back from cutting Corporation Tax is, another government may take a different view.

Public attitudes to Devo-Max

It is often argued that there is strong public support for Devo-Max and various opinion polls appear to support this. The SNPs polling company of choice, Panelbase, found last October that 66% of respondents answered Yes to the question, “Should extensive new powers include control of all areas of government policy except for defence and foreign affairs, which is sometimes referred to as ‘devo max’?”

The problem with this type of polling question is that public understanding of the powers that are reserved and devolved is limited. This is a point made by Lord Smith in his personal foreword to the Smith Commission report, when he said; “A challenge facing both Parliaments is the relatively weak understanding of the current devolution settlement. This is not surprising given what is a complex balance of powers”. When asked in a Guardian poll, ‘Do the Smith Commission proposals go too far, are about right, or don’t go far enough’, the highest score was the ‘Don’t Knows’6. In another poll, 65% believed that welfare spending was already devolved. On this basis the SNP must be relieved that they have not been blamed for the Bedroom Tax!

As a consequence there are confused and contradictory answers to questions on further devolution. For example despite apparent support for Devo-Max, when asked; “Should the rate of corporation tax paid by big companies be the same throughout the UK, or is it OK to be different?”, 70% of respondents said ‘the same’ and only 21% ‘different’7. There is similar support for UK wide provisions in polling questions about oil taxes, pensions, welfare benefits etc.

However, when one looks at the range of polls on public attitudes to increased devolution8, it is clear that there is strong public support for further devolution. This support goes further than the Smith Commission proposals. Scots are also fairly relaxed about English Votes for English Laws (EVEL)9, whatever that actually means in practice. On this basis the Command Paper’s ‘Enduring Settlement’ title looks very optimistic!

Implications of Devo-Max

The annual publication Government Expenditure and Revenue Scotland (Gers)10 has brought the implications of Full Fiscal Autonomy (FFA) or Devo-Max into sharp focus.

The report shows that in 2013/14, people in Scotland paid £400 more in tax than the UK as a whole but they also received £1,200 more in spending. The revenue figures include taxation from the oil and gas industry in Scottish waters. However, these figures have a time lag and therefore don’t include the most recent fall in oil revenues.

Lost revenues now total around £6 billion compared to the figures in the Scottish Government’s November 2013 White Paper. By sheer coincidence, the amount the ConDem coalition has cut from the Scottish budget since introducing austerity economics is also £6bn. That has resulted in 50,000 public service job losses and huge cuts in the services our communities rely on.

The IFS has projected11 the impact of falling oil revenues on Scotland’s budget if we had adopted FFA. Table 1 They calculate :

“that if Scotland were fiscally autonomous in 2015–16, its budget deficit would be around 4.0% of GDP higher than that of the UK as a whole. In cash terms, this is equivalent to a difference of around £6.6 billion.”

Now, as the BBC’s Douglas Fraser fairly points out “while Scotland runs at a loss, the UK government continues to run at a similar scale of loss, with a huge debt, and nothing to show in the bank for 40 years of oil and gas tax revenue.”12

While this is a legitimate historical point it doesn’t strengthen the case for FFA. The Scottish Government’s defence is that with FFA the economy in Scotland would be growing faster. Well it might, but not at the rate necessary to plug the gap in oil revenues, as the IFS confirms. As Douglas Fraser also says; “It would also have to counter the prospect of offshore tax take falling quite fast, with much more impact than on UK finances, Table 1: Net Fiscal Balance (% of GDP), UK and Scotland 2013-14 to 2015-16

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<th>Net fiscal balance (% of GDP)</th>
<th>Projections based on latest OBR forecasts</th>
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<td>Scotland</td>
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<tr>
<td>Excluding North Sea revenues</td>
<td>-12.2%</td>
<td>-11.4%</td>
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<td>Including geographic share</td>
<td>-8.1%</td>
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<td>Excluding North Sea revenues</td>
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Source: GERS, 2013-14, OBR December 2014 EFO and author’s calculations.
as a result of the oil price fall and lower production levels.”

That is why UNISON and the STUC in their respective submissions to the Smith Commission argued against FFA. Devolved administrations want the least volatile revenues and expenditure possible. As the STUC put it:

“Today’s report is a sobering reminder of some of the risks of full fiscal autonomy for Scotland. The STUC has consistently argued that whilst Scotland’s funding settlement with the UK is entirely fair in the context of its historic and anticipated fiscal contribution, there are real risks associated with the volatile nature of oil revenues. It is for this reason that we argued for a combination of increased tax devolution and a continuing block grant as the best mechanism for secure and predictable funding for Scottish public services.”

Brian Ashcroft goes further by pointing out that in 12 of the 16 years if Scotland had operated under FFA it would have had to have higher taxes, lower public spending or both than the UK, assuming it was able to borrow to fund the same scale of deficit as the UK - a big ask in itself. Chart 1

- For this year assuming the Scottish Government could borrow at the same levels as the UK government

(another highly questionable assumption) then a further £3.8 billion would have had to be funded by higher taxes and lower public spending. Brian Ashcroft illustrates what this means

- half the cost of the Education & Training budget;
- one third of the Scottish Government health budget;
- one sixth of the £22 billion Social Protection Budget in Scotland;
- is 25% greater than the Scottish Government’s Transport Budget;
- is 135% more than the Scottish Government’s Housing and community amenities budget; and
- is 262% greater than the Scottish Government’s Enterprise and Economic Development Budget.

In short the financial implications of Devo-Max would be unthinkable for Scotland’s public services and the knock on effect on the economy would be little short of a disaster. It would deliver Tory austerity all over again.

Further Devolution
While Devo-Max may not be the way ahead that doesn’t mean we should accept the limitations of the Smith Commission. While it is a significant step forward, it can be improved as we set out in the Red Paper for Scotland and our Smith Commission submission ‘Powers for a People’s Parliament’.

The permanence of the Scottish Parliament and Government together with the Sewel convention being put on a statutory footing is an important constitutional statement. As is the devolution of election law that will allow the Scottish Parliament to lower the voting age to 16. The super majority for changes to the franchise is a sensible check and balance, given the absence of a revising chamber.

The strengthening of inter-government mechanisms and a more formal consultative role is a useful step forward, although the full devolution of broadcasting and the energy market would have been a better approach.

There is some devolution of energy efficiency, fuel poverty and onshore oil and gas extraction. This removes any lingering doubts over the Scottish Government’s ability to take a decision on fracking.

Rail franchises are to be devolved, again removing any doubt over the power to allow public sector bids. It is therefore very disappointing that the Scottish Government acted too soon in handing the Scotrail franchise to a Dutch operator. The right to take land and enterprises into public control should not be limited to railways. These rights could be used to safeguard jobs and industries or where the best interests of those dependent on the land or the enterprise are in jeopardy or where absentee landlordism is preventing the development and use of land in community and economic interest.

Pensions and Universal credit (UC) rightly remains reserved although a range of benefits will be devolved along with the power to create new benefits and top up existing ones. There is only a limited devolution of Housing Benefit that falls short of separating it from UC, which would have been a much better approach. This has the potential to be an administrative mess and will limit local authorities ability to direct all housing issues in their area. Scottish Labour’s recent commitment to fully devolve Housing Benefit is therefore welcome.

Devolution of the work programme is welcome. The failure to also devolve the National Minimum Wage and equalities legislation is disappointing. Tribunals are to be devolved but not the substantive laws they administer, including employment law. Again a mistake,
but it should allow the Scottish Parliament to take a different approach to the iniquitous employment tribunal fees. Further consideration is to be given to operational control of health and safety, which is even weaker than the Labour Commission’s half way house.

In the Red Paper on Scotland we argued that income and property taxes should be devolved with business and consumption taxes reserved. This is broadly the approach adopted by the Smith Commission and gives the Scottish Parliament the ability to mitigate the worst effects of austerity and English public service reform, as well as introduce a more progressive system. However, there are some petty and unnecessary restrictions on personal allowances, savings and dividends. This is clearly aimed at avoiding any future arguments over ‘English’ laws at Westminster. National Insurance is to remain reserved and this could cause difficulties as they tax similar incomes.

Assigning the first 10% of VAT is a fairly pointless cosmetic exercise as there are no powers to vary the rate. Air Passenger Duty and the Aggregates levy are to be devolved. This is sensible although there is a debate to be had over the climate change consequences.

The Barnett Formula will remain together with a fiscal framework based on a neutral starting point. This appears to be broadly what we proposed in the Red Paper, although the detail will need to be worked out. There is a complex and confusing section on enhanced borrowing powers that mentions the prudential regime we argued for, but not confirming it. The Treasury’s dead hand can clearly be seen in the many caveats in this section.

Conclusion

The Smith Commission agreement represents a significant devolution of powers to Scotland. It falls short of Devo-Max and this is also welcome not least because the financial consequences would be devastating. Devo-Max would lead to Devo-Austerity.

However, on non-fiscal powers the Smith Commission could have been more radical and we would urge an incoming Labour Government to be bolder. Energy, employment, equalities and others could be devolved under the subsidiarity principle.

Lord Smith made a helpful statement on the importance of devolution beyond Holyrood to local communities. He also rightly makes the case for parliamentary reform to strengthen scrutiny. Devolution should not stop at Holyrood. The SNP’s centralising tendencies are reflected in the call ‘Scotland is our local’, or even more starkly in Joan McAlpine MSP’s extraordinary rant against local government in her Daily Record column in January.

For all the debate around fiscal powers we should always return to the question of what we want these powers for. Fiscal policy should support the creation of a more equal society that allocates resources to tackle poverty through progressive taxation and welfare support. Devolution of powers must maintain the ability to redistribute a significant portion of tax income geographically on the basis of social need and enhance not only political democracy, but democratic control of the economy.

We believe in the development of a form of Progressive Federalism. It is progressive because at its heart it has a commitment to the greatest equality for all its citizens no matter where they live. That process started with devolution to Northern Ireland, Scotland, Wales and London, but it is also important for other regions of the UK to have the power to put the brakes on neoliberalism and develop economic and social policies appropriate to regional needs.

1 http://www.st-andrews.ac.uk/CDMA/papers/wp1009.pdf
5 http://bellacaledonia.org.uk/2012/01/18/max-headroom/
6 http://whatscotlandthinks.org/questions/should-the-smith-commission-proposals-go-too-far-are-about-right-or-dont-go-far-eno
7 http://whatscotlandthinks.org/questions/the-rate-of-corporation-tax-paid-by-big-companies-be-the-same-throughout#table
8 http://whatscotlandthinks.org/topics/attitudes-to-increased-devolution
9 http://whatscotlandthinks.org/questions/to-what-extent-would-you-support-or-oppose-english-votes-for-english-laws#table
10 http://www.gov.scot/Topics/Statistics/Browse/Economy/GERS
11 http://www.ifs.org.uk/publications/7637
12 http://www.bbcb.co.uk/news/scotland-scotland-business-31843400
14 http://redpaper.net/publications/
16 http://www.dailyrecord.co.uk/news/politics/joan-mcalpine-local-councils-power-4975210
Powers for Radical Change

Neil Findlay, Tommy Kane, Richard Leonard

Let me start with a gentle reminder. Our goal in this movement is not and has never been about shifting power from one parliament and one set of politicians to another. Our goal is about shifting power from those who own the wealth in this country back to those, who through their hard work and endeavour create the wealth in this country. (Richard Leonard - Scottish Labour Conference 2013).

The Red Paper Collective has consistently made it clear throughout Scotland’s recent constitutional debate that powers must have a purpose. It is not the powers themselves that make the difference; they only matter if politicians are prepared to use them. Whoever is in control of the Scottish Government and whatever their powers, they must show willingness to exercise that power and challenge the imbalance of power that scars and shames modern Scotland. This should be borne in mind when considering the outcome of the Smith Commission and the possible changes that will result over the next few months. New powers for Scotland should be judged on whether they can and will be used to make Scotland a better and fairer place.

However, any new powers transferred to Scotland must also be considered alongside the ability of Westminster and indeed the EU to use their policy and legislative capabilities to make progressive change. Hence, the composition of Westminster must also be taken into account when considering the new powers proposed by the Smith Commission. If we are to see a serious and genuine challenge to address the damage neoliberalism has inflicted on our communities then we need a UK Labour Government legislating truly radical and progressive policies at Westminster. Conversely, an incoming Tory Government intent on further, intensified austerity could seriously hamper the plans of any future Scottish Government seeking to use new and existing powers in a progressive way.

Following the roller-coaster ride that was the referendum, the Smith Commission met to discuss new powers. There was a level of consensus around the view that the status quo would not suffice and further devolution was both necessary and desirable. All parties concluded that whilst the Scottish people had rejected independence they had expressed a desire for a more powerful Scottish Parliament within the UK.

In this section we will consider the Smith Commission recommendations, but also look at what could be achieved with existing powers. We will do so against an understanding of the choices that could/should have been made within those existing powers and how it has been wrong political decision-making rather than constitutional constraints that have often prevented progressive political choices being made.

We will then explore what can be done and what must be done with the newly established powers in the Scotland Act 2012 and the proposed powers via the Smith Commission. We ask whether additional powers make it any more likely that a Scottish Parliament will tackle the social and economic problems that are so deep-seated in the Scotland of 2015.

The Smith Proposals

The Smith Commission’s proposals ranged across a number of so called pillars: 1. providing a durable but responsive constitutional settlement for the governance of Scotland; 2. delivering prosperity, a healthy economy, jobs, and social justice; and 3. strengthening the financial responsibility of the Scottish Parliament.

Some major recommendations relating to the constitutional settlement include the proposal to entrench the Scottish Parliament as a permanent institution; put the Sewel convention (which ensures that the UK Government does not legislate on areas that are devolved without the consent of the Scottish Parliament) on a statutory footing; and extend the franchise to 16 and 17 year olds for Scottish elections. These are to be welcomed and are largely uncontroversial.

Delivering prosperity, a healthy economy, jobs, and social justice

This pillar has a series of elements to it that can be seen as opportunities for pursuing a progressive agenda. Take welfare for example where the Smith Commission has proposed that various tranches of welfare should be devolved, which could be utilised in a way that is different from the current approach being pursued by the Tory/Liberal coalition at Westminster.

The welfare state and the underpinning principle of social insurance have come under an intense and unprecedented onslaught by the last Westminster Government. Their attack on our most vulnerable is epitomised by the absurd and vindictive bedroom tax and the brutal sanctions regime administered by the DWP.

The Smith Commission proposes that significant aspects of welfare transfer to the Scottish Parliament but others will, rightly, remain reserved. There is a strong and logical case for pensions to continue to be funded across the UK as the pooling of resources over a population of 60 million rather than 5 million ensures we have safety in numbers. But, conversely, the
Devolution of housing benefit, carers allowance and attendance allowance will give the Scottish Parliament the ability to address housing and caring needs. But this will only happen if there is the political will to do so.

The proposal to devolve the Work Programme illustrates both the opportunities and constraints of Smith on welfare. There is an opportunity to create more humane and tailored employability programmes for those seeking work. Programmes could reflect local needs and circumstances — Skills Development Scotland (SDS), local government, voluntary organisations and training agencies could work together to design such a programme. However, devolving the Work Programme without the corresponding devolution of the sanctions regime reduces the possibilities and opportunities of creating a system that reflects a more humane welfare system. There is therefore an argument for the devolution of Job Centre Plus, which could help provide the Scottish Parliament with the ability to set much fairer rules and abolish the cruel sanctions regime.

Devolution of powers over fracking means that Scotland can now veto handing over the central belt to the likes of Jim Ratcliffe for onshore unconventional gas extraction. Of course that veto is dependent on the Scottish Government standing up to big businesses like INEOS who have made it abundantly clear to the Scottish Government that they want to commence fracking in Scotland and profit from Scotland’s shale reserves.

Employment Tribunals are to be devolved so the Parliament will be able to eradicate the scandal of fees that are such a barrier to justice. Under the Tory/Liberal coalition the Health and Safety Executive (HSE) powers and its operational capabilities have been under an unprecedented ideological attack. The Smith Commission has proposed devolving HSE administration so there is now an opportunity to create a more proactive system that protects people at work, which takes occupational health seriously and establishes a Scottish Hazards centre to provide training and support to workers with the aim to reduce work related ill health, injury and fatalities.

**Strengthening the financial responsibility of the Scottish Parliament**

How a government raises and spends taxes reflects its political priorities. From a fiscal perspective Smith is proposing a significant transfer of powers from Westminster to Holyrood, however, rightly, in our view, significant taxation powers will be retained at a UK level. Smith has proposed the Scottish Parliament has more power over levels of personal taxation. This enables, in theory, the Parliament to raise more through income tax and therefore have more to spend. We would, of course, welcome a system of progressive taxation that redistributes wealth, but simply having the power to do this does not mean it will happen.

Whether an SNP government would raise taxes on higher earners if all taxation was devolved is unlikely. Indeed their record on redistribution is dreadful and while Nicola Sturgeon may have weakened the SNP promise on corporation tax from the 2013 White Paper’s pledge of a 3% cut, no matter the rate elsewhere in the UK, there is no doubt that the SNP Government still sees it as a useful tool to redistribute to businesses.

The recently published Government Expenditure and Revenue Scotland (GERS) figures for 2013/14 (looked at in more details in another section of this publication) confirm that the redistributive element of the Barnett Formula is vital for Scotland. Indeed, in 12 out of 16 years Scotland has received more from the UK budget than it paid in tax. Full fiscal autonomy would be a disaster for our public services and for tens of thousands of Scots likely to lose their jobs as a result. Pointing out a £4-£6 billion deficit is not talking Scotland down, it is pointing out the stark reality that such a deficit would result in ‘turbo charged’ austerity and diminishing the opportunities to plough a different path.

While redistribution from some parts of the UK to others occurs via Barnett, we, recognise that across Britain during the past 30 or so years there has been a reverse redistribution, mirroring neo-liberal global trends, increasing wealth for the rich at the expense of the poor. However, in the UK even within this poor to rich redistribution, there is an area based redistributive mechanism that sees some geographical areas (most prominently the south east) raise more in tax yield than others, which are then allocated to other (poorer) areas where there is greater need, for example Scotland and Wales. This combined with the potential for greater tax revenues being raised via progressive taxation and if tackling tax avoidance is prioritised then this would help provide the public funds for UK and Scottish Governments to end the years of austerity and begin investing in the public services that are the civilising force in our society.

At a UK level, Ed Miliband’s commitment to tackle tax avoidance and evasion is both welcome and refreshing, as are the proposals to raise the top rate of income tax to 50p, to introduce a banker’s bonus tax and a mansion tax. We recognise that in themselves they represent a limited level of redistribution from the huge concentrations of wealth in this country. Nevertheless they are welcome and stand in stark contrast to the Coalition.

Smith also discusses further borrowing powers for the Scottish Parliament in addition to those devolved in the Scotland Act 2012. The proposal is to “provide sufficient additional borrowing powers to ensure budgetary stability and provide safeguards to smooth Scottish public spending in the face of economic shocks”...and that “The Scottish Government should also have sufficient borrowing powers to support...
Missed opportunities and what is to be done now

Financial

Scotland needs investment and an end to the horrific and ideologically driven ‘political’ project of austerity. Austerity was caused by the collapse of the banks, they failed; we bailed them out and the huge debt overnight became a public liability which we are all now picking the tab for. Developing a response to austerity requires policies and political choices made in Brussels, London and Edinburgh that end what Professor Prem Sikka has called the “organised humiliation of ordinary people” caused by austerity and which seek to create a fairer and more just UK and Scotland. The Scottish Parliament has now, as it also has in the past, the potential to pursue and introduce progressive policies that help achieve a fairer and better Scotland. Not introducing policies that have sought to tackle the national scandals of poverty and inequality represent a political, rather than a constitutional, failing. Scotland could have before and could now introduce policies that would advance the interests of working people. For example, the SNP Government has centralised power at the expense of local government. The council tax freeze, which benefits the better off the most, has taken over £2.5bn out of public budgets since 2009. At the same time as this freeze local authorities are under unprecedented financial pressure with cuts to their budgets and are left shackled unable to raise additional revenue except via charging. The result is that councillors instead of planning services based on local need, have to identify yet more cuts and are effectively powerless to do much about it. That is not local democracy – it is centralisation and diktat. We would strongly argue that local government and the communities they represent are re-empowered, re-democratised and strengthened. After all local authorities and local communities are best placed to devise local policy that meets the economic and social needs of their areas.

We could have used the period of low interest rates to buy back the wasteful PFI/NPD contracts and bring contacts back in-house. These have proven to be poor value for money. Another political choice which takes money out of the public purse is the Small Business Bonus Scheme (SBBS). To date there has been no critical evaluation of this scheme and no evidence of its impact on growth or jobs yet it has cost nearly £900m since 2009. There should be a full independent analysis of the SBBS to establish if it is economically money well spent.

These political choices have taken out nearly £3.5bn from the Scottish budget. Combine these with the Scottish Government’s underspend each year – this year alone it was a staggering £444m – then we can see the significant level of resources which could have been spent on other priorities. Resources that could have been directed at increasing the numbers of college staff and student places. In social care we could have invested in care homes and staff wages, in training and increasing the time allocated for care visits. Whilst in the NHS additional money could have been used to invest in the skilled people that we need to meet the needs of an ageing population.

When we have the power to raise additional taxes we must look again at how much we invest in these fundamental public services.

Housing

Any local councillor will confirm that the lack of social housing is one of the top issues in our communities. The lack of social housing in our country represents a gross failure of public policy. National legislation has constrained local decision making and a lack of investment in social housing, alongside changing rules in the mortgage market, has seen some Scottish social housing estates being starved of investment and becoming areas where people don’t want to live. As a result far too many people depend on the expensive and – often - exploitative private rented sector as they languish for years on council house waiting lists with little prospect of an offer of accommodation.

The Scottish Government must embark on a massive social house building programme and end the current housing crisis. Shelter, the homelessness charity, says we need 10,000 social housing units build per year. It could have been done under existing power. With additional borrowing powers – alongside innovative ways of raising funds - for instance utilising public sector pension funds, using social housing bonds and creating a social housing investment bank - we could meet the Shelter target whilst creating demand in the economy and jobs.

Employment Rights

Devolution of Employment Law is not proposed by Smith but the Scottish Government could have made work fairer. Last year they rejected amendments to the Procurement Bill that would have ensured all companies contracted to provide public goods and services paid their workers a living wage, rejected companies that employ people on zero-hours contracts and prevented companies involved in avoiding or evading tax from winning public contracts. Each of these should be revisited to make sure the Scottish Government and every other public authority use their significant purchasing power (approx. £10bn per annum) to change the behaviour of employers and make work fairer. Similarly, the Scottish Government should use their position as employer and contractor to push for collective bargaining processes enabling one of the most positive and straightforward ways of improving pay and conditions for workers.

capital investment.”¹ This offers significant borrowing opportunities to invest in people and communities. This could help create demand and jobs producing more tax receipts in Scotland which in turn could offer more scope to borrow and invest.

¹ The Scottish budget. Combine these with the Scottish Government’s underspend each year – this year alone it was a staggering £444m – then we can see
Health
Another policy area where the Scottish governments has failed abysmally is in health. Health inequalities are a national disgrace. Despite successive Governments endlessly discussing the issue we still face the scandal of people in some of the poorest council wards having an average life expectancy nearly 30 years less than those in more affluent wards. As a matter of national urgency health resources must be allocated using a ‘proportionate universalist’ approach which would provide more resources to where need is greatest. Investing in our poorer communities by using the new borrowing powers and the potential additional resources from redistribution and subsequent increased tax yields should be a national political priority. However, let us be under no illusions it could have and should have been a national priority long before now.

Public Ownership
Aside from control of the railways there is little in Smith about developing public ownership. The absurd political choice to outsource Scotrail to a ‘public’ Dutch Rail Company, Abellio, exposes the lack of enthusiasm the Scottish Government has for public ownership. The Smith proposals allow a politically willing Scottish Government to plan now for a public operator once this particular franchise ceases and to make it clear that this is the last time our railways will be hived off. We could also re-democratise Scottish Water and its regulatory framework and reduce the huge level of spending on outsourcing its work to the global private water sector, something that has occurred as a result of deliberate political choices made since 1999.

This Scottish Government has failed in its approach to renewable energy. Its members appear content to have the profits from renewables repatriated to the boardrooms of Paris, New York and London by providing significant subsidy to big business yet at the same time offering only paltry loans to communities who may want to develop community renewable schemes. Renewables should be developed as co-ops, or owned and developed by councils, health boards and any other public agencies so that they can reinvest the surpluses in the services they provide. This is a political choice that could both see the surpluses retained in Scotland and assist the many people in Scotland struggling to pay their bills.

Indeed there is tremendous scope for building a mosaic of common ownership right across the economy: cooperative, mutual, employee owned, municipal and government ownership all will have a part to play. Such a move would help in the pursuit of full employment, including the elimination of youth unemployment, but also begins to close the democratic deficit in the economy.

Future Scottish governments could take opportunities to transform the Scottish economy such as: a democratically run and accountable Scottish Investment Bank as part of a constellation of industrial development banks across the UK providing patient capital for long term investment; a Scottish Defence Diversification Agency charged with the task of managing the demilitarisation of the economy and a shift towards socially useful production, accountable to the Scottish Government and not the Ministry of Defence; the Green Investment Bank based in Edinburgh could be a partner with government departments in helping in a just transition programme for the greening of the economy in such a way that workers are given stability of income in the transitional process; and Co-operative Development Scotland should be entrenched by primary legislation, given its own investment arm and powers to stimulate cooperative ownership by introducing a statutory right for workers and communities to buy an enterprise when it is up for sale, facing closure, asset stripping or a transfer of ownership.

Industry
The Scottish Government claims that it will double Scotland’s exports thereby solving not only to the Full Fiscal Autonomy funding gap, and to the employment gap but also the investment gap. Export growth may have a part to play in economic development, but we should also be working on a strategy for import substitution and so produce more of what we consume and build indigenously.

We need an active industrial policy which recognises the vitality of manufacturing to a well-balanced economy while, of course, supporting emergent technologies like renewable energy and software design but one which also recognises the value of local production for local need. The prevailing orthodoxy of free market, free trade and the theory of comparative advantage which dominates macroeconomic policy at home and in European Union which results in initiatives like TTIP must be challenged. Economic planning should be back on the political agenda including the use of regional industrial policy instruments to overcome the overheating of the south east of England and to re-establish more balanced and sustainable economic development.

Conclusion
In short we need an alternative to the way our economy works, who owns it and therefore controls it and in whose interests it works. We need prosperity in place of austerity and democratic socialism in place of trickle down free market economics. We must judge the use of any further powers on the basis of whether they enable Scotland to achieve these goals.

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2https://www.youtube.com/watch?v=aqAtj3ZsFRM Morning Star Conference 1 March 2015
Why Class Politics?

The past decade has seen an unparalleled attack on working people. Living standards have suffered their steepest fall for a century, key elements of the welfare state have been dismantled and, for millions, employment rendered insecure and casualised. This attack, though associated with the financial crisis, has not been driven by economics but by class politics: a determination by those with wealth to secure a new relationship between capital and labour, one that guarantees the dominance of capital and in which the classic requirements of neo-liberal economics are met: an individualised labour market and an individualised society. This is why a class response is now required. All pre-existing rights are at risk.

The key question is how such a response is to be mobilised, within what geographical boundaries and under what organisational banner. Can working people more easily and, in terms of class objectives more effectively, organise themselves at Scottish level or at British level?

Do the structures provided by the trade union movement still offer the best vehicle or do new organisations have to be formed that, in current circumstances, harness feelings of national identity? Can working people more easily and, in terms of class objectives more effectively, organise themselves at Scottish level or at British level?

The ownership of Scotland’s productive resources

The most recent (2014) figures for the ownership of larger companies in Scotland (Table 1) shows the following percentage for the numbers employed in firms that are described as Scottish-owned.1

In almost all cases it is clear that only a minority of employees work in firms that are registered in Scotland – and even here the figures exaggerate. They are for Scottish-registered firms but do not necessarily or fully take account who owns the shares. This is readily apparent when we look at the 53 per cent for financial – based on the two big Scottish-registered banks. Both are now effectively owned and controlled from outside Scotland.

If we drill down into the controlling share holdings of these Scottish registered firms we find the level of external ownership and control to be even more marked. Ten years ago most large Scottish firms were already controlled from outside Scotland. By 2010, just six years later, this control was far more complete. Only a handful of the top 100, such as D C Thomson or the Miller Group, were family or locally controlled (and

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If we drill down into the controlling share holdings of these Scottish registered firms we find the level of external ownership and control to be even more marked. Ten years ago most large Scottish firms were already controlled from outside Scotland. By 2010, just six years later, this control was far more complete. Only a handful of the top 100, such as D C Thomson or the Miller Group, were family or locally controlled (and
even here bank debts sometimes rendered this control problematic). For the rest the typical picture is control by five or six dominant shareholders, mainly investment banks from the City of London. (Table 2)

For the financial sector the shift has been even more dramatic. In 2004 there were fifteen firms (in banking, insurance and investment) that were substantially owned and controlled from within Scotland. Today there is just one major financial institution that is still Scottish-owned: the investment management company, Baillie Gifford.

This external control has obvious consequences for investment and employment. Within weeks of the fall in the oil price the two big British-owned companies, BP and Shell, had begun scaling back investment and attacking staff conditions – effectively bringing forward the shutdown of the pipeline infrastructure that sustains the bulk of North Sea output. Shortly afterwards the Spanish-owned Scottish Power announced the early closure of Scotland’s last oil fired power station at Longannet. Such external control is finance-driven, takes no account of social costs and can put whole communities at risk – as with Diageo’s plant closure at Kilmarnock, Wiseman-Mueller at Whitburn and Halls-Vion at Broxburn.

An obvious response might be to say that this is precisely why Scotland should be independent, break with the British state and secure the powers need to exercise democratic control over the economy. This would indeed be a ‘class’ response. But the SNP’s independence policy, as outlined in its 2014 White Paper, made no attempt to do that. On the contrary, its ‘business friendly assumptions meant that it did not even hint that such a challenge would be necessary for economic independence. Currency, interest rates, public borrowing, trade policy and industrial policy would all have continued to be directed externally either by the Bank of England, the Treasury or the EU Commission. This does not necessarily mean that such a class challenge would be impossible or that SNP-style independence could not be a prelude to it. But it is important to be clear about the political requirements – and the relative probability of securing them at Scottish or British level.

### ‘Breaking the British State’?

For this we need to be more precise about what is meant by the British state. As just noted, SNP independence would have detached 8.5 per cent of the population from direct UK administration but retained all the systems of control that maximise big business power. This is because state power as exercised on behalf of big business cannot be equated with administrative structures at territorial level. James Connolly made just this point about Ireland a century ago. Simply hoisting the tricolour over Dublin Castle would not shift the grip of British capital over the Irish economy.

State power as exercised by big business is something far more comprehensive. It represents all those structures that defend the ‘inevitability’ of living in a society where all productive resources are owned privately by a minute fragment of the population. These structures include the legal system, the media in so far as it is owned by the same interests, all those expert, advisory and opinion-forming bodies that depend on such funding, increasingly much of the education system as well as the political executive and the tight interlinkages that exist at that level with banking and business. SNP independence might have dislodged a few of the links at executive level – but the SNP’s commitment to business, in Scotland and internationally, would have meant that these links would have re-crystallised at Edinburgh level quicker than you could say ‘Rupert Murdoch’.

And, as we have seen, these controls would still be exercised on behalf of the finance houses of the City of London.

It is also important to note the changing institutional base of this big business state power. A significant number of the key controls have been relocated to the EU. Those over industrial policy, trade, labour and market freedom are now exercised through the European Commission or more widely still through trade treaties that have binding legal commitments (TTIP is only the latest of a number of existing treaties that prioritise corporate interests). This is not because of British capital has lost out to ‘global forces’. This was shown quite clearly during the 2008 crash. British banks and companies, like those of France, Germany and the US, all de-
This brings us to our second major question. Does the potential threat to big business power posed by the continuing existence of democratic institutions within the nations of Europe.

This democracy was only secured as a result of long struggle by working class movements. In most cases, particularly in Britain, it was only conceded grudgingly with many safeguards. But it did introduce a new political challenge for capital – especially as capital ownership became more and more concentrated and as political parties had to develop programmes that appealed to a majority of the population who had opposing class interests. It meant responding to the demands of working people and increasingly small business, also faced with the predatory practices of the banks and corporations. Over the past half century the dangers raised by class alliances with contrary programmes to those of big business became very clear. The European Union provided one key way of sidestepping these demands.

The EU was set up collectively by member governments – but on terms, defined by treaties at each stage in its development, which mean today that its constitution, unlike any other in the world, commits it legally to assert the primacy of market forces and gives it legal powers over key areas of economic life. These areas include all aspects of trade and most areas of production including the prohibition of ‘state monopolies’. As with the current TTIP, EU policy-making is carried on by and through the dominant member governments and their big business backers without any direct democratic involvement. The recent treatment meted out to subordinate states such as Greece and Cyprus illustrates just how little respect there is for democracy when the strategic interests of big business are at stake.

Within the EU Britain also occupies a special position. It stands as the principal representative of US interests – particularly those of the US banks based in the City of London which today dominate financial services across the EU. These banks are in turn integral to the operations of the British-based finance houses – including those operating in Edinburgh. It was for this reason that the SNP chose its particular combination of external alignments: sterling, the EU and NATO.

This, then, is the real ‘British state’ – something far more profound in its reach and control than a border crossing at Berwick and which, as the enforcer of big business interests, is just as much waging war on working people south of that line as it is on those in Scotland. This is why it is necessary to focus any challenge to big business at British level – aimed at the executive power on which it depends - and thereby to exploit its biggest potential weakness, the continuing existence of democratic institutions that could be used to erode its wider power base.

The relative strengths of trade union and labour movements

This brings us to our second major question. Does the trade union and labour movement across Britain still, potentially, have the power to do this?

There is no doubt that the trade union movement is numerically weaker than it has been for a generation. Membership has declined from 13m in 1979 to 6.5m today. Density, in terms of the proportion of workers unionised, has fallen from 32 per cent in 1995 to 25 per cent in 2013. In the private sector it is now only 14 per cent. In the public sector density remains relatively high at 55 per cent (which is why Scotland, with its larger proportion of public sector workers, has an overall density slightly higher than England though lower than Northern Ireland). Across Britain the level of strike activity is also sharply down. Over the past ten years the annual number has been between 100 and 150 – a reduction of well over 90 per cent compared to the 1970s when the annual strike rate never fell below 2,000.

However, the strength of the trade union movement has never depended entirely on numbers. Far more important is the level of political clarity and mobilisation. In the earlier twentieth century a much smaller movement was able to achieve major political breakthroughs. The recent reduction in trade union membership is not because people do not want trade union protection. It is the direct result of anti-trade union legislation – as is the reduction in the number of strikes. It also reflects a deliberate transformation of the labour force, through casualisation, to weaken or eliminate collective bargaining and employee rights. These are class-motivated attacks. They are increasingly being seen as such. Politically the trade union movement has moved somewhat to the Left as defined by conference policy – almost all unions now backing the People’s Assembly and the People’s Charter – and, for all their weaknesses, the mass demonstrations mobilised in 2012 and 2013 and the concerted public sector strikes in 2013 and 2014 were on a scale not seen for a couple of decades.

It is also important to note the more general movement in social and political attitudes. Support for the public ownership of utilities runs at a historically high level – higher now than it was in the 1940s and, although there is variation across Britain north to south, social attitudes do not differ markedly between the English regions and Scotland. In terms of attitudes to immigration the percentage wanting its limitation is today exactly the same in Scotland and England. In terms ‘class attitudes’ the last few years has seen a distinct shift to the Left across Britain (Table 3 overpage)

The position of the Labour Party remains as it has always been. It responds both to the pressures of working within the big business state and also to the levels of mobilisation generated by the trade union movement and by broader social movements. It pursued highly reactionary policies at home and in the empire through much of the 1920s and 30s. It responded to the mass demands for change and a stronger trade union movement in the 1940s. It followed Atlanticist and corporate partnership policies through most of the
1950s and 60s – supporting nuclear weapons and seeking to impose a legal ban on unofficial strikes in 1969. But it then switched to far more progressive policies in the 1970s in response to the trade union mobilisations of 1971-1975 and in the early 80s also moved to oppose Britain’s nuclear weapons. The switch to New Labour did indeed mark a decisive change — even if this has now been partially reversed.

The fallibility of national consciousness without class politics

It was undoubtedly the failure of the Labour Party over the past decade to defend of working people against the attack by big business that has triggered support for the SNP and more generally for an independent Scotland.

This then poses our final question. Could an independent Scotland as sought by the SNP better protect working people from attack? One problem has already been identified: formal independence would by itself leave big business in control of the key economic and political levers inside and outside Scotland. But there is also a further issue. Can a movement that is itself focused primarily on national independence itself sustain and develop the progressive, class content of Scottish national identity – the necessary base for any subsequent class mobilisation against big business dominance?

National consciousness is never stable. It reflects the relative strength of class forces and the scale of class mobilisation within the wider society. Political attitudes in Scotland did shift strongly to the Left in the 1970s and 80s in the context of united working class action across Britain. The struggles to defend trade union rights, for the right to work and, in the 1980s, to defend mining communities saw mobilisations across the nations of Britain which challenged and exposed the true nature of state power. Working people saw themselves collectively as defenders of the values of decency, equality and of a future in which there would be full employment and democratic control. And this collective strength was celebrated not just in political speeches but in culture – music, song, poetry and theatre. It was this active force of class mobilisation that transformed Scottish national identity – previously a stale, establishment-dominated ‘Scottishness’ associated with Scotland’s established church, its professions, its captains of industry, its regiments and its empire.

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<tr>
<td>Big business benefits owners at expense of workers</td>
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<tr>
<td>One law for the rich and one for the poor</td>
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<td>Ordinary working people do not get a fair share of the nation’s wealth</td>
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achievements, always tinged with an element of (generally anti-Irish) xenophobia and well articulated by the Sunday Post. In the 1970s and 80s Scotland created its own new generation of working class heroes.

The problem posed by the SNP’s bid for independence is that it avoids all the basic issues of class politics and is posed simply in territorial terms and not those of state power. The SNP does not challenge (or even mention) the degree to which the Scottish economy is controlled by the external forces of finance capital. It advocates social partnership and seeks a social democratic colouration that is just to the left of New Labour – with the externally-owned Scottish press very happy to portray it as such (even though on issues such as tax, income redistribution, trade union rights and even public ownership it is manifestly not). It argues that only an independent Scotland is able to protect the Scottish people from austerity. Yet it defends EU membership with no mention of its neo-liberal character - nor of the EU requirement that every member state adopt a balanced ‘austerity’ budget whatever the social consequences. Again the EU is given a social democratic colouration that overlays an institution that, no less than TTIP, is constitutionally committed a neo-liberal, individualised economic system.

This is why the movement currently led by the SNP will, despite the SNP’s left of centre positioning, almost inevitably reduce the progressive, class content of Scottish national identity. It will do so because it obscures that real nature of state power and poses solutions simply in terms of national boundaries – and indeed could, in an increasingly single-minded drive for independence, slip into an anti-English chauvinism.

Left supporters of independence would counter this by saying that once independence is achieved class politics will reassert themselves and that the way would be open for people in Scotland to be won for socialist politics. Even here, however, there will be formidable obstacles.

The first obstacle would be the SNP itself. Its social democratic colouration will protect it from attack from the Left as it argues for social partnership as the way forward. Any independence secured over the next decade will face a Scottish government with a major reduction in tax income. The SNP response will be to call for national unity in face of an economic downturn that
was not of Scotland’s making and ultimately caused by
the previous theft of Scotland’s oil. Scotland, it will be
argued, must now align itself the needs of international
business if it is to survive and – probably – integrate
more closely with the core of the EU. A tacit ac-
ceptance of neo-liberalism will be presented as the con-
dition for Scotland’s escape from poverty.

The second obstacle will be the territorial issue. Con-
trol over Scotland’s economy will still remain ultimately
in the hands of the City of London and the British state.
But that power can only be undermined by exploiting
the potential fissure created by the still formally demo-
cratic character of governmental institutions at British
level. And this requires class mobilisation at British lev-
el. Yet Left politics in Scotland will be isolated from that
endeavour. Unity might be posed rhetorically but there
will be no direct focus electorally or through class insti-
tutions. The ability to maintain or redevelop a genuine-
ly progressive class content to Scottish identity will be
much more difficult.

This is why the Red Paper argues, as it has in the past,
that a joint struggle on class terms, uniting working
people across the nations of Britain, provides the only
realistic basis for Left advance and for maintaining the
radical, socialist content of the Scottish identity.

This itself will not be easy. But the materials for a re-
newal of class politics are present today to a degree
that they have not been for a generation.

• The trade union movement has, in general, moved to
the Left and adopted pro-active policies for organising
the unorganised and for projecting class politics. This
movement remains uneven and quite problematic
but a measure of re-politicisation has begun

• Resistance to Tory cuts has created organisation
among many previously unorganised groups – broad-
ening support for a class-based alliance

• Within the Labour Party the credibility of right-wing
social democracy is deeply compromised and is likely
to become more so in face of a newly active left-wing
– limiting its ability to re-impose right-wing positions
in the trade union movement

• Economically, financialised capitalism is trapped in a
cycle of stagnation and speculation, incapable of pro-
ducing sustained growth, and condemning the bulk of
the population to falling living standards.

• Internationally more explicit challenges are emerging
to the pro-big business neo-liberal character of the
EU. The democracy of member states is being reas-
serted.

• There is also at British level a movement, the People’s
Assembly Against Austerity, able to articulate these
arguments and posing a direct alternative: the public
ownership of the key sectors of the economy. The
People’s Assembly already has the support of most
trade unions, of local trades union councils and of
many local groups resisting the cuts.

These are the components of change. They have the
potential to come together to reassert the interests of
working people against the state power exercised by
finance capital over the nations of Britain. In doing so,
and clearly identifying this enemy and the way it exer-
cises power, class politics in Scotland can be re-won
and redefined in a new and sharper way. The urgency
of doing this can hardly be overstated. The cost of not
doing so, in terms of the rise of non-class politics across
all the nations of Britain (including Scotland), could be
very high indeed.

1 http://www.gov.scot/Topics/Statistics/Browse/Business/
Corporate/table3sic07
Left Review, issue 64, 2011 updating figures in Baird, Leon-
ard and Foster, Scottish Affairs, Winter
2006-7
3 Department for Business Innovation and Skills, Trade Union
Membership 2013 Statistic Bulletin, May 2014
4 Vince Mills and Stephen Low, Class, Identity and Struggle’,
5YouGov poll reported in Herald 11 March 2015 and com-
ments by Professor Geoff Palmer: 49 per cent supported the
limitation of immigration in both Scotland and England.
6British Social Attitudes Survey http://www.britisocat.com/
Contents
Scotland: Myths, Realities, Radical Future

Many people who at one time supported the Labour Party, when asked why they support independence or the SNP say “What is there to lose?” Our argument is: a great deal. Some claim that important figures in the labour movement supported Home Rule for Scotland and they are keeping faith with that tradition. They also assume that there is no difference between the SNP’s definition of Home Rule and what was traditionally demanded by the Scottish trade union and labour movement. This is not the case.

What made Keir Hardie, Willie Gallacher and Mick McGahey in their own times champions of a Home Rule Scottish parliament was the belief that it strengthened the democratic power of working people against capitalist state power at a British level. For them a Home Rule parliament would have enabled powers to be used to protect and strengthen the working class and therefore heighten class understanding both inside Scotland and across Britain. They took a class position and the Red Paper Collective unashamedly continues in that tradition.

Devo-Max which means Full Fiscal Autonomy would break the class unity of working people across the nations of the Britain without breaking the chains of economic control that bind them. The Scottish economy would retain all the constraints of a neo-liberal globalised economy but without access to the organisational strength of a UK labour movement.

This publication reasserts the case for radical change and the greater devolution of powers that would enable the democratisation of the Scottish economy and the redistribution of wealth across the UK.