



Red Paper on White Paper



YOUR GUIDE TO AN INDEPENDENT SCOTLAND



@redpaperscot

redpapercollective@yahoo.co.uk

Introduction

There is something missing in the campaign for an independent Scotland which gives it a hollow centre and that is a groundswell of support from Scottish people. There are, of course, those who are passionately in favour of an independent Scotland, there are also those who have come to that position more recently and now see it as the most important stage in our history, but for many people it is a marginal decision which could go either way.

Some SNP members will probably blame Alex Salmond for not raising the temperature by rousing nationalist passions, but he probably has a better understanding of what people will actually vote for. Remember his warmth towards the third option of Devo Max at the beginning of the campaign. He has now left himself in danger of being so minimalist in his vision of Scotland that it hardly seems worth the effort. However, to underestimate the actual impact of the SNP's version of independence would be a mistake.

Two year's ago when the notice of an independence referendum was given there was a sense of excitement in the Labour Movement about what a different Scotland could look like and the question most asked was: if we want to create a better Scotland do we need independence, could it be done with more powers for the Parliament or do the powers already exist if only they were put to use? Neither campaign has so far built on that initial enthusiasm for ideas. The radical left of the Yes campaign has tried to keep alive a spark saying that Another Scotland is possible once the referendum is won, but the White Paper has doused that with tepid water.

The No campaign's project fear has curbed discussion on how devolution can be used to better affect. The Labour Party's Devolution Commission is on hold until next Spring and its United with Labour has produced very little, leaving the campaign in the dead hand of Better Together.

The Red Paper has argued all along that constitutional questions have to be measured against their potential to:

- challenge the power of capitalism by enabling democratic control of the economy;
- introduce a variety of forms of public ownership;
- build a sustainable and secure economy and
- to redistribute wealth.

Members of the Red Paper collective believe that enhanced devolution within a federal arrangement has the potential for a more radical change than the independence envisaged in this White Paper or, in reality, the one that is likely to come into being after a yes vote.

We will judge the Scottish Government's White Paper 'Scotland's Future', against those criteria. We would welcome the opportunity to scrutinise other proposals for the future including the Scottish Labour's Devolution Commission report once it become available.

Leaving economic decisions to others - Independence?

The paper outlines a choice of two futures. It is claimed that if we vote No "Decisions about Scotland would remain in the hands of others." But that's precisely what will happen if we vote "Yes". In terms of economic control it's a false choice.

Either the Bank of England or the European Central Bank will control monetary and fiscal and therefore exchange rate policy. The commanding heights of the Scottish economy will still be quoted and floated on the London Stock Exchange. As the document also points out, as a member of the EU, Scotland will be required to comply with regulatory requirements "many of which relate to the operation of the (EU) Single Market."

It observes that 16 per cent of all private sector workers in Scotland are employed by companies whose ownership rests outside the UK. In fact the Scottish Government's own figures show that 34 per cent of all private sector employees work for companies based outside Scotland. In companies employing over 250 employees 64 per cent work for companies whose ownership is external to Scotland.

A Yes vote on the terms of the White Paper will leave the commanding heights of the economy owned and controlled from outside Scotland. At the same time, the key levers of economic policy will be exercised from London or Brussels.

Denial of reality on oil income

The White Paper central assumption is the tax income from oil will continue at the same rate as at present into the future. It cites the interim report by Sir Ian Wood to the effect that four billion barrels of oil remain in the North Sea but it does not mention his finding that output has fallen by 38 per cent in the last three years and that the rate of exploration has also declined over this period. Nor does it refer to the recent study by the Institute of Fiscal Studies looking at longer term trends. From 2016, the date of independence, all estimates of output indicate a steady decline – by half within ten years. Oil prices are also currently at a peak. US shale oil output and peace negotiations in the Middle East could quickly change that. Oil provides no basis on which to rest the entire economic future of Scotland. More oil does exist in the North Sea. But its discovery and extraction will almost certainly require public sector involvement.

Denial of the actual position of the Scottish economy

The White Paper identifies strengths and weaknesses in the Scottish economy. All the weaknesses, the lack of business research and development, the narrow range of industries, the slow rate of growth, it attributes to the lack of Independence. All the strengths, university research, the general level of educational achievement, the strength of agricultural output, are attributed to Scotland. They are presented as continuing regardless – often in direct contradiction to the evidence.

Scotland's biggest single strength is probably the research excellence of its universities. This has been largely based on funding from government at British level – either from the research councils or from government departments. It is by no means clear how this will be continued.

The same is true of the markets on which most of Scotland's key industries depend. Food and drink, energy, creative industries, tourism, life sciences and financial services, with the exception of the whisky and spirits industry, is substantially dependent on the rUK market. This is even after forty years of EU membership.

Ease of access to rUK market depends on sterling membership – which currently appears problematic. If Scotland has to adopt the euro, then the two currencies would fluctuate – and often in ways that would price Scottish goods out of the sterling market. This eventuality is not even considered. The failure of the White Paper on this front is truly alarming – as it affects the bulk of jobs in industry and agriculture.

The denial of reality on bank funding for industry and economic development

As things currently stand, there will be no sizeable banking institutions headquartered in Scotland. All significant parts of the RBS and BoS are UK-owned and would remain so. Scotland's financial sector is today mainly made up of investment management companies handling external cash and investing in external markets. Some of these such as AAM are very large and could introduce significant levels of instability. Yet in terms of banking for Scottish business there appears to be little if any provision – apart from the Scottish Investment Bank which has not so far been able to do much and which would be limited by restrictions on government borrowing.

Nowhere does it deal with the overwhelming concerns about banking and the need to breakup the oligopoly by promoting local, municipal or mutual banks.

Mismatch between spending commitments and taxation

The white paper claims that Scotland's public finances are stronger than the UK as a whole. While public spending per head is higher in Scotland so it is argued are tax receipts, largely due to oil revenues. The academic consensus accepts that this may be the case for the next few years, although Scotland will still face the same budget challenges as the UK with a need to find £2.5bn of cuts or tax increases. However, the longer-term position is less strong due to the volatility of oil revenues and that could require further measures totaling £5.9bn by 2018.

The Scottish Government wants to retain Sterling as part of a formal monetary union with the rest of the UK and the Bank of England would remain the financial regulator and lender of last resort. This would require the agreement of the UK Government and the main UK political parties say that such an agreement is 'highly unlikely'. Even if such an agreement were reached, it would come with constraints on monetary and at least some fiscal policy levers. In effect an independent Scotland would be handing over economic policy to the Bank of England.

On tax, the paper supports a simpler tax system and a reduction in Corporation Tax that will result in a cut in public spending and a race to the bottom in business taxation. There is no indication of a shift to more progressive Nordic tax levels to pay for improved public services, let alone the long list of impressive spending commitments in the White Paper.

No decisive commitments for a sustainable economy

While it reiterates support for the targets in the Climate Change Act, there is no sign in the White Paper of the measures required to deliver the funding hike needed now for energy efficiency programmes and in the longer term for more radical measures like electrification of transport.

Rapid transition to a sustainable and equitable post-carbon economy requires decisive government action to fund and drive through major investment programmes across many economic sectors. This will in turn require a much larger part for the public sector and community ownership. The business-as-usual approach to the financial and fiscal matters is disappointing because with the banking crisis only in abeyance, not fixed, there are real options now for radical, popular alternatives which will deliver what Scotland needs not what bankers think we should have - under the proposed arrangements Scottish banks will be free to continue investment in tar sands and mountain top renewal rather than off-shore renewables, if they so choose. Nor are important questions about ownership addressed – the concentrated ownership of land and the multinational ownership of industry which have limited community benefits and siphoned away from Scotland so much of the economic benefits of renewables.

No role for public ownership

The biggest disappointment of the White Paper is its failure to give any role to public ownership in industrial or economic regeneration.

There is a proposal to return the Royal Mail to public ownership. But it is far from clear why this is better executed at a Scottish rather than a UK level. There is mention of considering different ownership options for the "rail network" but existing rail franchises including a new ten year one for Scotrail are to go through unchallenged. Here, as elsewhere, there is no mention of the neo-liberal, pro-big business character of EU legislation: the EU's Fourth Rail Directive requires the separation of the ownership of track and services and the competitive tendering for services.

There is no suggestion that an independent Scottish government should take the country's failing utilities and transport into public ownership or that it should invest in or take ownership of strategic, developmental areas of industry – either directly or by facilitating local government or cooperative ownership. The new Scotland will have no remit to return key facilities such as Grangemouth to public ownership.

While there is no mention of developing co-operatives it does place an onus on the Third Sector (without really clarifying exactly who that includes). It states that "The Third Sector must remain a key partner, playing a major role in our economy and in the design and delivery of our public services". And that their perspectives "will allow them to play a special part in shaping Scotland's written constitution, and the legislative and policy frameworks that will shape an independent Scotland".

What is totally apparent is the support for private sector business. They want to create "a more supportive, competitive and dynamic business environment" leaving little space for public ownership.

No challenge to big power companies

The white paper is rightly critical of Westminster's approach to the UK energy market. Given these concerns it is strange that they want to remain within this structure. The paper simply asserts that this will happen and even claims that Scotland will steer UK energy policy. There is no explanation as to why English consumers would be prepared to subsidise Scottish renewables rather than simply seeking the cheapest options. Switching energy efficiency costs from consumers to taxpayers is certainly less regressive, but it doesn't address the fundamental weakness in the current market structure as Labour has recently done. There are no proposals to challenge the dominant position of the big power companies in Scotland through a more diverse ownership structure.

Denial of reality on the EU

The White Paper shows a wilful blindness to the degree to which EU membership would tie Scotland into neo-liberal and deflationary policies. The 2012 Treaty on Stability, Coordination and Governance, which Scotland would be obliged to sign as an applicant member, will by 2016 require member states to limit annual budget deficits. Currently Britain is the only EU country not to have signed this treaty. As a new member Scotland would be required to write these provisions into its proposed written constitution which would mean a rapid massive debt reduction. Whatever one's attitude to the EU, it is not acceptable to conceal the degree to which its neo-liberal legal framework will block the type of 'Scandinavian' welfare policies discussed in the White Paper. This is equally so with the EU's prohibition of 'state aid' to industry. EU restrictions on public borrowing will 'double lock' those which will be imposed by the Bank of England as Scotland's monetary authority.

Women into work - but not yet

A central plank to the White Paper that must be welcomed was given pride of place was the increased provision of childcare. This has been identified as a significant part of the success of Nordic countries. The aim of this policy is to enable more women to work. Childcare is a devolved matter and as an explanation of why the Scottish Government doesn't adopt this policy now, the answer is that "With independence the benefits of their work – in economic growth and tax revenues – will stay in Scotland, contributing over time to the costs of this provision." This may not be much of an answer to families currently struggling with the high cost of childcare, but also is misleading as it does not require independence to have greater control of income tax. Both Labour's Devolution Commission and the Red Paper Collective have posed the option of all income tax being devolved.

The question of what jobs will be available to the women being released in to the labour market is not dealt with directly, but the increase in free childcare will, the paper states, result in 35,000 extra jobs. There is a real possibility that women entering the workforce as a result

of these changes will be going in to low paid jobs for example pay for qualified nursery nurses in the private sector is listed between £6 - £9 an hour. Unless women are able to enter careers that pay well and the pay for work that is currently undervalued is increased there will not be much of a contribution in tax returns.

Trade Unions: Flattering to Deceive?

The attitude to employment rights exemplifies a repeated feature of the White Paper; workers get warm words while business gets firm commitments. Operating on a 'principle of continuity' all of the current laws restricting employment rights will continue – the only specific advance proposed is to restore the 90 day consultation period for mass redundancies. There are a variety of, always favourable, mentions of Trade Unions and Social Partnership. A commitment is made to a National Convention on Employment and Labour Relations which would involve TU's and a consultation on methods to put workforce reps on Company Boards. The worth of collective bargaining is also recognised. So far - so very Nordic. What is completely missing is any acknowledgement that to make such partnerships even remotely meaningful they would at the very least need to be underpinned by a legislative framework which would allow TU's to bargain effectively - underpinned, as in the Nordic states, by massive density of membership and capable of taking action to make deals stick.

The proposals for tackling inequality are weak. That the minimum wage will rise with inflation, corporation tax paid by the biggest businesses will be cut and personal tax allowances and tax credits will keep up with inflation is hardly the social revolution we are promised. Nothing apart from the already existing Accreditation Scheme is proposed to advance the Living Wage. No mention is made of the use of public procurement to lock in the Living Wage in the private sector.

Failure to understand the important role of local authorities

Local authorities are included in the section of the White Paper which proposes a constitutional convention to shape the nation's constitution. Up to this point it appeared that the independent Scotland envisaged by the SNP had no place for local government given that it didn't merit a mention. This would have been consistent with the record of the SNP government which has imposed the regressive Council Tax freeze, tied Councils to government priorities and removed local control of the police and fire services.

Later in the document there is some reassurance in the statement "The current Scottish Government believes that local government should have the power to decide what is best for local people." and that "...we are committed to subsidiarity and local decision-making in public life. Our commitment to local autonomy and self-determination is central to our approach to local government."

This commitment does not extend to mentioning local councils in relation to childcare, nor does it mention community justice teams in the section on justice. There is hardly a mention of social work and there appears to be no role for local responses to fuel poverty, challenging inequality or redistributing wealth.

The overall impression is that local government is an afterthought and peripheral to the creation of a fairer and more equal nation. It suggests that under independence government in Edinburgh will be able to achieve its aims without a strong and financially viable local democracy.

Independence as a means to a fairer Scotland is an attractive option. However to achieve it will require a significant challenge to the status quo and the powerful vested interests, both domestically and abroad. The SNP's failure to understand the role of local democratic, accountable councils as vehicles for challenging these vested interests, tackling inequality and mobilising communities is a fundamental weakness in its vision for a fairer Scotland.

Why wait for welfare reforms?

The issue of welfare is key in the SNP's bid to convince the people of Scotland that they would be better off in an independent Scottish state. The Scottish Government recognises that it will be, by far, the most substantial new responsibility in an Independent Scotland. Current spending in Scotland is £23 billion of which £18 billion is UK controlled. Currently Scotland benefits from financial transfers and additional spending per-head on welfare at about 2% higher per head than the UK average.

The White Paper promises that the SNP will: abolish the "bedroom tax" within the first year of the independent Scottish Parliament; halt the further roll out of Universal Credit and Personal Independence Payments and ensure that benefits and tax credits increase at least in line with inflation to avoid the poorest families falling further into poverty. A concern about delivery of these promises is the uncertainties of the economy left to the vagaries of the market which the White Paper shows intention of challenging.

Many of the benefits of independence relating to welfare are already possible within the existing political framework. Labour has pledged to abolish the Bedroom Tax if it wins the next UK General Election and the Con Dem alliance itself may well ditch it in the run up to the election. Meanwhile the SNP has failed to support measures to mitigate its impact in Scotland and has denied the Scottish Parliament's use of its existing powers on taxation.

As in many other areas the White Paper does not focus on the real world of predatory capitalism where labour is a commodity and the quality of the lives of workers is not their concern. Instead we are offered a frictionless transition to a better world fuelled by capitalism's endless capacity for growth and generous distribution to working people.

Contradiction between Nato and an independent foreign policy

The White Paper states 'Scotland's security will be guaranteed as a non-nuclear member of NATO, with Scotland contributing excellent conventional capabilities to the alliance'. The document goes on to argue that an independent Scotland would have an independent defence and foreign policy which would 'defend Scotland's national interests' and be a 'champion for international justice and peace'.

The non-nuclear and independent foreign policy aspirations of the paper are very welcome, but the contradictions between NATO membership and independent state action have to be understood. As a member of NATO, independent action would be quite impossible. NATO is a nuclear alliance rooted in the Cold War which is continuously expanding its membership. It is a vehicle for binding member countries into support for US foreign policy and for global intervention. It is the lead actor in the quagmire of Afghanistan - a war supported by the SNP. As a member of NATO it would be very difficult for a Scottish government to avoid its forces being drawn into any future overseas war.

But just as important, it would make it much more difficult to get rid of Trident. The White Paper talks about the 'speediest safe removal of nuclear weapons', dismantling the weapons within 2 years and removal within the first term of a post-independence government. The obstacles to that would be huge, not least from within the NATO alliance itself. Remember, Trident is assigned to NATO. A Scottish government would be asking to join the military alliance while at the same time wanting to remove a core part of its strategic strike force. Replicating the existing facilities of Faslane and Coulport elsewhere in Britain, even if a new site could be found, would cost at least £10 billion and would take at least 10 years. The pressures, therefore, from across Europe, the United States, the Westminster government in difficult negotiations about the terms of separation and companies like BAE systems - which owns the submarine building yard at Barrow and the warship building yards on the Clyde - would make some kind of leasing deal more likely.

In short, independence, on terms set by the White Paper, could guarantee neither an independent foreign and defence policy nor a nuclear-free Scotland.

Constitution : The winner takes all

The Constitution of an Independent Scotland will be drawn up after 2016 and the SNP commits itself to a constitutional convention which "will ensure a participative and inclusive process by which the people of Scotland, as well as politicians, civic society organisations, business interests, trade unions, local authorities and others, can have a direct role in shaping the constitution". It is however going into the referendum with a clear set of policies which it knows some of the Yes camp are unhappy with. To them it says: "Of course some would prefer Scotland to become a republic, to leave the EU or NATO, or to have our own currency. After Scotland becomes independent, any political party seeking to make these kinds of changes would first have to win support to do so in an election."

Once a Constitution is in place there will be safeguards against amendment such as requiring a two-thirds majority to change it. These SNP positions, if adopted, will put the stamp on the development of Scotland well into the future.

Conclusion

The Red Paper Collective wants a Scotland that is more equal and democratic. We want a Scotland in which there is an economic democracy that gives people a say over their lives and employment and in which the Scottish parliament has powers to own and develop our utilities and strategic industries. We want relations with the other nations of Britain that are based on equity and fairness and a recognition of the duty to share in face of social need - and where ordinary people have the collective strength to address the concentrated power of wealth and privilege. The Red Paper Collective therefore calls for a radical federalism in which national parliaments have the powers long called for by the Scottish Trade Union Congress and the Scottish Left.

This does not exist at present. But neither can such powers be found in the proposals set out by the Scottish Government in its Independence White Paper. The White Paper surrenders the key powers over the economy to external institutions, the Bank of England and the European Commission, institutions which will inevitably enforce the same neo-liberal policies, on terms set by big business and finance, that are currently destroying jobs and welfare across Britain and the EU.