Shifting Power to the People
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Introduction

A future UK Labour Government will be faced with any number of issues that will demand immediate attention once it takes power. But underlying many of its plans for an economy for the many not the few will be the need for a fundamental shift in the balance of power in our society. Unless Labour addresses that structural imbalance it will struggle to implement the policies that underpin the manifesto.

The manifesto states:

“As we change our constitutional relationship with Europe, we must also adjust our own arrangements. Just as many felt that power was too centralised and unaccountable in Brussels, so many feel that about Westminster.”

Jeremy Corbyn’s Coventry speech on Brexit on 26 February highlighted the importance of not just winning an election, but of winning real power. Unless a Labour Government gains control of the levers of power it will be unable to deliver the promises of its manifesto.

When Corbyn spoke to the Party’s Local Government Conference at the beginning of February he outlined how Councils would be given the powers to borrow to build council houses and that the proposed National Investment Bank and regional development banks would work with local councils to make available investment to develop local economic strategies.

He stated: “we will only get real growth translating into good, secure jobs in every part of the country if we work at the local level.” And that means ensuring that local government has power, but also that regions are not forced to compete for resources, but can work cooperatively to achieve shared benefits. The fight for decent local services and public health forged the ILP and early Labour Party.

Labour is committed to a Scottish Investment Bank with £20 billion worth of lending power over the next decade that will deliver the finance that small businesses, co-operatives and innovative projects need across the whole country. Scottish Labour wants powers to rebuild the Scottish economy, to tackle austerity, to ensure decent houses for all and to do this it needs to redistribute wealth and power. Richard Leonard has identified a wealth tax as a means to tackle inequality through redistribution.

Labour is committed to the repatriated powers from the EU coming directly to the devolved Parliament and assemblies. This will only benefit local communities if the Scottish Parliament enables real power to return to local communities rather than centralise them in Edinburgh.

The Houses of Parliament are awash with pomp and privilege. Talk of a permanent move from the building, perhaps even to a venue in the midlands, would only be window dressing unless there is a real shift in power. It is still fair to say that when the Chancellor of the Exchequer goes along to the Mansion House to speak to the Corporation of London he is in closer proximity to those with real power over our economy than when he delivers his budget to the House of Commons.

A piecemeal approach based on different regions competing for limited resources will cause damage to our movement and deflect us from demanding redistribution of wealth and power not between ourselves, but from those who own the vast amount of wealth in our country and ultimately have the most power.

Outlining Labour’s position on Brexit Corbyn said “Britain will need a bespoke, negotiated relationship of its own. That new relationship would need to ensure we can deliver our ambitious economic programme, take the essential steps to intervene, upgrade and transform our economy and build an economy for the 21st century that works for the many, not the few.”

He stated unequivocally that Labour could not accept “the embedding of free market orthodoxy” in any future arrangement with the EU. This would mean “we would also seek to negotiate protections, clarifications or exemptions where necessary in relation to privatisation and public service competition directives state aid and procurement rules and the posted workers directive”.

Any future trading relations outside the EU should be evaluated against these same criteria.
Making the Local, Local

Dave Watson

This year’s Scottish budget debate saw a much better response from all of those who care about local democracy in Scotland. The outcome remains hugely challenging, but we should build on this progress to develop a new socialist vision for local government.

COSLA calculated all these demands at 2.6%, plus 3% for a realistic inflation estimate. That’s where their £545m figure comes from, which was the basis for Scottish Labour’s budget proposal.

These are the numbers, but what about impact on services? UNISON has outlined the views of staff in eighteen ‘Damage’ reports. The common theme is that jobs are cut while demand increases, leaving staff stressed and demoralised while they attempt to keep basic services going.

Even statutory services have been cut and preventative work dropped almost entirely. An example of this is building control. Even after the Grenfell Tower tragedy, building control staff spend little time inspecting properties, while they cope with vacancies and government bureaucracy.

These cuts also have a disproportionate impact on low income families who have a greater reliance on local services. Less obvious is the impact on the economy. The Jimmy Reid Foundation (JRF) has published a report commissioned by UNISON Scotland on this issue. It shows how local authority funding is crucial to sustain and grow economic and social benefits to local communities and society in Scotland as a whole.

We simply cannot go on like this. We need a proper reform of local finance, including the use of discretionary taxation, an end to ring fencing budgets and for central government to properly fund its own initiatives that are delivered locally.

Challenging Austerity

Most councils this year will use the additional cash to yet again ‘patch and mend’ their budget and the services they deliver. The medium term financial strategies will be noted, in the hope that something will come along in future years to save the day.

Some councils have started to use a more political narrative in their budget documents. Instead of “how well we are managing the cuts” there is greater reference to austerity, albeit only Tory austerity, in the coalition councils. Outwith the formal documents, there are some efforts by local parties to highlight the
fact that the Scottish Government is still largely passing on austerity to councils.

One problem, with a few honourable exceptions, is that Scottish Labour’s local government structures simply don’t work. The replacement of local government committees by campaign forums has not been a success. There is now minimal party scrutiny of the work of labour groups and precious little campaigning. It will be interesting see what Katy Clark’s review recommends on this issue, although it will be a matter for the Scottish Labour Party to address in Scotland.

Both UNISON and STULP (Trade Unions for Scottish Labour) published papers prior to the last council elections that identify a range of political actions councils can take to challenge austerity. Including commissioning local economic impact assessments on austerity and publishing parallel or citizens budgets showing what the council could have done if austerity was not been dumped on them.

A number of Labour groups have taken political initiatives including adopting charters like UNISON’s care charter or Unite’s construction charter. Some have made significant savings using the ideas in UNISON’s ‘Combating Austerity’ handbook, but as UNISON’s monitoring report shows, much more could be done. Sadly, examples of Labour groups challenging austerity are still the exception. Too many Labour groups remain passive administrators rather than campaigning politicians.

Municipal Socialism

Keir Hardie in the second chapter of his book ‘From Serfdom to Socialism’ made the case for municipal socialism. He said, “The desire of the Labourist is that all these profits should find their way into the public purse and disbursed for the benefit of the public”.

Hardie was of course influenced by the great Liberal reforming councils of the Nineteenth Century. Those councils used their powers to cure the evils of their day by creating municipal water and other utilities. Labour councils in the twentieth century built on this base. In the Thatcher years, Labour councils like Strathclyde Regional Council did ground breaking work on welfare rights and resisted privatisation, including the Strathclyde Water referendum.

When Labour councils in Scotland undertake radical initiatives, and they do exist, they too often fail to shout about them, and the Party does little to spread best practice. Paid organisers are too often dispatched to by-elections, rather than supporting councillors in developing radical policies.

In a forthcoming Jimmy Reid Foundation paper, I will be setting out in more detail what municipal socialism might look like in 21st century Scotland. There are many good models across the world that show what can be achieved. Perhaps surprisingly, many of these can be found in the USA where the traditions of the early 20th century ‘sewer socialists’ appear to be alive and well.

Municipal energy is one such initiative, commonplace in the USA and much of Europe, yet rare in the UK. A few councils have supported retail energy solutions and few others modest renewable energy generation. However, there is scope for municipal companies to be generating energy, managing grids and making homes more energy efficient.

Many councils have developed in-house building and maintenance services. These could be expanded to deliver a wider range of services across both the public and private sectors.

Municipal socialism offers an opportunity to challenge traditional approaches to local economic development, which have focused on top down, the ‘centre knows best’ plans. These approaches place a focus on attracting large firms with few local connections to an area, and these are often to the first to flee when the economic cycle shifts. There is a strong case for a new approach to local economies in Scotland, grouped around the concept of the foundational economy.

The foundational economy is built from the activities which provide the essential goods and services for everyday life, regardless of the social status of consumers. These include, for example, infrastructures; utilities; food processing; retailing and distribution; and health, education and welfare. They are generally provided by a mixture of the state (directly or through funding outsourced activities); small and medium enterprise (SME) firms; and much larger companies such as privatised utilities or branches of mobile companies such as the major supermarkets, who often originate from outside the local economy.

I outlined the work on the foundational economy and the role of local government in a Red Paper publication on Progressive Federalism. These ideas have been highlighted very recently by Shadow Chancellor John McDonnell. He announced that the Labour Party is setting up a Community Wealth Building Unit to support co-operatives and mutuals as a means of driving local economic growth.
A new vision for Scottish local government

Scottish Labour has a clear narrative in relation to SNP budget cuts and dumping austerity onto local councils. It is developing a response to centralisation, although it has historically fallen into the trap of supporting initiatives like Police Scotland.

A new vision for local government has to explicitly value local democracy. Making the case for services to be delivered locally whenever that is practical - Scotland is not Labour’s local.

We must ensure that decisions are taken at the lowest practical level. While it is important to have national standards and guidance, these should not be used to stifle local innovation or local differences. Services should be designed with and for people in communities of place and interest. Co-production and asset-based approaches can contribute to this as a positive engagement, not simply to manage budgetary cuts. In a practical sense this means looking at every power that is devolved to Scotland and asking the subsidiarity question – can this be done locally?

In my Reid Foundation paper on public service reform, I point towards an even more radical approach that starts with people and communities and considers what powers are granted up to local government and central government. In essence people locally agree to share sovereignty with local, regional and national structures, because that is the most effective way of achieving our collective public service ethos.

This leads to the question of what we mean by ‘local’ or even a recognisable community of place? Is it a street, a village, a town or a city? Again, if we apply the principle of subsidiarity, it is the lowest practical level and that is probably roughly a town and its hinterland. Cities are more difficult to break down into recognisable communities, but it can be done.

At this level we can introduce better integration of services and meaningful engagement with citizens. In a column in The Scotsman, I describe a number of initiatives that could create a new culture of engagement. These include the Co-operative Councils Network, the Carnegie Trust’s ‘Enabling State’ and Participatory Budgeting. None of these ideas offers a perfect solution, but they do point to a more meaningful collective engagement of citizens than traditional consultation mechanisms.

This is not a clarion call for pure localism. In a country the size of Scotland we cannot justify duplication and difference for the sake of it. There is a role for central government to set outcomes and possibly even minimum standards, while avoiding prescription and central direction. They could agree frameworks (workforce matters are a good example) that allow the local to focus on what matters.

A new vision for local government has to be about more than just structures. As the JRF has shown, councils are already good at focusing their resources on those most in need. Despite the cuts, they have also done their best to protect those services that residents most in need use. However, we should go further by defining the central mission of local government as reducing inequality. Equality impact assessments should be made more than just a tick box exercise. They should be the main driver of policy, with every new initiative and investment being measured against the mission to reduce inequality.

A key element of this is a recognition of the power councils have to create fair work, both directly and through procurement. Labour councils should become fair work councils, where the real living wage and fair work principles are championed at every opportunity.

Conclusion

The key message in this paper is that Scottish Labour needs to rediscover its radical local government roots. Passive administration of services has to come to an end.

The tools to achieve this are based on fair funding for councils with greater devolution of revenue raising, including business rates and new forms of local taxation.

Then we should develop a new vision for local government, based on municipal socialism. Councils running a wide range of services as they do across Europe and in the USA.

Finally, Labour should value the local and commit to the decentralisation of services. That decentralisation should not end at the town hall. Labour should promote new forms of community engagement that encourage citizens to act, not simply be the consumers of a service.

In this way, Labour in local government can point to the real change that Scotland desperately needs.

Dave Watson is the Head of Policy and Public Affairs at UNISON Scotland
Power inequalities and health inequalities

David Conway

Inequalities in health are unjust and unfair. Men and women from the poorest areas not only have shorter lives, but have, over 20 fewer years of good health than those from the richest areas. These shaming inequalities are driven by three inter-related inequalities in: income, wealth, and power – explicitly recognised by Scotland’s national health improvement agency, NHS Health Scotland, whose role in raising this issue warrants recognition and praise.

Much of the focus of health inequalities is rightly given to inequalities in income – with the UK being seventh most unequal country in the OECD, and with the top 10% of households in Scotland earning 24% of the total income. Income is the money which enables people to pay for goods and services, to fully participate in society, and to maintain health and wellbeing. Conversely, a lack of income – poverty – is rising in Scotland with 20% of the population living in relative poverty.

There is less awareness of the role of the unequal distribution of wealth in relation to health inequalities. Wealth is defined as capital and assets (eg. land, property, company shares) with their associated income streams (eg. interest, rent, dividends, pensions). Tomas Picketty’s devastating thesis showed that the rate of return on capital outstrips the rate of economic growth meaning inherited wealth will grow faster than earned wealth.

It stands as a damning critique of the current failed economic system, wherein lives are harmed, shortened, and lost as a result. A lack of both income and wealth are fundamental social causes of poor health and impact on wellbeing: both directly and (as the “causes of the causes”) through other factors such as housing and transport; and behaviours such as tobacco, alcohol, and diet.

Power for the Many

However, even less attention is given to the role of power in relation to health inequalities. Power takes many forms. The World Health Organisation in their “Conceptual Framework for Action on the Social Determinants of Health”, set out four fundamental types of power: i) Power over (influence or coercion); ii) Power to (existing hierarchies); iii) Power with (collective action); iv) Power within (individual capacity).

“Power over” and “Power to” seem to point to the “pathogenic” (concerning disease) role of power, while “Power with” and “Power within” are the opposite or “salutogenic” (health promoting) potential. “Power within” seems rather individualistic and could lead to a victim blaming, life-style focused response, while “Power with” captures the essential role of communities, collective action – “for the many, not the few”. Power imbalance disadvantages those from poorer backgrounds and impacts disproportionately on their health. Examples of the role power inequalities include:

i) Corporate or industry power in the form of the usual multinational suspects “Big Tobacco”, “Big Sugar”, “Big Food”, and the “Alcohol lobby”, but also the banks and financial industry who crash the economy with devastating socioeconomic consequences; and in the energy and transport sectors who hike prices unchecked;

ii) Media power – the right wing press, the mainstream media – exercise insidious power across society;

iii) Community and workplace power inequalities – including gender, racial, disability or other social discrimination in pay or conditions that impact on health. Some of the most compelling evidence of direct impact of hierarchies comes from the Whitehall civil servant studies, conducted over several decades, which show how the impact of “stress” on those at the bottom completely outweighs the impact at the top – leading to greater levels of cardiovascular disease and shorter lives among those in lower paid jobs with poorer working conditions and control; and finally

i) Political power – including democratic deficits, the north-south divide, Brexit, the independence debate, and the cross-cutting issue of limited devolution of power to communities.

Sherry R Arnstein’s “Ladder of Citizen Participation” provides a continually relevant model to demonstrate the levels of devolution of power to communities – but also shows how far we still need to go in efforts to devolve power. The bottom rungs of the ladder represent non-participation (where communities are manipulated or coerced). In the middle of the ladder there are various levels of tokenistic participation (where communities are
informed, consulted, or placated). The top of the ladder is where citizen’s power is achieved: partnership, leading to delegated control, and at the top community control, leadership, ownership.

We rarely get to the top of the ladder in many spheres of society which determine health and wellbeing, usually settling for somewhere in the middle – typically consulting on decisions that have already been taken. This is also true for health and social care, which it is important to note, have α – but not the – role in mitigating health inequalities. Power inequalities play into how health and social care is funded, organised, and delivered.

**Devolution and Local Accountability**

Health is devolved to Holyrood, however devolution of power in health seems to stop there. NHS in Scotland has a somewhat centralised power structure, where there is strong control of health service policy and services by Scottish Government – exemplified by the sustained top down target culture which skews priorities to, for example, waiting times rather than outcomes or better markers of quality. And the primary way power is exercised – via budgets and funding decisions – also does not adequately address the challenges of health inequalities. The decision is “left” to the Resource Allocation Formula which allocates health spending to the 14 territorial Health Boards. However, it still does not adequately take into account socioeconomic circumstances, which is diluted as only one of many factors in the formula calculations. This limits the ability to better target resources to address inequalities.

Michael Marmot defined the “proportionate universal” approach which resolves the tension between universal vs targeted approaches – making the case for actions / services to be “universal, but with a scale and intensity that is proportionate to the level of disadvantage”. The future sustainability of so many (fourteen) Health Boards should also be questioned, with one Health Board (Greater Glasgow & Clyde) providing services to nearly 25% of the population. This asymmetrical organisational structure further complicates redistribution. However, further centralisation or regionalisation needs balanced in terms of local accountability.

Integration Joint Boards (IJBs) which govern health and social care integration were intended to be the solution – but only offer confusion. It is yet one more power structure on the landscape. However, as the Royal College of Physicians reported earlier this year – it is set to fail – as budgets (power) are not actually integrated (and on the health-side acute hospital care dominates over primary care in resources and priorities). As we argued in the *Red Paper on Scotland* in 2014, these arrangements do “not support merging services or budgets...The favoured model instead seems to be a local quango made up largely of Health Board and Council representatives, with limited democratic accountability”. The solution to integrating health and social care will be through realising the ambitions of the Christie Commission Report in creating all-purpose local public authorities (with local democratically elected accountability) – this would fully merge Health Boards and Councils.

Of course this would create a power tension, or more positively a power balance, between local and national governments. The geography and size of these organisations would need to be carefully judged. It would be important that they are small enough to be locally and community accountable, but at the same time take account of natural community or city boundaries. Regional structures would be developed (from rationalising Health Boards) – perhaps into 3 regions for specialist health services, but these could also take on wider public service functions best configured regionally. These more local and regional bodies would control many of the local levers to tackle health inequalities.

The power balance we need to find between central and local government for health and social care is encapsulated in the actions and words of Nye Bevan – instrumental in delivering a National Health Service (70 years young in July this year), but who famously proclaimed “the purpose of getting power is to be able to give it away” – to communities, to the many. Ultimately, health inequalities are the result of failed political decisions. Recent research shows the strong link between austerity, health and social care spending cuts and excess deaths (in England). Politicians create inequalities and by definition hold the solutions. The policy options and political budget choices are available to them. But the will to seriously tackle health inequalities always seems just out of reach. As George Orwell put it in *The Road to Wigan Pier* “Economic injustice will stop the moment we want it to stop and no sooner, and if we genuinely want it to stop the method adopted hardly matters”. Thus, we still need to find and harness the will. In Jeremy Corbyn and Richard Leonard, I believe we have found the politicians who can lead on this agenda, but first we need to win power to deliver.

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Nothing Short of Rank Socialism!

Paul Sweeney MP

I recently had the pleasure of attending the launch of renovation works to a historic old primary school in my constituency. Derelict for several years, the school lies at the heart of the Parkhouse district of Glasgow North East, which I have represented in the UK Parliament since June last year. Long since disused for any pedagogic purpose, the Wheatley Group – the inheritor of Glasgow’s municipal housing stock – acquired it for conversion to new sheltered social housing.

The name ‘Wheatley’ and the history of the school itself evoked a reflection on the long and proud heritage of municipal socialism in Glasgow, and what the prospects are for that tradition to re-emerge in the future.

Parkhouse was one of the first districts to be developed for municipal housing by Glasgow Corporation after the passing of the historic 1924 Housing Act during the first Labour Government, led by Glasgow Labour MP John Wheatley.

The superior ‘cottage’ style of dwellings in Parkhouse was modelled on Ebenezer Howard’s ‘garden suburb’ concept, presenting a stark contrast to the city’s traditional tenements, and was intended to serve as a showpiece for the healthier post-war city.

State subsidies for house building, led directly to the creation of Glasgow’s municipal housing department, and saw large scale building of some 57,000 new homes in Parkhouse and other new districts during the inter-war period. Indeed, the pressure to develop suitable land for housing led to Glasgow more than doubling in size during the 1920s and 1930s, although it was not until after 1945 that new districts like Easterhouse, Drumchapel, Pollok and Castlemilk were fully developed.

Even to this day, Parkhouse remains one of the most desirable residential districts in the city – a testimony to an ambitious model of municipal socialism that has stood the test of time.

Glasgow's Gilded Age

Glasgow has been Scotland's largest metropolis for almost two centuries and is a city with an extraordinary legacy of fine Victorian and Edwardian architecture. The 'gilded age' prior to the outbreak of the First World War that bequeathed such a handsome citiescape saw Glasgow grow to become the fourth largest city in Europe - a status that was commensurate with its position as a world leading centre of industry - the wealth of which generated extraordinary civic investment in public buildings and infrastructure that was on a par with any major city in the world. The gas supply, water, electricity, subway, fever hospitals, the tramways and the telephones all were in direct municipal ownership during the early 20th century, and there was much talk of Glasgow as a European model for municipal socialism.

Indeed, at the International Conference on Workers’ Dwelling Houses in Paris in 1900, a Glasgow Councillor, Daniel Macaulay Stevenson, after learning that municipal control of housing was regarded as impractical by delegates remarked that far from that being the case, it had been carried out to an ever-greater extent for twenty-nine years and elucidated the Corporation’s extensive portfolio of services under municipal ownership. The delegates felt that this was “nothing short of rank socialism”!

The impetus behind this interventionist model of civic government was the frenetic pace of population and economic growth. The rapid expansion of the city saw the population of districts like Govan increase more than tenfold: from 9,000 in 1864 to 95,000 by 1907. Such pressures resulted in slum housing conditions as private tenement construction failed to keep up with demand, and political pressure increased throughout the early 20th century to address this chronic problem.

Post War Planning

Glasgow was relatively lightly damaged by bombing during the Second World War, but the fervour with which subsequent urban planning policy was implemented would see a level of decimation of the city’s urban fabric that even the Luftwaffe couldn’t have hoped to rival. No less than 29 districts of the city were designated as ‘comprehensive development areas’ within which everything was to be demolished and rebuilt, including the road layout. A third of the city's entire stock, was demolished. The first such development area, the Gorbals, saw the complete destruction of that district and the population reduced from 26,000 to just 10,000.

Glasgow is now only one of two cities in the western world - the other being Detroit - to have the ignominious title of being a former 'million city', which means a city that once achieved a population
of over one million but has since declined below that threshold again.

The scale of this sort of intervention to address the city’s social problems is scarcely imaginable today. There is simply no capacity or scope within local government to undertake this sort of muscular intervention anymore – however misguided or hopelessly utopian it may have been.

**Centralisation not devolution**

Today, Scotland, after nearly two decades of devolution, now has the most centralised system of government of any country in Europe. Its current 32 unitary authorities are the unfortunate legacy of the final days of the Major government and its vindictive desire to break-up the bastion of radical Labour politics in the west of Scotland – Strathclyde Regional Council – and its defiant stand against the privatisation of the region’s water supply through holding a local referendum on the matter in 1994.

We now have the absurdity of the Glasgow City Region’s wealthiest suburbs carved up into self-contained enclaves, where the residents enjoy relatively low rates of council tax, while the urban core of the city itself is home to the poorest communities in the region, yet those residents must carry the burden for maintaining and operating all the core services and amenities that are enjoyed by its wealthier suburban ‘free riders’. Not only has Glasgow been stripped of its residential tax base through historic depopulation and relatively recent gerrymandering of its suburbs, but the advent of the Scottish Parliament has seen a continuing war of attrition against the power of local government.

A notable example of this gradual emasculation has been the centralisation of public transport planning into the unaccountable and unelected Transport Scotland. Once Strathclyde operated one of the most advanced municipally operated integrated mass transit systems in Europe, pursuing a radical policy of re-opening abandoned urban rail lines such as the Argyle Line in the 1980s and 1990s; however since centralisation of transport planning in 2008, we have seen no substantial infrastructure investment occur in the city region’s urban rail system; the most notable dormant project being the long-awaited Glasgow Crossrail scheme, which has been continually and arbitrarily frustrated by Transport Scotland.

Although laudable new programmes like the Transformational Regeneration Areas, which involves the construction of some 7,000 new homes within inner city districts as well as the infrastructure projects outlined in the Glasgow City Deal, offer some opportunity to reassert the role of local government, these programmes remain heavily dependent on the largesse of central government, which continues to control the vast majority of council budgets and has passed on amplified cuts to it over the last decade – half a billion pounds worth in Glasgow’s case.

Unless Scotland urgently addresses this issue of over-centralised governance from Edinburgh and rediscovers its radical tradition of municipal socialism, it is increasingly likely that Glasgow will fall further behind its peer cities in the UK, such as Manchester and Birmingham, as they establish new city region governments, centred on directly elected metro-mayors.

The Glasgow City Region has no similar pole of political influence, as it has been largely subsumed into Holyrood over the last two decades. British cities outside London already lag well behind their equivalent sized European peers in terms of productivity, but while English core cities are being re-equipped with the institutional capacity to address that gap, we see no similar impetus with Scotland’s great metropolis of Glasgow.

The constitutional debate has been preoccupied with nationalist questions over the distribution of powers between the British Parliament at Westminster and the Scottish Parliament at Holyrood. It is now incumbent upon us all to break this narcissistic duopoly of parliaments and strive to rediscover our radical tradition of municipal socialism. We in the Labour movement are not driven by nationalist sentiment when it comes to constitutional questions, but by how best to structure government to serve the interests of delivering socialist policy.

The atrophy of municipal government in Scotland is therefore an urgent crisis that we must address boldly and with imagination. As I stood in that old school in Parkhouse watching its rebirth as new social housing, I was inspired to rekindle the spirit of John Wheatley, of Macaulay Stevenson - the great tradition of municipal socialism in Scotland, if we are to truly advance the cause of the common good in our great cities.

As we consider plans for a constitutional convention in the near future, the question of a municipal as well as parliamentary route to socialism must be firmly embedded at the heart of it.

*Paul Sweeney is MP for Glasgow North East*
Powers for a purpose

And that purpose is a radical economic transformation

Scotland’s economy is stagnating; growing three times slower than the rest of the UK. This is something that urgently needs to change. The sustainable development of Scotland’s economy is a vital component in ensuring we have the resources necessary to invest in our people and communities. The purpose of the Scottish Parliament was to make the economy and politics work.

During the first decade of devolution the Parliament’s main impact was social and political. It achieved many worthy goals: such as the smoking ban, prioritising funding for domestic abuse services, aiming to eradicate homelessness and issues relating to equality and land reform. And polling suggests that voters believe the Scottish Parliament does give people more of a say in the way Scotland is governed.¹

Powers for an Economic Impact

The Scottish Parliament is based on a ‘reserved powers’ model. So, all powers were devolved to the Scottish Parliament unless it was explicitly noted that they were reserved to Westminster. On paper, this sounded sensible. But in practice, the Calman Commission – set up to review the first decade of Scottish devolution – found it to be lop-sided, as all the significant legislative powers that should have been devolved to Holyrood were devolved, but the Scotland Act 1998 provided limited devolution of fiscal power.²

With no economic incentive, improving productivity, employment and investment were not prioritised, as any increases in tax receipts or reductions in social security flowed back to the UK Treasury. Therefore, unsurprisingly, there is little evidence that devolution has increased economic performance in Scotland during its first decade.³

The Calman Commission sought to resolve this by recommending the Scottish Parliament take charge of half the income tax raised in Scotland. So, the 2012 Act provided for the Scottish Parliament to set a rate of income tax for Scottish taxpayers; devolved stamp duty land tax, landfill tax to Scotland and it made provision for new devolved taxes.

Then, two years later, following the outcome of the Scottish independence referendum, the Smith Commission and the 2016 Act led to a substantial increase in fiscal devolution to the Scottish Parliament. The Scottish Parliament devolved or assigned revenues now account for just over half the Scottish Government’s budget; prior to the 2016/17 budget, it was only seven per cent and the 93 per cent was the block grant from Westminster. In addition, the 2016 Act gave the Parliament powers to vary income tax rates across different bands and to set the thresholds for these bands.

The economic incentives have consequently increased significantly over recent years, and the performance of Scotland’s economy should be now of greater significance for the Scottish Government, especially given Brexit.

The purpose must now be the economic transformation of Scotland. We need to use the powers of the Parliament to tackle poverty and inequality. In countries with higher levels of inequality, economic growth is found to be low, but redistributive policies can reduce inequality and boost the economy. At a time when our economy is stagnating, the Scottish Parliament should be investing in our people and our economy to boost growth.

The Challenge of Redistribution

When the Tories at Westminster are implementing austerity, the Scottish Parliament should be protecting local services and jobs by using the tax powers. That is why Scottish Labour has been making the case for using the income tax powers since 2016. The Scottish Government ignored these calls and penalised local services and people. A staggering 28,142 full-time equivalent jobs have been axed by cash-strapped Scottish councils since 2010.⁴ This year, the Scottish Government has conceded to Scottish Labour and is using the income tax powers; however, it is simply tinkering around the edges. It is not asking the richest to pay their fair share.

The distribution of incomes in Scotland is lower than across the UK. The Scottish Government data note only 0.7 per cent of Scottish income taxpayers pay the additional rate (currently incomes over £150,000), whereas, across the UK, there are 1.1 per cent.⁵ So, proportionally Scotland has one third less additional rate taxpayers than the UK. With seventy per cent of people in Scotland having an income of less than £33,000, the goal must be to make income tax more progressive, such as Richard Leonard’s plan of introducing new tax bands at £60,000 and £100,000. In order to raise enough revenue other avenues must be explored.
Shifting Power within Scotland

Scottish Parliament could be a case study in shifting power. In 1997 the Blair Labour Government responded to a growing and demand for a Scottish Parliament which had developed during the Thatcher and Major eras. In the referendum it received yes votes on two questions: should there be a Scottish Parliament and should a Parliament have tax-varying powers.

This radical plan to insert a new legislative body between local government and national government raised many question about the future role of Scottish MPs in Westminster, and how the new Parliament would relate to local government. Nearly twenty years on these relationships are still contested. Can we claim, however, that power is any closer to the people?

It is hard to believe when hearing the heated exchanges between MSPs that the original image of the Parliament was that it would be consensual. Its horseshoe shape was designed with an image of Parties being forced into coalitions by the electoral system and that this would result in “consensus democracy” rather than the adversarial arrangements in Westminster. For some this may have been an idealistic view that politics could be done differently, but for Blair and other Labour leaders it was a means of ensuring that the Parliament could not be captured by a radical Scottish Labour Party that would challenge his policies. He backed this up by ensuring that many left inclined Scottish MPs were not allowed to stand for the new Parliament as Labour candidates.

As it happens the SNP did manage to form a majority government between 2011 and 2016 but during its first term it had to make a deal with the Tories and currently with the Greens.

Increased investment is greatly needed to grow our economy and deliver full employment, by employing more teachers, building more houses and other infrastructure projects. The purpose of the Scottish Parliament must now be radical economic transformation; Scottish Labour under Richard Leonard’s leadership is the party to deliver this. Improving Scotland’s economic performance will radically improve lives, communities and Scotland, which is why 74.3 per cent voted for a Scottish Parliament.

Marilyn Glen was Member of the Scottish Parliament for North East Scotland 2003 – 2011.

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Ownership and Economic Development

John Foster

The Red Paper Collective has long argued for progressive federalism, a federalism that is responsive to the needs and demands of working people and their collective ability to alter the balance of class forces, a federalism that is therefore genuinely democratic and provides the potential to advance progressive social change and redistribute income within and across Britain. Britain’s geographical inequalities of wealth and economic potential are now the biggest in Europe, greater even than Italy and, if this divide between the south-east and the rest is to be overcome and the concentration of big business power at the level the British state challenged, there needs to be continuing, politically coordinated and democratically sustained challenge at both British and national levels.¹

This insistence on change at both levels is today made more urgent by the accelerating transformation in the structure of Scotland’s business ownership, a transformation that is combined with, and deepens, the urgent challenges now facing the Scottish economy.

Ownership and control

The last thirty years have seen a steady erosion of the number of major companies owned and controlled from within Scotland. Over the past decade this decline has become dramatic. The 2005 Red Paper analysed the ownership of the biggest 64 Scottish-registered non-financial companies and another 54 financial companies.² It found a significant number were externally-owned as direct subsidiaries and that somewhat more had dispersed share-ownership that included major holdings from outside Scotland. Yet a core of Scottish-owned companies remained.

Today this core has gone. In the non-financial sector sixteen companies have been taken over; in the financial sector eleven. Of the rest, almost all now have predominant shareholdings from outside Scotland. Four investment companies own over 30 per cent of the shares in SSE and the Wood Group (previously a family-owned firm). Three own 20 per cent of Stagecoach and British Polythene Industries. Four own 40 per cent of Subsea 7. Three own 20 per cent of Babcock International Group and five own 20 per cent of Weir. Four own over 20 per cent of John Menzies; three over 15 per cent of Aggreko and two over 10 per cent of First Group. These are dominant shareholdings. They give control. The companies themselves are those that, more or less uniquely among Scottish-registered companies, are big enough to hold the potential for significant R&D investment and the ability to penetrate overseas markets. The dominant shareholders are now mainly international investment companies.

When we turn to the Scottish finance sector we find an even more dramatic transformation. In 2004 Scottish registered companies largely under Scottish control included one very large bank, one major insurance company, three major investment companies, a range of investment management companies and several dozen locally managed investment trusts. Today only four significant financial institutions remain under broadly Scottish control: the big insurance company, Standard Life, and three fund managers/stock brokers: Baillie Gifford, Edinburgh Partners and Speirs and Jeffrey. Of the investment managers Aberdeen Asset Management is 30 per cent owned from Japan (Mitsubishi). F&C, Artemis and Martin Currie have been taken over. All the Scottish-registered banks are now externally owned and controlled: RBS, BoS, Walter Scott (NY Mellon), Tesco, Cheque Centres (US) and Clydesdale (a consortium of Australian banks and finance companies). All other insurance companies are externally owned. Of the 54 biggest investment trusts in 2004 almost half (23) have become insolvent or been wound up. The management of another 14 has been taken over by companies based elsewhere (either London or New York).

This concentration of ownership is not of course peculiar to Britain. It is a global phenomenon and largely a consequence of financialisation, the increasing volume of cash accumulating in the banking and finance sectors. In 2015 the IMF estimated that the amount of cash held in this way had increased between 2001 and 2012 from an equivalent of 58 per cent of the GDP all advanced economies in the OECD to 85 per cent. Since then it has increased further as a result of quantitative easing and the big shift in income distribution towards the very rich.³ The managers of this cash — investment banks, trusts and hedge funds — are driven by competition with one another to maximise investor income within very short time horizons. This is the background to the pressure for ‘shareholder value’: the maximisation of short-term return
and the increasing use of leverage, short selling and aggressive mergers both to ‘release’ value and secure market niches yielding monopoly control.

The consequences have been seen dramatically in Scotland over the past year. Scotland’s biggest non-financial company, SSE, is being merged with the German N-power – a merger that will result in significant job losses while releasing value for major shareholders. Scotland’s second biggest non-financial company, John Wood, is being merged with the London-listed AMEC. Both have dominating shareholdings by investment management companies. The biggest, BlackRock, had major shareholdings in both. Again job losses will result. Another firm in the top group, British Polythene Industries, was taken over in 2016 by the London-listed RC Group while Menzies sold off its distribution division to the London-list plc DX. Babcock, Weir and Subsea 7 have all also been in the frame for mergers and acquisition in the past year.

In the financial sector Scotland’s biggest investment manager, Aberdeen Asset Management, merged with Standard Life, Scotland’s one remaining major insurance company. As we have noted, overseas investment companies had already taken control of the floundering AAM. For them merger made very good sense. They could get out quickly. Standard Life itself needed greater size to operate effectively as an international investor. In some eyes the merger may have been seen as a last gasp attempt to consolidate and retain one major financial institution in Scotland. But the merger involves significant job losses and since the merger there has been a major outflow of funds.

Such mergers and acquisitions usually involve partial or complete workplace closures and the loss of income and employment that sustain local communities. However, no less destructive is the less dramatic but far more widespread consequence of the demand for ‘shareholder value’: putting dividend payment ahead of investment and hence sacrificing productivity growth, innovation and the long-term viability of companies. One estimate puts the scale of the shift in Britain since the 1970s as being from 90 per cent investment and 10 per cent dividend payment to 70 per cent dividend payment to 30 per cent investment.4

Economic structure and the challenges facing the Scottish Economy

Scotland has a very small group of mainly large companies that significantly engage with export markets. No more than a hundred account for almost two-thirds of all exports. Most of these are either owned from overseas or are City of London registered companies. The remainder of these large companies, those registered in Scotland, are, as we have seen, almost all controlled by investment companies from outside Scotland. Beyond these firms the level of engagement with export markets is very limited. The proportion of SME firms exporting has fallen from 20 to 12 per cent since the 1990s and overall Scotland’s exports are equivalent to only 12 per cent of GDP as against 27 per cent for Britain.5

This is the context for Scotland persistent problem with low productivity. Business R&D is about half the British average, itself low. Productivity itself also remains significantly lower – and Britain’s itself has been virtually stagnant since 2008 and is now up to a third lower than its major competitors. As we have seen, all the big companies are being pressed to enhance investor yield through sweating assets and merger and acquisition. Elsewhere in the Scottish economy, in agriculture, food processing, construction and outsourced care services, the employment of cheap labour compensates for low investment – including an increasing reliance on ‘self-employment’. Over the past five years such self-employment has accounted for half of all employment growth.6

There are in addition two further problems of economic structure that add to the vulnerability of the Scottish economy. One is the impact of the shrinkage in industrial employment on regional pools of skill and expertise for specific industries – reservoirs whose strength and resilience is estimated to be the biggest single factor required for productivity enhancement.7 The second problem is the failure to retain innovative, fast growth companies, many deriving from university research centres. Of fifty such firms listed in 2001, 16 have been acquired by firms from outside Scotland and mainly relocated and a further five are no longer active.8

In face of these structural weaknesses, low productivity, reliance of low skilled cheap labour, diminishing reservoirs of specialist skills and the loss of innovation, Scotland now faces two major challenges: automation and the secular decline of two of its previous staple industries. Scotland’s disproportionately large number of employees working in low skilled jobs, especially in services, renders its employment particularly vulnerable to automation. Research by the Centre for Cities estimates that Scotland will lose 230,000 jobs in the next twelve years. 112,000 are likely to be lost in Glasgow alone.9 Automation does create new jobs in
the design and manufacture of automated processes. But, as things stand, few are likely to be in Scotland.

The two industries in secular decline are oil and finance. While oil is likely to retain a significant presence for another two decades, it will be on a declining scale. Depletion, competition from other energy sources and a price range that penalises deep sea extraction will have a progressively depressing effect on investment and this in turn will have consequences for a much wider band of suppliers and services. The same applies to finance. Scotland’s financial services suffered a largely self-inflicted blow in 2009. Since then up to a third of the operators have either shifted to London or are now directed from London while another feature of the Scottish finance sector, its focus on labour-intensive backroom processing, has already resulted in considerable automation-driven job loss.

Policy to address a structural crisis

The current situation in the Scottish economy can therefore be described as one of structural crisis – the result of four decades of neo-liberal industrial policy, first by the Tories, then by New Labour and finally by the SNP. The SNP, it should be said, did try to make attempts to assert a degree of state intervention – through a publicly funded Scottish Infrastructure Fund, through attempting to use public procurement to require a living wage, and also to assert the right of government to provide publicly-owned ferry services. In each case, however, they were defeated by the wider framework of EU regulation. And the main thrust of their developmental strategy has been with the neo-liberal grain of EU policy: that of offering financial incentives to footloose capital, such as Amazon and Hewlett Packard, or, in terms of a post-independence future, cutting corporation tax on the Irish model to draw in firms from outside.

None of this will address the structural crisis outlined above and at this stage it would seem very difficult to offer any solution apart from that provided by public sector intervention – utilising a comprehensive series of re-enforcing measures.

What might these be? One of the most important would be action to stop piratical take-overs and ensure corporate investment takes place. For this the most obvious solution is a state investment bank that can take stakes in both key major companies and in innovative start-ups. Additionally, to protect and redevelop regional pools of skill and expertise – particularly those in oil and gas, in life sciences, AI and engineering – one key tool would be selective State Aid for existing firms to develop cooperative programmes of product innovation. A further tool to re-enforce this would be the pro-active use of public procurement – ensuring that public contractors source supplies locally and regionally, support local industry, and themselves upgrade and skill the labour they employ. Where necessary, there should also be selective public or cooperative ownership of key assets, especially when faced with closure. And finally, and more directly in terms of public ownership, the regional potential of infrastructure provision needs to be harnessed to ensure that the skill, research and expertise required for energy, communications and transport feeds into regional economies.

All of this would require both stronger industrial powers for the Scottish Parliament and also a political commitment at British level to ensure a sustained redistribution of income – progressive federalism.

But, more than anything, it demands informed political mobilisation by the trade union and labour movement at both British and Scottish level. The proposals outlined are broadly speaking those contained in the Labour Party’s 2017 manifesto and the party’s 2017 Scottish industrial strategy. These have yet to be won electorally.

But additionally these policy proposals require that the terms negotiated with the EU over the coming year do not block such intervention – either through adhesion to the terms of Single Market membership or, as seems more likely at present, by importing its neo-liberal terms into a bespoke deal crafted by our Conservative government. This is why the Scottish trade union movement needs to insist on the gravity of the structural crisis and demand that any deal with the EU makes it possible to address it using the tools of public policy.

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How do we resolve the Westminster Question?

Pauline Bryan

What to do with the Houses of Parliament? Have they served their purpose and should we be looking at alternatives?

Once Britain started down the road of devolution those who predicted it would be slippery slope have to some extent been proved right. Academics have identified that campaigns for independence are rarely settled by devolution. The achievement of increased autonomy doesn’t simply make the demand for independence go away. In Scotland support for the SNP grew significantly after the Scottish Parliament was introduced, and even the other political parties found themselves making the case for more powers, even though they had not used the powers that were already available to them.

Michael Keating wrote in an LSE Discussion Paper: “This suggests that constitutional politics will not be a once-in-a-generation phenomenon leading to a period of stability but part of the political mainstream. The question of inter-territorial equity, which is not strictly a constitutional issue, is likely to become even more important but in the absence of agreed principles on how to do it, will also be dealt with by incremental adjustments and compromises.”

What we learned in Scotland is that becoming embroiled in a long and acrimonious debate about devolution/independence results in alliances, but not the sort that we in the labour movement would want. A Spanish academic Luis Moreno pointed out that both sides in such campaigns form alliances. “They usually bring together classes and interest groups which otherwise have little in common with each other or whose aims are mutually antagonistic.” So it was in Scotland. The Yes campaign, while largely fronted by the SNP, was a broad alliance across the political spectrum including parties on the left, small business people, ultra-nationalists and anti-Tories. The Better Together campaign had the support of the Tories, Lib-Dems and Scottish Labour, and even at arm’s length, UKIP. Both campaigns took real politics, the politics of class, out of contest.

English Votes for English Laws

Immediately after the result of the 2014 Independence referendum was declared, the Prime Minister, David Cameron announced he would introduce English votes for English laws. You may wonder what ever happened to it. It was contained in the Tory’s election manifesto in 2015, became law in October 2015 and was used for the first time in the House of Commons in January 2016. Even supporters of the idea complain that it has failed to give expression to England’s ‘voice’. Perhaps this demonstrates that there is no one English voice in class divided England just as in class divided Scotland there is no one Scottish voice either.

The role of metro mayors

That may help explain why English voters are becoming more interested in devolution. When, in 2004, John Prescott tried to win support for English Regional Assemblies in the North East, North West and Yorkshire and Humberside he met with little support. The first referendum in the North East could only muster 22% support. He then abandoned the programme altogether.

Since that climb-down and increasing austerity the issue of how the regions of England can be given a voice has not disappeared. Unfortunately it became tied up with David Cameron’s plan for directly elected metro mayors. New York’s Mayor Rudy Giuliani probably has a lot to answer for. He became a phenomenon, not just in New York or even throughout the US. He became known throughout the world for his claim to have turned the City of New York around and particularly when he attracted global acclamation after the attack on the World Trade Centre.

The idea of a strong central figure representing the needs of a region began to win support, but it was uneven support. There are now 6 Metro mayors who are elected, but not easily held to account between elections. It is not surprising considering the way the role has been presented that they are all men. They are not seen as part of a team; they are not part of an elected local authority or assembly; they are individuals whose role is to speak loudly for their area and compete with others for resources. They have been given powers that previously rested with local authorities or joint boards.

While these powerful Mayors are seen as the only
show in town their numbers are likely to grow. Jon Trickett, Shadow Lord President of the Council and a Yorkshire MP, entered what is a heated debate in his region. In January this year he said: “Here in Yorkshire we need to create a political structure which will allow us to realise our enormous potential. A political structure based on a belief in our people and our county. This is the case for devolution. It is irresistible.” He called for a “single elected voice for Yorkshire” alongside a Council of the North.

The Labour manifesto did not make a commitment that future Labour governments would continue to support metro mayors, but said that Labour will be guided by public opinion when determining whether to include directly elected mayors in future devolution deals.

Meanwhile, the case for some form of Northern devolution beyond mayors and city-regions seems to gaining support. Those supporting it acknowledge that the specifics of regional boundaries are very difficult to define, but argue that devolved authorities that are capable of real economic and social intervention are powerful and necessary. Ed Cox is the director of the IPPR North think-tank. In 2017 he wrote in Taking Back Control in the North: a council of the north and other ideas.

“Any new form of subnational governance needs to be developed at scale. While England is too big, our current city-regions and combined authorities are too small. This may well be the reason that ideas such as the Northern Powerhouse or Midlands Engine have in recent times gathered so much momentum. We are still a long way from such ideas taking more political or democratic forms, but to claim they lack public support would be to misread the signs of the times.”

House of Lords

And where does the Lords fit into all this? The House of Lords originally comprised mainly members of the unelected aristocracy. But today the composition of the House had changed somewhat. Of its 792 members, 91 members are hereditary peers, 676 are life peers (placed there by political parties or The House of Lords Appointments Committee for non-political appointments) and 25 are bishops! Tory lords far out-number Labour the second largest group in the House: they have 247 against Labour’s 196. All of them are unelected.

No one should be surprised, then, that Jeremy Corbyn does not want to retain the House of Lords. He has stated: “We have a House of Lords which is dominated by a small number of people from London and the south east. I would want to see an elected second chamber that it is representative of all regions and nations of the United Kingdom. I think that’s very, very important. I think it should have an electoral mandate to go with it.” He does then support the idea of a second chamber that is made up of representatives from the regions and nations of the UK.

If Parliament had an elected second chamber what would its role be? At present it is a revising chamber, but if a more federal arrangement develops where it was made up of representatives of the regions and nations with a properly elected mandate, it would be unlikely to settle for that role.

Conclusion

As things stand there is a danger of the UK being a patchwork of different hubs of power that make it difficult for us to identify our common interests. We need structures that allow us to:

- Make our economy democratically accountable;
- Enable the redistribution of wealth both geographically from wealthier parts of the country to less wealthy and within a nation/region from richer to poorer;
- Build class solidarity across borders;
- Shift power to the people.

There may well now be an unstoppable momentum for greater devolution, not only in Scotland, but throughout the UK. Labour and the Trade Unions must lead the demands not only for greater political democracy but also greater economic democracy. If we talk about more powers we must also talk about what their purpose should be. We should ask: what constitutional settlement would best allow the people of the UK to break the power of corporate capital and neoliberal policies and promote social and economic justice?

Pauline Bryan is Convenor of the Red Paper Collective
Beyond Brexit and Future Trade Deals

Vince Mills

The theme of this article is decentralising and democratising economic power in a political context which is contested and confused. The debate about Scotland and the UK’s economic future after Brexit is now intense. Indeed, there is a well-funded campaign Best for Britain trying to stop Brexit in its tracks and inside both the Labour and Conservative parties there are strong lobbies, if not to scupper Brexit by a second referendum, then at least to ‘soften’ it by remaining in the Single Market and the Customs Union.

Democratic control by way of a radical shift of power towards the working class is precisely what the Corbyn manifesto sought to introduce into the British election in June 2017 and it met with considerable success. Whether it can be the basis of transformation of the British and Scottish economy is in some doubt because of a potential pincer movement.

On one side are the anti Brexiteers, some of them on the Right of the Labour Party and marching under the banner of Progress, arguing that an imagined economic catastrophe can only be avoided, at the very least, by remaining in the Single Market and the Customs Union (note the use of the definite article). A few of them, like Alistair Campbell, simply want another referendum and a reversal of the Brexit vote. For many of them, the disintegration of Corbyn’s manifesto, under fire from EU state aid and anti-state ownership provisions would be welcome collateral damage. However, since the Tories have insisted that we will have neither Single Market nor Customs Union, this scenario is only likely if the Tories finally politically self-combust leading to a general election which Labour wins.

On the other side are the Tories. Confusion abounds about what they want out of Brexit, but they appear to share a desire for a comprehensive Free Trade Agreement based on the very free market principles that they helped embed in the EU (Thatcher signed the Single European Act, which created the single European market); this would make the job of any incoming radical Labour government doubly difficult since it would not only have to dismantle existing Tory policies but disentangle itself from treaty obligations with the EU. The dangers of such free trade agreements will be explored later in this article.

Failed Modelling

There is a tendency to exaggerate the negative economic consequences of Brexit. In The Economics of Brexit Whyman and Petrescu deny that there is a consensus among economists that Brexit will lead to economic ruin. They assess five key reports all of which, to varying degrees, are pessimistic about the economic consequences of leaving the EU, from the LSE, The Treasury, OECD, IMF and NIESR. They are critical of the methodologies adopted in all of them and the distortions that using shared models incurs. They suggest there is a high risk of error because of the level of subjectivity deployed in the assumptions made in the modelling, for example - using the neoclassical model of growth affects how the absence of migration impacts on economic activity.

Just how far away such forecasting can be from the reality was clear from the Tory Government press release of 23 May 2016 Treasury Report just one month prior to the referendum. It described the immediate consequences to the economy of a vote to leave the EU:

“Britain’s economy would be tipped into a year-long recession, with at least 500,000 jobs lost and GDP around 3.6% lower, following a vote to leave the EU”

Clearly there was no such immediate economic collapse. Whyman and Petreschu quote Lord David Owen the former Foreign Secretary:

“You rig the economic model by what you put into it. If the Chancellor tells the Treasury to put in the following parameters, you get one kind of result. They have admitted they have not seen it necessary to present a model of what would be the benefits of going out of the EU. So we hear a lot about the risks of leaving, but nothing about the risks of remaining which I believe are infinitely greater.”

And when applied to Labour’s commitment to decentralise and democratis economic power, remaining in the Single Market and Customs Union certainly does pose serious risks. There have been claims and counter claims about the impact of the EU single market on the ability of Labour government to introduce a radical manifesto. Those in the Labour Party in favour of remaining in the...
single market have cited work by Taggart and Biondi as evidence that fears for the Corbyn manifesto are groundless. The authors claim: “Of the economic measures set out in Labour’s manifesto at the 2017 Election, most (17) do not even potentially fall within the scope of the State Aid rules. Of those that could, 7 are likely to fall within block exemptions…This likely leaves only two measures which would even have to be notified: the state investment bank/regional bank proposition and the state funded regional energy suppliers. It is likely that both could be structured to be cleared. This assessment is of course provisional, as the analysis depends on the precise content of Labour’s plans.”

It is perhaps worth pointing out that Tarrant and Biondi are not impartial about the EU’s ideological moorings nor its general predisposition to the market as opposed public ownership. Preceding their assessment of Corbyn’s manifesto commitments they cite approvingly the position of the German Social Democratic Party’s 1959 Bad Godesberg formulation - “The market where possible; the state where necessary” arguing that market led social democracy rather than neoliberalism underpins the EU despite a mountain of evidence to the contrary at least since the 1980s that “ The main thrust of European economic policy has been to extend and deepen the market through liberalisation, privatisation, and flexibilisation, subordinating employment and social protection to goals of low inflation, debt reduction, and increased competitiveness” as Guinan and Hanna put it in the NewStatesman.

The alternative position argued by a range of commentators Like Professor Danny Nicol and Craig and de Burca make a compelling case that “agnosticism as to forms of economic organisation have been replaced by a more strident belief in the operation of free markets, unless the State can provide special justification for the privileges accorded.”

**Commission Control**

Leaving aside the rather large caveat Tarrant and Biondi make in the acknowledgement that their judgement is ‘provisional’ their analysis flies in the face of the actual experience of EU legislative interventions in state aid cases.

Here are a few examples. Tarrant and Biondi mention the National Investment Bank. The Green Investment Bank experience highlights the difficulties here. In 2012 the EU commission ruled that the Green Investment Bank could use £3bn of UK government funds on condition that it only gave loans to projects that could not find sufficient funding from commercial markets. Permission was granted for four years only, with the caveat that it might be withdrawn after that, if lending markets opened up to low carbon projects. The Tories eventually privatised it.

The commission accepted that the Green Investment Bank concept had safeguards to give precedence to private investment and preserved a level playing field between competitors. Similar conditions would no doubt be imposed on the National Investment bank robbing it of its capacity to transform existing industries and supporting new ones.

What about the power companies that Tarrant Biondi mention and the Post Office that they do not?

Labour’s manifesto pledges to “Regain control of energy supply networks through the alteration of operator license conditions, and transition to a publicly owned, decentralised energy system and “Reverse the privatisation of Royal Mail at the earliest opportunity”. According to Professor Danny Nicol this is in jeopardy:

“Under Article 106, the EU prohibits public monopolies exercising exclusive rights where this violates EU competition rules. The EU’s Court of Justice has interpreted Article 106 as giving private companies the right to argue before the national courts that services should continue to be open to private-sector competition.”

Tarrant and Biondi do not mention rail nationalisation explicitly, which is odd given the controversy around it. The Fourth Railway Package proposes to open up domestic passenger railways to new entrants and services from December 2019 to more competition. This could mean competition either for a new train service on a particular route, or to bid for public service rail contracts through tendering. Competitive tendering will be mandatory for public service rail contracts in the EU.

In 2011 Dutch rail operator Abellio launched a legal challenge to the German regional government of Nord-Rhine Westphalia (NRW) over its award of a regional train operating contract to German national rail operator Deutsche Bahn (DB). Germany’s Federal Competition Authority found the NRW government had breached EU competition law by awarding the contract for regional train services to DB. So it is quite likely that if we are part of the Single Market the renationalising passenger rail services in Britain could be challenged for infringing general EU competition law as well as the regulations introduced under The Fourth Railway Package.
Future Trade Deals

It would however be naive to assume that leaving the Single market would leave Britain free to develop a socialist economy free of intervention. At least not if the Tories can help it. They plan to have a comprehensive free trade deal with the EU.

The main, but not the only, concern about international trade deals is the investor-state dispute settlement (ISDS) embedded in these agreements. These allow multinational companies to sue governments whose policies damage their interests. Indeed, such was the opposition about the ISDS proposed in the Transatlantic Trade and Investment Partnership (TTIP) between the European Union and the United States that despite the alleged multi-million benefits to both sides (these have been contested) it had to be temporarily parked even before Trump’s initial opposition.

The history of the investor-state dispute settlement (ISDS) is the history of neo-colonialism. Large corporations wanted to defend their investments in newly independent countries where there was a possibility of nationalisation or state sequestration. It was a group of German businessmen, led by Deutsche Bank chairman Hermann Abs, in the late 1950s that developed what they called an “international magna carta” for private investors to protect their overseas investments in developing countries newly independent from the European colonial powers.

There is an estimated 3,200 such treaties in place and an increase recently in the number of actions being launched by companies against the governments which host their investments. Here is an example, from the many that could have been produced, on how it has been used to stop progressive measures in pursuit of profit.

The Swedish energy company Vatennfall is suing Germany for its decision to phase out nuclear energy. It previously challenged a German standard on the increase in river water temperatures at its coal-fired power plant and got Germany to relax the standard. In this second suit the company is seeking €4.7bn from German taxpayers.

It is clear from this example that the early strategy of corporate capital to use trade deals to subvert the democracy of developing countries has expanded to include any country that seeks to prevent corporate plunder of its public services and resources.

This is a vitally important point for the British and Scottish left to address considering Tory plans to strike a trade deal with the EU as part of Brexit. Michel Barnier, the EU’s chief negotiator said recently in relation to any trade deal: “There will be no ambitious partnership without common ground in fair competition, state aid, tax dumping, food safety, our environmental and financial stability…”

For which, read a continuation of EU’s neo-liberal policies

The level of scrutiny of new trade deals to date has been cursory. Labour is now arguing that there must be extensive parliamentary scrutiny including a debate and vote in Parliament and ultimately a mechanism for withdrawal, if necessary.

The Tory Government’s White Paper on Trade post Brexit published last October speaks only of the need to “engage” with “stakeholders” and offers consultation only with the devolved administrations and while it acknowledges the need to “continue to respect the role of Parliament” it hints at giving executive powers to ministers to adopt and implement trade deals after Brexit.

How Do We Resist

Single market membership will allow EU intervention in a Labour Britain’s economic strategy. The Labour Party Leadership is right to reject it and the left should support their stance.

In terms of trade deals we need a combination of extra-parliamentary and parliamentary action. Extra parliamentary struggle in the shape of trade union and community action is required to ensure that we get effective parliamentary action. This includes campaigning to empower the Scottish Parliament to scrutinise and if necessary veto such deals.

Parliamentary action however is not enough, trade union, Party and community action may be necessary to prevent implementation. Most importantly we must also campaign for a Labour victory in the next General Election because a radical Labour Party in power is the best defence against concluding unjust deals in the first place.

Vince Mills is Secretary of the Scottish Labour Left Morning Star Supporters Group

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Power inequalities and health inequalities

Ownership and Economic Development

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Powers for a purpose
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Campaign for Socialism (CfS) is a left-wing, democratic socialist group comprised of Scottish Labour Party members and supporters.

CfS was formed in 1994 as part of the left’s campaign to retain Clause 4 of the Labour Party’s constitution.

The group continues to promote socialist ideas and policies within the labour movement.