COMMON WEAL is a non-profit “think-and-do tank” based in Glasgow which campaigns for greater social and economic equality, environmental sustainability, democratic participation and a higher quality of life based on an “All of Us First” approach. It was founded in 2014 and has since produced high quality, research-based policy proposals across a broad range of topics such as housing, energy, finance, social security and local democracy.

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Preface

The Sustainable Growth Commission has published its proposals for the macroeconomic, fiscal and economic future of an independent Scotland. These proposals have been offered to the people of Scotland for the purposes of discussion and debate. Common Weal has embraced this invitation and is publishing a series of papers examining each of these sets of proposals. In this paper, the Growth Commission’s proposals towards fiscal policy are critiqued and Common Weal’s alternative proposals are offered.

Key Points:-

- Sterlingisation – the fact that an independent Scotland would lack its own currency – is a root cause of many of the flaws of the underlying philosophy adopted by the Growth Commission.

- Sterlingisation demands that an independent Scotland must run prohibitively tight fiscal budgets and must continually “obsess” over the national public deficit.

- This means that Austerity may become an inevitable national policy despite of the Growth Commission’s claims that this is not desired.

- Particular fiscal rules set by the Growth Commission around the growth of public spending and the link between that growth and the growth of GDP may also result in the imposition of Austerity.

- Population growth may result in GDP growth but if the economy simply enlarges rather than changes shape then this will not result in growth in GDP/capita.

- If public spending growth is constrained to less than GDP growth then this may result in public spending per capita decreasing despite a real terms increase in public spending. Reduced public service provision per person is still Austerity even in a growing economy.

- Sectoral balances in the economy demand that if public sector deficits decrease then deficits must increase elsewhere. This may lead to increases in household debt – as experienced by the UK.

- Only by launching its own currency can Scotland take a more nuanced approach to its fiscal policy, balancing public spending against trade flows to ensure that household debt does not increase. This is impossible under Sterlingisation.

- Growth should not be measured as the sole metric of success in an economy. An approach that takes into account environmental carrying capacity, economic inequality and the wellbeing of citizens is more important.

- Though not recommended, the Growth Commission’s fiscal proposals could be implemented if Scotland had its own currency. Alternative proposals such as Common Weal’s cannot be implemented under Sterlingisation.

- Therefore the most democratic and most “future neutral” approach to independence is to launch a currency by day one of independence then allow future governments the ability to manage fiscal policy as per their manifestos.
Introduction

The economic governance of a country can be separated into three very broad categories of policy. Macroeconomic policy deals with the governance of money in the country. Economic policy shapes the economy of the country – the goods and services that are available in the public and private sector. Finally, Fiscal policy measures the tax and expenditure within a country – specifically the relationship between the two.

The dominant strand of thinking within many developed countries – especially the UK – in recent years has been one which states that it is absolutely vital above all else that a country’s government runs a “balanced” budget and does not spend more in public services than it can raise in tax revenue.

A Critique of the Sustainable Growth Commission’s Fiscal Policy

The Sustainable Growth Commission’s proposals for an independent Scotland’s fiscal framework in the short and medium term is a cause for significant concern. On a cursory and surface level, the language of “credibility, predictability and transparency”¹ is straightforward and unobjectionable – of course an independent Scotland should be run with these three principles in mind – but a deeper reading of the report begs the question of the target audience for these proposals.

The Growth Commission’s proposal for independence hinges directly on its decision to not launch a currency on day one of independence. By Sterlingising Scotland – that is, by maintaining use of the UK pound unofficially and without any input into or influence of the Bank of England as it makes decisions over interest rates etc – then the policy priorities for future Scottish governments become significantly constrained both in the spheres of monetary² and fiscal policy. The report itself admits that a key requirement of the framework would be to “comfort” the “providers of debt finance”³ to Scotland. With no means of creating money itself or of employing tools like Quantitative Easing, a Scottish Government (via the Scottish Monetary Institute charged with managing Sterlingisation) would essentially be at the mercy of those finance providers and may have to adopt strict policies of Austerity in order to provide the levels “comfort” that they seek.

1. Deficit and Debt Reduction

The Growth Commission’s primary fiscal goal is to adopt a policy of fiscal constraint that is even harsher than the European Growth and Stability Pact and demands a program of reducing and restricting Scotland’s public sector deficit to below 3% of GDP within ten years of independence. Their claim is that this is to be achieved by increasing public sector expenditure in real terms (i.e. above inflation) but at a slower rate than GDP growth (such that the deficit as a percentage of GDP reduces over time). Other restrictions such as demanding that the fundamentals of fiscal policy and financial regulations are essentially copied from the UK’s model. It seems that the Growth Commission’s appetite for future change to the UK’s economic model would be limited in an independent Scotland. Worse, these policies may lead to Scotland being forced to apply Austerity regardless of the outward claims or genuine desires of the government of the day.

2. Inevitable Austerity

The Growth Commission, naturally, has denied that their goal is for an independent Scotland to adopt Austerity but the implications of their policy may render it unavoidable. As outlined in Common Weal’s previous critique⁴ of the Growth Commission’s report, the most trivial way that Austerity could be imposed on Scotland is simply if the finance providers demand it as a condition of providing their finance (in addition to charging interest on the loans, finance providers can and have⁵ directly demanded Austerity measures such as cutting public sector departmental costs or opening public sector services such as healthcare to private competition).

Even if this does not occur, the Growth Commission’s approach to economic growth may itself lead to Austerity by design. The reason for this lies in their “Three P’s” approach which seeks to grow the Scottish economy by improving Productivity, Participation and Population.

Improving these metrics are not objectionable per se – particularly the latter two – but over-focus on them can have foreseeable if unintended consequences.
Productivity

The era of Scotland as an economy based on mass employment in labour intensive heavy industries is over. It is both difficult to see this era returning and difficult to justify why it should return given the changed nature of the global economy since then. Productivity used to be the single strongest driver of wage increases and GDP growth in developed countries like Scotland but the neo-liberal reforms of the 1980s and the 2008 Financial Crisis have had lasting impact.\(^6\)

Not only has productivity failed to increase, productivity increases themselves have not led to wage growth as the profits have been increasingly captured by the companies controlling the employment.

One major driver of the fall in productivity increases has been the transition from a manufacturing to a service based economy. Services are far less likely than manufacturing to lend themselves towards increases in productivity – one can imagine asking a care worker to “service” more clients in a single shift. This can only be done by shortening client visit times\(^7\) which has a deleterious effect on the quality of care. In areas that do experience productivity increased, much of this is being driven by the 21st Century’s new wave of automation. Automation is not to be shunned but it should not be relied upon indefinitely as a driver of economic growth.\(^8\) In developed economies especially, the markets for the produce of manufacture is or may soon be hitting its upper ceiling as global population levels off and as the limits of our environment’s carrying capacity become better appreciated. A company producing 1,000 widgets per worker per year may well be able to double productivity by automating the production line but if the demand for the sale of widgets does not increase then the result will not be a company producing double the number of widgets. Instead it will become a company that produces the same number of widgets but does so whilst employing half as many members of staff. Of course, this may be intensely profitable for the company but the displacement of labour may not result in overall increases in GDP and may have knock-on effects in the wider economy. Not only has productivity itself failed to increase significantly, those productivity increases that have been observed have not themselves led to wage growth as the profits resulting from them have been increasingly captured by the companies controlling the employment. It is vital that an independent Scotland is fully able to control its macroeconomic, regulatory and fiscal policies (rather than leaving the former two in the hands of the UK and constraining the latter by edict) such that it can better capture the value of manufacturing and services in Scotland and ensure that the wealth of Scotland is held in common and used for the common good. Failure to do this may result in significant job displacement – which would place a higher burden on social services whilst also reducing revenue from income taxes as well as sales and consumption taxes – and encourage an ever deepening tendency towards wealth being extracted from the Scottish economy by multi-national corporations and the already very rich. Wealth that may have to be borrowed back from those same people in lieu of Scotland having a currency of its own.
**Participation and Inclusive Growth**

There is less that is objectionable in the Growth Commission’s report with regard to participation in the economy than there are in other sections. Common Weal largely agrees with the principles here and recognises the economic and social benefits to be gained in improving participation within groups who have been disenfranchised by the current shape of the economy.

One note of caution is sounded, however, in terms of the goal of “inclusive growth”. Economic growth is not worthwhile if the growth is concentrated in the hands of a few already wealthy people and companies and both fiscal and economic policy play a substantial role in redistributing and predistributing wealth and income to reduce and prevent inequality.

However, too much of the discourse in this area is focused on the “growth” rather than the “inclusion”. If an economy continues to be based on a “boom-and-bust” business “cycle” - as the Growth Commission clearly plan for the Scottish economy to be so – then it must be remembered that too often the pain of a recession falls on the poorest just as much as the gain of an economic boom fails to benefit them. Even within a zero-growth economy, care should be taken that inequality does not rise and wealth becomes concentrated at the top of the income scales.

“Inclusion” should therefore be considered a much more vital metric than “growth”. The Scottish Government should always act to protect those most vulnerable to shifts in the economy whether it is growing, shrinking or merely changing shape.

**Population**

Scotland has a long history of being a national that has exported its people as much as it has exported its goods, its inventions and its skills. A detailed study of Scotland’s “missing millions” has found that had Scotland’s population increased at the same rate as had England’s from 1885 to present then the population of Scotland would presently be around 9.2 million rather than the 5.3 million who currently reside here.

Scotland’s relatively welcoming approach to immigration coupled with the counter-point of the UK’s appalling track record, typified by the 2018 Windrush scandal, has allowed the development of a series of pro-immigration policies to help increase Scotland’s population and strengthen the economy particularly as the country’s ageing population is causing a significant increase in the “dependency ratio” of the number of pensioners compared to the number of workers in Scotland (currently this ratio is 310 pensioners per 1,000 workers but unless policies change this is projected to shift to 400 pensioners per 1,000 workers by 2040).

However, whilst an increase in population may result in an increase in Scotland’s GDP, it may not necessarily increase Scotland’s GDP per capita. If the shape of the economy merely enlarges then individuals would not expect to become wealthier as a result. This has an implication for the Growth Commission’s proposal to increase public sector spending by less than GDP growth in an attempt to shrink the deficit without requiring real terms cuts to government departments – something that they claim would mean avoiding Austerity.

By way of illustration, one could consider a school with a population of 1,000 pupils. It should be uncontroversial to contend that if the government cut the school’s funding such that it could only afford to educate 900 pupils then this would meet the definition of Austerity. Under the Growth Commission’s deficit reduction strategy, if the school’s population increased to 1,200 pupils the Commission would only allow funding to increase at a slower rate than GDP growth. In this case, Scotland’s GDP would have increased by 20% but the Growth Commission’s fiscal rule might only allow public expenditure to increase by, say, 10%. This school would only therefore have enough funding to educate 1,100 pupils. Therefore, despite a real terms funding increase, the school would still experience a funding shortfall in terms of its capacity. It is difficult to describe this situation as anything other than Austerity.

**3. The Deficit Obsession**

The UK’s political discourse with regard to fiscal policy has been almost monomaniacal in its obsession with the public deficit. It is disappointing to see the Growth Commission continue this obsession, though this is more understandable when it is realised that the policy of Sterlingisation would prevent Scotland from dealing with its finances in any other way. Being unable to print new money itself, if Scotland had a current account deficit with regard to Sterling (either a trade deficit or as a result of money leaving the country via transfers within multinational companies or something similar) then every pound that left would be a pound that would have to be borrowed in order to recirculate it in the economy. Similarly, every pound that is spent by the government over and above that which is raised in taxes would be a pound that would have to be borrowed from somewhere else.

The obsession with deficit reduction is borne out of a misunderstanding of the role of government deficits in shaping the economy of the country. Emerging economic schools such as Modern Monetary Theory (MMT) contend that focusing exclusively on the public sector deficit means ignoring other vital segments of fiscal policy.

A broader view of fiscal policy says that there is a relationship between the public sector balance, the private sector balance (the ability for people and companies to either save money or their requirement to borrow money to maintain expenditure – this sector can be further subdivided into the impact on Households and the impact on Businesses) and the national current account balance (the flow of money into or out of the country). The sum of all of the deficits and surpluses in these areas must sum to zero as shown by the UK’s sectoral balance over the past
several years.
The implication of this relationship is that if the public sector deficit is cut by Austerity measures and the balance with the rest of the world remains relatively constant then the cut in the public sector deficit must be offset by a corresponding rise in the private sector deficit.

This can be illustrated by way of considering the impact of Austerity on a hypothetical individual. If a person pays £2,000 in tax per year but consumes £3,000 in public services per year then it can be said that the person has a private sector surplus of £1,000 whilst the government has a deficit of £1,000 (the sum of the two being zero). If the government decided to implement Austerity and cut public services by £1,000 (perhaps by privatising healthcare) then it could balance its own budget. But the person in question would now have to look to some place other than the government to replace the services that have been withdrawn (perhaps by buying private health insurance to replace the lost public healthcare) and would need to find £1,000 more than they are currently earning to fund it. The deficit has transferred from the government sector to the private sector.

This is not just a hypothetical example. The years of Austerity applied to the UK has caused a severe drop in public savings, and increase in personal debt and a collapse in consumer spending as people have triaged their expenditure when public services have been reduced or withdrawn.

One principle difference between the budget of a government and that of a private individual is the level of debt which can be sustained by them. Private individuals very quickly hit limits to the amount of credit which they can take on and, of course, it is illegal for private individuals to print their own money. A Sterlingised government would exist under similar constraints as it would only be able to borrow subject to the whims of those who would loan it money. A government with its own currency, however, would not have such a constraint. Modern Central Bank tools such as Quantitative Easing (QE) effectively allow governments to run sustainable deficits of arbitrary size more-or-less indefinitely. When employing QE, a Central Bank buys outstanding government debt from the private sector. The government still pays interest on the debt but Central Banks are usually owned by the government and return operational profits to their host government’s Treasuries. If a government is paying interest but then receiving that payment back as a profit from the bank, the debt is effectively meaningless except as a line in the national accounts. When the bonds that the debts are based on mature (or even before then), the debt could be cancelled. Countries with their own currencies may enjoy a very different relationship with their national debts than those countries without their own currencies. Instead of obsessing about the size of the national deficit and worrying about the conditions imposed on the country by profit-hungry financial lenders, a sovereign currency country can look to the sectoral balance as a whole and design its economy for the maximum benefit of its citizens.

The implication of this relationship is that if the public sector deficit is cut by Austerity measures and the balance with the rest of the world remains relatively constant then the cut in the public sector deficit must be offset by a corresponding rise in the private sector deficit.

The Annual Solidarity Payment

One significant portion of Scotland’s projected outgoings as per the Growth Commission’s proposal is the Annual Solidarity Payment – an annual payment to the remaining UK which is composed of a consolidation of several spending items. The structure of this payment is says much about the position from which the Growth Commission approached their version of independence and is worth discussing and dissecting in some detail as it may well be otherwise overlooked.

1. Cross-Border Infrastructure Sharing

The first item within the Annual Solidarity Payment is a £1 billion payment per year to be earmarked for the joint running of cross-border infrastructure and administration. The Commission declines to offer much detail on what this would actually entail and so the sum is likely to be speculative at best. How much is actually required and for how long this will be needed will almost certainly depend on the philosophy employed by Scotland as it becomes an independent state. The plan outlined during the 2014 campaign was one based on the assumption that Scotland would rapidly transition from referendum to independence over the course of 18 months. This transition would not allow time for many government departments to be set up before independence and, in any case, the proposal then was one based on sharing and jointly running many government functions such as the currency, much of the social security administration, energy networks and the customs and borders agencies.

Under the Growth Commission’s proposal, it appears that much of these sharing arrangements would remain in place though the report itself declines to state how much or even how long they envisage the transition from referendum to independence will be.

By contrast, Common Weal’s proposal takes the position that it may not be democratically acceptable for Scotland to continue to bind itself to UK decision-making post-independence and so the starting point of independence should be that regardless of the positions of the individual
political parties who may or may not make up the independent Scottish Government, Scotland should be capable of running its own affairs should it choose to do so. Under this principle, it is worth taking a little longer to transition from referendum to independence – around three years – and to use the time to build the infrastructure that Scotland needs to be an independent country. Should it subsequently choose to share functions with the UK (or with any other country for that matter) then it may do so in the full knowledge that it would be able to diverge again without loss of capability. This is a far more equal partnership and one which would minimise the need for an indefinite transition payment.

One major issue that seems to have been largely overlooked in this area is the impact of Brexit. It is the stated ambition of the Growth Commission that an independent Scotland would be a member of the European Union. Notwithstanding the fact that their plan to Sterlingise and share other government departments would make such membership difficult or impossible, it is difficult to see how the 18 month transition timescale could be adhered to. If Scotland wishes to be a member of the European Single Market and the Customs Union and the remaining UK wishes to leave such organisations then the border between Scotland and England will need to be taken into consideration – it is likely that the border arrangements would mirror closely those eventually agreed between Northern Ireland and Ireland as to do otherwise may open opportunities to smuggle goods or gain some other form of arbitrage via whichever border allowed it. These arrangements will take planning and time to build and even in the case of a smooth, orderly transition, 18 months is likely to be too short a period of time to make those and other arrangements. As of the time of writing, the UK is undergoing the process of exiting the European Union and is doing so in a manner that could be generously described as incompetent. Even if those negotiations had been handled well, the two year period between the triggering of Article 50 of the Treaty of the European Union and the conclusion of the process would have required a fast pace of action. This report re-commits to Common Weal’s position that a three year transition period between referendum and Scottish independence is both reasonable and responsible.

2. The Debt Settlement

The second item within the Annual Solidarity Payment is a £3 billion per year payment to the remaining UK for the purposes of paying the interest on a portion of the UK’s national debt.

Unlike the 2014 campaign which stated that Scotland would take on a proportional share of the UK’s debt in its own name in return for a proportional share of the UK’s assets, the Growth Commission report adopts a position much more in line with previous legal precedents regarding the division of a state.

As outlined in Common Weal’s report on this topic, when a state divides it can take the form such that one portion (here, the remaining UK) takes on the legal status of the “continuing state” and maintains the full legal identity of the previous state including adherence to treaties, membership of international organisations (such as NATO and the UN) and adopts full ownership of the entire portion of the previous state’s debt. Under this model, the other portion of the state (Scotland, in this case) takes the identity of a “new state” and does not take ownership of any of the previous state’s national debt (to do so would require the agreement of the creditors to which the debt is owed. The experience of the breakup of Yugoslavia shows that this process is incredibly complicated and can take decades to fully resolve).

The Growth Commission accepts and adopts this principle, it still maintains that an annual payment roughly equal to that currently assigned to Scotland in GERS is maintained permanently. There is a moral case to be made that Scotland’s responsibility to the UK lies with the citizens of the remaining UK and that Scotland has a duty of care to not see even harsher Austerity imposed on them as a result of our leaving the Union. A permanent annual payment is not the solution to this problem, however, as it effectively holds Scotland in tribute to the UK in perpetuity (even if the UK somehow, unwisely, pays off its national debt) and may well cause political difficulties where the payment or the threat to withhold it becomes leverage in a dispute.

The reason for the Growth Commission’s approach in this regard is revealed in Section 12 of the report where they state that “Scotland’s commitment through the Annual Solidarity Payment on UK debt servicing would affect deficit rather than debt.” Once again, the obsession with tight fiscal policy is at the core of the Growth Commission’s philosophy for independence as it appears that an attempt to manipulate Scotland’s balance sheet to reduce the national debt takes precedence over control of fiscal policy.

A far more sustainable solution would be to adopt the model currently being used in the Brexit negotiations where Scotland’s outstanding liabilities (if they indeed exist, post-negotiation) are totalled and a single transferable amount is agreed, to be paid either as a lump sum or over time.

Under this “zero model” split, immovable public and state assets (such as government buildings and claims on mineral resources) would become the property of the state in which they reside whilst most mobile assets (such as military equipment) remain the property of the continuing state. Scotland’s asset negotiations would therefore be based not on obtaining a “proportional” level of assets but would recognise that many of the mobile assets to which Scotland potentially may have a claim would either be unnecessary (in the case of large military assets such as aircraft carriers or Trident) or unsuitable for Scotland’s needs (such as smaller navy vessels or aircraft which do not suit Scotland’s desired military stance or are nearing the end of their operational life). Assets which the UK holds that Scotland may need could be purchased from the UK at a fair price which would be added to the settlement sum.

Once agreed and settled, Scotland would (if necessary)
borrow the amount required in its own name and would pay what is owed. Doing so by this method would allow Scotland to fulfill its obligations, moral and financial, to the citizens of the remaining UK but would no longer be indebted to the UK nor would there be any possibility of the payment being used by either nation to gain political leverage at a later date.

3. Foreign Aid

The least understandable aspect of the Annual Solidarity Payment is the inclusion of the entirety of Scotland’s nominal Foreign Aid budget of £1.3 billion per year. Under the Growth Commission’s proposal, an independent Scotland would not have any autonomy over how foreign aid is spent. It would simply hand over this sum as part of the Annual Solidarity Fund for the remaining UK to spend as it liked.

The justification for this is, once again, couched in the language of reassurance and calming outside interests. But this is to completely misunderstand the nature of foreign aid. Its outward purpose is often to provide vital humanitarian resources for the world’s poorest and most deprived people but it is almost never a politically neutral act. As with all finite resources, choices over allocation must be made. Who the aid is given to, who it is not given to, for what purpose it is given and whether or not any conditions are attached to the aid are all intensely political acts and must be recognised as such.

Scotland has an international reputation as being active in humanitarian projects and this reputation should not be squandered by passing that responsibility onto another state. Nor should it be placed in jeopardy by the potential of the UK actively using those funds in a way that worked against Scotland’s interests or its other humanitarian works. This principle holds even without also recognising that the UK’s foreign aid programme has itself been criticised for using aid to promote arms sales and for helping governments to create more “business-friendly” laws and regulations. It may well be that Scotland and the remaining UK’s mutual goals in a region do not align or become actively conflicted. It seems inconceivable therefore that such an important tool of international outreach should be ceded wholesale to the UK just as it is inconceivable that the UK would grant its entire foreign aid budget to, for example, the United States of America for it to spend as it willed.

If the goal truly is to reassure current recipients of aid then, by all means, an independent Scotland should guarantee that existing recipients could continue to receive the aid provided by Scotland for the duration of terms agreed prior to independence or for an appropriate period afterwards but Scotland must run itself as an independent country and this means retaining the ability to make independent decisions about how its foreign obligations are met. There is therefore a strong moral case to be made to thoroughly re-assess how and where Scotland’s portion of the UK’s foreign aid is currently spent and where aid is being spent in ways that are counter to Scotland’s morals and global outlook, to re-allocate aid to projects which do.

The Principles of a Common Weal Fiscal Policy

Common Weal believes that as a matter of democratic principle a Scottish independence campaign should be “future neutral”. That is, independence should be constructed in such a way that the normal democratic and political processes can then go on to create policy which is implementable regardless of the government voted in to implement that policy. Scotland should have just as much of a democratic right to create a Conservative vision of independence as it should a Scottish Nationalist vision or the vision proposed by any other political party, think tank or coalition group. Any process of independence that results in Scotland being “locked in” to a set of policies should be rejected in favour of a process which allows flexibility. The Growth Commission’s report certainly fails this test with regard to its fiscal policies. The Sterlingisation proposal, especially coupled with the “six tests” which would need to be passed before a currency could be created is not compatible with this premise.

Similarly, the Commission’s insistence on setting up multiple compliance bodies (such as the Standing Council on Scottish Public Sector Financial Performance) are likely to subvert or suppress the democratic process by applying a technocratic layer on top of decision-making. Depending on the strength of influence granted to these bodies, there could be a significant penalty in terms of political capital applied to those governments who wish to ignore the “recommendations” of these bodies, regardless of the consequences of following such advice.

This first principle notwithstanding, Common Weal’s position is that an independent Scotland should adopt a set of fiscal positions which operate for the greater good of the people of Scotland rather than taking positions dominated by the desire to placate financial markets whose sole motivation is profit at all costs.

The narrow obsession with deficit reduction and public debt minimisation should be recognised for the counter-productive and harmful ideology that it is. Austerity must truly be avoided in the Scottish economy.

Scotland should adopt a wider set of fiscal metrics than merely looking at the deficit and at GDP and GDP growth as a measure of “success”. The overall sectoral balance of the Scottish economy must be considered. Scotland should seek to monitor the balances of the public and private sectors as well as Scotland’s balance with regard to the rest of the world. Macroeconomic and fiscal policy should be set such that the private sector – specifically, households and the citizens of Scotland – should not experience prolonged and severe deficits whilst at the same time...
ensuring that inflation is not allowed to grow out of control and Scotland’s sovereign currency is not allowed to overly strengthen or devalue.

This may mean that the Scottish public sector will run persistent deficits in order to counter-balance a trade deficit or prevent an unsustainable rise in household debt. This policy should be embraced rather than scorned. Austerity has caused too much harm in the UK – even to the cost of potentially tens of thousands of lives¹⁰ for it to be countenanced in an independent Scotland.

Additionally, the health of the Scottish economy should be measured by a broader set of goals such as the environmental carrying capacity of the country, economic inequality, and the wellbeing of the citizens and residents of Scotland. These metrics are far more important than GDP growth and would create a more sustainable economy in the long term.

The tax base and economy of Scotland should be broadened. Over-reliance on a few key exports (Oil, Salmon and whisky) may be detrimental should the global economy turn away from these products, all three of which may be vulnerable to such shifts. Oil will soon be phased out as a fuel as the world transitions to a carbon neutral economy, salmon farming carries significant environmental degradation costs and the catastrophic health impacts of alcohol abuse are well documented.

Future work conducted by Common Weal shall examine in detail the case for radical tax reform up to and including demonstrating that a ground-up construction of the tax system can lead to a much fairer, much more robust fiscal policy than can be achieved by copying and pasting the UK’s tax and financial regulatory systems and then attempting to make minor adjustments later.

The importance of getting the foundations of Scotland’s fiscal policy right cannot be understated. It will be impossible to diverge Scotland’s economy away from the one it has experienced under the stewardship of the UK if the fiscal policy binds economic policy to the UK model.

It is perfectly possible that an independent Scotland with its own currency could choose, democratically, to elect a government that pledges to uphold the Growth Commission’s fiscal restraints. However, it is not possible to implement many alternative proposals – such as Common Weal’s – if Sterlingisation is imposed and it is imposed in such a way as to make transition away from that option difficult or impossible. Independence should not come at the cost of the Scottish electorate’s ability to build the country they wish to create.
References
