Radical Options for Scotland and Europe

For public ownership and democratic control

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Scottish Budget 19 December
Rich taxed a little more - but public services savaged with grave consequences for future

The Scottish Trades Union Congress, among other bodies, welcomed the increase in tax rates for higher income bands – although pointing out that the £45K+ band had been exempted as had the opportunity of a new band for the super-rich as proposed by the STUC. At the same time the STUC and the Convention of Local Authorities condemned the Scottish government for having frozen Council Tax and neglecting STUC proposals for a progressive reform of Council Tax banding. As the Frazer of Allander assessment pointed out, the £140m to be passed on to local councils will still fall £40m short of the £180m which Councils intended to raise by increasing Council Tax – and significantly fall short of the funding cut resulting from the UK government Autumn Statement (estimated by COSLA as £300m for local government and £1B for Scotland as a whole). While the NHS and to some extent core education will be protected, other sectors will face new cuts on top of those already imposed. Capital spending will face a savage reduction – 20 percent over the five years to 2028-9. Local government capital spend will suffer a 21 percent cut (£150m) and affordable housing £196m (bringing the total in the last two years to a 37 percent cut) (Scottish Fiscal Commission). Former Scottish Labour Leader Richard Leonard commented: 'no plan for economic development; no plan for jobs and no plan for public services.'

The productivity crisis and Scottish education

At the beginning of December a joint report from the Resolution Foundation, Nuffield and the Centre for Economic Prosperity revealed Britain as having a level of productivity increase over the past fifteen years half that of other comparable economies: 'fifteen years of stagnation … a disaster'. The biggest failing, especially as an economy heavily dependent on services, was in training and education.

Two days before the publication of this report the Programme for International Student Assessment (PISA) published its current survey results revealing a sharp fall in the attainment levels of Scottish school students. Between 2018 and 2022 Scottish pupil achievement fell from 6 percent above the OECD average to 5 percent below. Slightly less dramatic falls were recorded for reading and science. Cited causes were a decline in parental support and teacher numbers and a significant increase in malnutrition (11 percent). These findings were echoed by the letter from COSLA to Shona Robison on 28 December saying the government's priorities had been wrong and should have been focused on 'the true causes of poverty … particularly its impact on children'.

The most recent report on Scottish productivity was published two years ago by NIESR. This found Scotland's performance up 2017 to be somewhat better than most British regions but – as with

Britain as a whole - poor by international standards. Its weak spots were that actual innovation depended on a few dozen big international firms, often in oil, and that very little occurred in the biggest sector of the economy, services. Research and development spending was disproportionately focussed in the university sector, largely funded by overseas students, with significantly less R&D than the British average occurring in Scotland's 'service-heavy' business sector.

British economic growth failing

ONS figures published on 22 December revised the growth of the British economy to 0.0 percent in the second quarter of 2023 and a fall of 0.3 percent in the third quarter of 2023.

This also corresponds to a fall in business investment in the third quarter 2023 of 1.6 percent – the first significant fall since the post-Covid recovery in business activity. Merger and Acquisition activity on the LSE also fell by a third in 2023, the first time since 2012. Correspondingly share 'buy backs' on the London stock market rose by a third (this enables companies to transfer value to investors within minimum tax implications) – at the expense of investment. According to ONS a majority shares in LSE companies are owned overseas: 54 percent from North America alone.

European Growth Falters: November 2023

	GDP growth	Inflation	Unemployment
EU	0.0	3.1	6.0
Euro Area	-0.1	2.4	6.5
Germany	-0.1	2.3	3.1
Spain	0.3	3.3	12.0
France	-0.1	3.9	7.3
Italy	0.1	0.6	7.8
Greece	0.0	2.9	9.6
Austria	-0.5	4.9	5.1

EU to reimpose tight budgets on Euro members from 1 January 2024 and shrink deficits

EU treasury ministers concluded their December meeting by proposing new spending rules from 1 January 2024 for euro-group countries in order to shrink the EuroGroup deficit on current spending from 3.1 percent to 2.8. After pressure from Germany proposals were agreed on 21 December.

The new rules will penalise high deficit countries like Italy in particular. The EU Commission will now draw up four year spending plans for each country – within the previous targets of a 60 percent debt to GDP ratio and 3 percent annual deficit and require an annual spending cap. Projections for the euro-area growth rate have been cut from 1.2 percent in 2024-25 to 0.5.

New book by Costas Lapavitsas,

The State of Capitalism: economy, society, hegemony

Professor Lapavitsas's new book launched in November focuses on the emerging crisis of capitalism seen over the past decade and marked by intensified financialisation and the rise of the shadow banks. This process was mediated by central bank policies of the US, EU, Japan and Britain – and now poses major challenges to further economic growth and to democratic institutions. Professor Lapavitsas has been a strong critic of the anti-democratic logic of EU policies based on neo-liberal, pro-business assumptions. **He will be addressing the ROSE AGM on Saturday 13 January along with Cllr Matt Kerr, Kate Ramsden (former EC member of Unison) and Claire Peden and Scot Walker of the Unite the Union Campaign for a Workers Economy. The meeting starts at 10.30 am in the Unite Building 143 West Regent Street, G2 and will be chaired by the Labour peer Pauline Bryan.** ROSE AGM: For Public Ownership and Democratic Control Tickets, Sat 13 Jan 2024 at 22:00 | Eventbrite