Radical Options for Scotland and Europe

For public ownership and democratic control

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Economic clarity at a time of political confusion

How foreign direct investment into Scotland is robbing our country of its potential for productive development

At the end of April Common Weal published a major piece of research entitled 'Profit extraction: how foreign ownership drains Scotland's wealth'. Written by Craig Dalzell, it demonstrates that Scotland's loss of national income to overseas investors (and the City of London) is on a scale only equalled by nations in the global south. Since relevant records began in 1998 and up until 2021 a total of £277 billion investment income has been extracted – most, £142 billion, to the rest of the world, and a smaller amount to the rUK. 'The Scottish government has, as a conscious political choice, sought to maximise foreign direct investment'. It saw this as 'a tool for growing the economy'. Instead it has 'exposed Scotland to the worst aspects of the globalised economy'. In 2021 the outflow amounted to 5.59 percent of Scotland's GDP – a percentage that has been growing annually as Scottish firms are bought up and as new external investments are made. The paper lists the companies lost to external ownership. It also maps the acquisitions of dominant share blocks by investment companies like BlackRock and Vanguard and details how this has increasingly enabled the extraction of profit income from the remaining 'local' firms at the expense of investment and productivity growth.

The research directly challenges the economic assumptions of EU neo-liberalism adopted by the SNP (as well as post-Corbynite Labour) and raises questions close to those traditionally posed by ROSE about public ownership and democratic control.

Scottish government cuts to higher education

The Scottish Funding Council is cutting 6 per cent (£28m) from funding for Scottish Higher Education for 2024-25 with a 1200 reduction in student places. The biggest losers are the post-1992 universities which generally lack significant research income and fees from overseas students. The University of the West of Scotland is facing a ten percent cut in grant income and major job cuts. Robert Gordons in Aberdeen faces cuts of £18m – with demands for cuts of 200 jobs. Most of the 'modern' universities, largely catering for working class students, will see cuts of this order – with corresponding impacts on levels of social access. The old universities are cushioned by research income and overseas student fees – although this also is now threatened by the Westminster government's attempts to create a hostile environment for Chinese students. FE colleges have already seen two-thirds of their courses closed since 2012 and now face a further cut of £500,000 over the next three years.

Poverty and Homelessness in Scotland

Research by Which? and Leeds University shows Scotland to have a slightly higher than average number of local authority areas, three out of 29 listed for Britain as a whole, where a majority of the households are, to some degree, dependent on food banks. They are N. Ayrshire with 65 percent; E. Ayrshire with 59 percent and West Dunbartonshire with 50 percent. According to Shelter the past year has seen an 8 percent rise in homelessness with 250,000 now on waiting lists. The coming year will also see a continuation in cuts to funding for public sector housing – from £740m in 2022/23, to £564m in 2023-24 to £375m in 2024-25.

Fraser of Allander survey shows Scottish businesses struggling – within an uncertain global environment

The business survey released on 18 April finds that '… despite falling inflation, 83% of firms in Scotland [are] seeing their costs increase over the last quarter, compared to 78% last quarter. In every category, the proportion of businesses reporting that costs were higher has increased compared to last quarter. The increase in the cost of employing people were the most commonly cited, with 77% reporting that total employee costs were higher and 76% reporting that wage costs were higher. The vast majority of businesses expect economic uncertainty, staff availability, and political uncertainty to be important or very important over the next three months – up considerably compared to last quarter.

On 17 April the economist John Plender writing an overview in the *Financial Times* outlined the high levels of risk in the current global economy: low productive investment, very low levels of productivity increase, unprecedented levels of both public and private debt. He noted the speed with which largely unregulated investment companies and shadow banks had been increasing their share of global financial assets from 25 percent in 2010 to almost 50 percent now and has overtaken the regulated banking sector. At the same time a sector exercising a degree of monopoly contral, largely controlled by shadow banks, was entrenching itself and depressing the general level of profitability. On 28 April the FT commentator Martin Wolff saw the increase in inflation in US, and the maintenance of high interest rates, as potentially destabilising for weaker sectors of the economy.

Ahead of the EU Parliamentary elections Macron bids for leadership position

In a speech at the Sorbonne on 26 April Macron called for a rebirth of the EU. 'The EU is mortal. It can die.'. The EU economy, he argued, required systematic investment in 'new technology, defence and decarbonisation' coupled with a 'shared European defence concept' compatible with NATO.' He did not directly call for a common debt fund but did endorse a common fund to boost military expenditure. He also called for a change in the European Central Bank's interest rate criteria to move beyond inflation to consider economic growth and climate targets.

The speech may reflect, as suggested in the *Financial Times*, Macron's possible ambition to replace Ursula Von der Leyen as Commission President. Latest polling figures suggest that the EU Parliament election will show a sharp shift to the right – with the Left and Social Democrats reduced to 180 seats, the Right (including the far right) 357, the Greens 48 and Liberals 86.

The EU economy (Eurostat) March 2024 (accessed 30 April)

	GDP Growth	Inflation	Unemployment 3/2024
Euro area	0.3	2.4	6.5
Germany	-0.3	2.4	3.2
Spain	0.6	3.4	11.5
France	0.1	2.4	7.4
Sweden	-0.2	2.3	8.6