Radical Options for Scotland and Europe

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Not much Christmas cheer

The 27 November Westminster budget provides some useful benefits including an 8.5 percent increase for the minimum wage for 18-20 year olds (the 20+ increase hardly meets inflation). There are also small grants of £25m and £20m respectively for the Forth Green Port and the Greenock Dry Dock. The full coverage of the two child plus benefit will contribute roughly £155m towards reducing an overall Scottish funding gap estimated by the Scottish government at £900m.

The response from Scottish local authorities (COSLA) was that an immediate £16 billion increase was necessary to meet existing service obligations. Affordable housing required £844 million for new build plus £955 million for repair. £750m was immediately needed for social care. Otherwise 'reduced services will see inequalities deepen'.

For 2025 wage increases in the private sector appear to have been running at around 3.4 to 3.6 percent (source CIPD), 3.5 in local government and 4.25 in the NHS. For this December the CPI inflation is down from November's 3.6 to 3.2 and RPI to 3.8 percent from over 4 percent. However, the David Hume Institute survey published earlier in December showed pretty negative responses on incomes and living standards: 69 percent felt economic conditions had worsened in 2025, 53 percent said they had cut back on essentials and 47 percent had cut back on heating. 73 percent also felt the economy would worsen in 2026. For Britain as a whole the Nuffield College Research Centre seemed to confirm this. It estimated, as of November 2025, that disposable incomes were now lower than they had been pre-Covid in 2019, the first overall decline for a five year period since records began in 1961. The post-budget assessment of the Rowntree Foundation was that, despite tax increases mainly focused on higher earners, even the poorest would see a net decline in real incomes by 2029 – with the average household £850 a year worse off by then.

Scotland's industrial future remains uncertain

There is some good news. The British government has put up £120m (with £30m from Radcliffe) to save the ethanol plant at Grangemouth with 400 jobs. This will ensure continuing supplies for Scotland's plastics users (Exxon is scheduled to close the only other producer at Mossmoran in February 2026). Radcliffe will remain owner but pay a share of profits to the government. Additionally the Scottish government is providing £6.3 million to secure 149 jobs in the Grangemouth area through Celtic Renewables and another 310 is due to be funded by both by Scottish and Westminster governments through McAlgae Chemicals 'over the next few years'.

For the North-East the joint Deloitte-Fraser of Allander report has detailed options on the long-term rundown of petrochemicals So far the decline in employment has, they report, been largely hidden by local firms hiring out skilled employees for employment in the Middle East and elsewhere. From now on, however, the pace of decline is likely to increase. The report calls for a 'managed decline' based on government support. This, it is argued, would retain £45 billion value added, out of the current £128B, retained till 2035. Otherwise, accelerated decline would see value added reduced to less than a quarter of the present by 2035: £32B. In a move towards managed decline the Westminster government slightly relaxed the ban on further exploration in November – allowing a resumption 'adjacent' to currently operating fields. Existing plans for a 'green energy transition zone' in the north-east aim to create 60,000 green energy jobs by the mid-2030s. Fraser of Allander figures show 42,000 such jobs for 2022 and increasing to 47,000 in 2023 – but figures for 2025 appear to remain around 47,000. Elsewhere Life Sciences, including pharmaceuticals, saw a loss of 9,000 jobs in 2024-25. Pressure from the US is likely to see a further shift of research to the US. Overall there seems to have been little overall improvement since Mariana Muzzucato's rather depressing report on Scottish manufacturing in 2024.

Europe's Economic and Political Crisis

Scotland has not, however, been alone. Europe's formerly leading economies have been in crisis since the end of the pandemic. Germany's GDP has suffered an outright decline – down by 0.2 percent in 2024 and declining again in 2025. Over the same period France's economy has also declined sharply as has Italy (0.1 growth 2024-25). The main factors behind Germany's decline have been the massive increases in energy costs (by up to a third) impacting particularly on chemicals and capital goods and resulting from the loss of pipeline gas supply in 2022 and the further ban on Russian energy imports later that year. This was followed by President Biden's £400 billion package of subsidies for companies relocating to the US and President Trump's 25 percent tariffs on EU goods (up to 50 percent in some cases). Industrial productivity fell in 2023 and 2024 and only slightly increased in 2025. France, less dependent on engineering and heavy industry and with more diversified energy supply, has maintained growth but only at minimal levels: 1.6 percent in 2023, 1.4 in 2024 and a predicted 0.9 in 2025. Business investment fell in both 2024 and 2025. The Banque de France reports an 8.5 percent fall productivity since Covid.

This economic crisis has also brought, but also been compounded by, political crisis. Far right populist parties have sharply increased their support. This December Le Pen's RN is polling at 37 percent against 20 for the Left and 17 for Macron's centrists (and with some right-wing Gaullists moving towards possible alliance with RN). In Germany the AfD is at 27 percent against Merz's CDU at 25 percent and Social Democrats at 14. Nearer home in Britain, the populist right is polling 10 percent ahead of the two former ruling parties within an electoral system that would give it a parliamentary majority in an election.

Global shifts in alliances: how will the US opposition to the EU impact on British policy ?

Since 2020 the world politics have been largely determined by changing US strategies for the maintenance of dollar stability and global dominance. Under Biden the first stage was the militarisation of the Pacific, the AUKUS pact (in which Australia's contract for nuclear subs was switched from France to Britain), the denial of China's treaty rights over Taiwan and the formation of a new network of Indo-Pacific military alliances. In all this Britain played a central role. The confrontation in the east was then followed by the Russian response in the west – with the US and Britain frustrating European attempts to secure a settlement of the Ukraine war in April 2022. The period which followed saw Britain instrumental, on behalf of the US, in elevating NATO as the key mobilising force in Europe. The new policies of rapid militarisation were described by NATO commanders, and some others, as 'military Keynesianism' – posing as a solution to Europe's economic woes rather a cause. In this process Britain, through the 'Coalition of the Willing' and later through the E3 Treaty, re-engaged with EU institutions and did so, seemingly as a US agent, principally to ensure the financing of rearmament programmes and a greater institutional dovetailing with NATO. This period saw limited moves back towards a renegotiation of British-EU relations.

This period seems to have ended. The US now seeks agreements with Russia that might assist its primary objective, challenging China. This has been made clear in the US December 2025 Security Policy. In Europe the US now sees NATO as its primary ally and discounts, if not opposes, the EU. In step the Starmer government has now abandoned some of its minor moves to closer links with the EU (student exchanges) and has withdrawn from full membership of the EU SAFE rearmament programme. This December it even appears to be re-considering some elements of its defence budget.