

Radical Options for Scotland and Europe

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This briefing is issued on the eve what seems to be a turning point for British politics – elections where the Labour Party looks, at least temporarily, to lose its position as the dominant political party representing labour and to do so currently, it appears, without an obvious successor being apparent. A right-wing populist party seems likely to take a significant share of its vote.

The international context

Scotland's elections take place at a time of major international confrontation. These conflicts appear to mark a significant intensification of the US drive to maintain the dominance of the dollar along with the global network of economic and political power that depends on it. The new level of heightened military engagement began in 2020-21 - apparently driven by the perception of those who rule the US of the strategic necessity of undermining the rising economic power of China and breaking its alliances with states in the global south.

Initially at least, under the Biden administration, the new diplomatic and military initiatives took place in close alliance with Britain during the premiership of Boris Johnson. Its starting point was the joint militarisation of the Pacific under the AUKUS programme. It continued on the economic front with Biden's protectionist interventions to regain US industrial dominance in its trade with EU states from 2022-23 and to pass the cost of NATO on to European members. Here Britain acted as a US intermediary in implementing programmes in Europe for re-militarisation under NATO. Britain continued this role under Starmer and Trump and actively participated in the creation of new pan-European military structures that include both Britain and EU states.

Research just published by the Bruegel Institute (Beatrice Weder di Mauro, *New Global Imbalances*, April 2026) goes some way to explain the urgency of US high-risk interventions. It argues that the trading of US deficits through hedge funds and non-banks is creating global imbalances that are now 'a cause for concern'. It queries whether returns on US assets are sufficient for dollar viability and poses the danger of 'a precipitate and damaging external adjustment'.

In this context the Starmer government has appeared to be moving towards a closer relationship with the EU. It does so, however, without any recognition that today it is a different EU to that of the 1990s. EU member states have, in parallel to Britain itself, faced a protracted period of economic stagnation that has principally been addressed by a move to militarisation. It has also seen increasingly major challenges from the populist Right. At the same time, however, Britain, and even more Scotland, remain far more dominated by US finance capital than any EU member state. This is particularly so for Britain's own finance sector and its increasingly powerful military-industrial complex. Hence we need to ask: will any closer structural relationship with the EU, as before, be prejudiced by the conflicting macro-economic interests of the US and the EU? For the Left the EU poses a further question. How far can any progressive programme, asserting the collective rights of labour, be compatible with the EU constitutional treaty that gives primacy to the legal rights of capital?

Scotland: elections in the midst of global crisis

The Institute of Fiscal Studies (Scotland) provides an assessment of election manifestos here: <https://ifs.org.uk/scottish-election-2026>. In summary the **SNP** promise interventions to minimise poverty. It also aims to increase access to house purchase – but within the private sector and without much detail on how the extra finance is to be found. Any ultimate resolution these challenges is seen to be contingent on an independent Scotland within the EU. There is no significant assessment of the financial and economic implications of such a move. The IFS sees the **Green Party** as proposing a tax and spend manifesto with free travel and dental care and a progressive restructuring of local government taxation but also twins this with prospective membership of the EU. **Labour's** stress is on improving public services and helping first time house buyers but with little indication of how this is to be paid for apart from 'fiscal drag' by which inflation pushes people into higher tax brackets (it also proposes reducing liability to higher rates down to England and Wales levels). **Reform** calls for scrapping Net Zero and redeveloping oil in order to cut income tax and end the 'benefit cliff'. None of the manifestos appear to address the biggest structural problem facing Scotland: an

economy mainly owned externally that exports much of the revenue needed for growth and a legislature which lacks powers needed for securing effective public sector intervention and ownership.

In January, before the Gulf crisis, the Scottish Fiscal Commission projected growth for the Scottish economy at 1.3 percent for 2026. Now both Britain and Scotland are perceived to be particularly vulnerable because of their high dependence on natural gas imports from the Gulf and the projected escalation of prices. Scottish government's Scottish Economic Insights (24 March) assessed the wider economic impact as 'relatively small'. Across the year Scottish household energy bills are forecast to rise by £500 – though sheltered by existing scheduled limits for the first half of 2026. In terms of the wider ownership of Scotland's economy, left-wing commentators note the continuing erosion of public provision – partly a result of the Scottish government's 2025 commitment to cut staffing by 0.5 percent each year for the following five years. The Jimmy Reid Foundation (March 2026) documents the creeping takeover of Scottish Water by private contractors now employing a majority of the workforce and with 92 percent of water projects delivered by third party firms.

Britain's economic vulnerability

On 15 April the IMF's chief economist identified Britain as the most vulnerable of the G7 economies in face of the Gulf energy crisis. The IMF growth forecast for Britain in 2026 had been reduced from a projected 1.3 percent to 0.8 percent. Inflation was estimated to rise to 4 percent and unemployment set to increase from 4.9 percent to 5.6 percent. Earlier on 11 April the OECD chief economist identified Britain's economy as one of the weakest among the advanced nations: low business investment, construction falling, service growth stalled and inflation already over 3 percent. The same day the Governor of the Bank of England welcomed the rise in unemployment as reducing inflation pressures and defended an intent to maintain interest rates at 3.75. The Resolution Foundation (13 April) recorded a fall in hirings in Hotel and Catering of 15 percent, Retail at 15, Nursing at 8 and IT at 2. Construction increased 1 percent. The latest figures on UK productivity, released by ONS 17 February 2026, showed a fall of 0.5 percent between Q4 2024 and Q4 2025.

Europe – stagnant, indebted, divided and increasingly militarised

Area	Growth Q4 2025	Inflation Feb 2026	Unemployment Feb 26
EU	0.2 percent	2.1 percent	5.2 percent
Germany	0.3	2.0	4.0
Spain	0.8	2.5	9.8
France	0.2	1.1	7.8
Italy	0.3	1.5	5.3

Statistics from Eurostat

EU pursues limited levels of protectionism: the Industrial Accelerator Act

This legislation from the Commission is currently before the EU Parliament. It proposes 'incentives' to create market demand initially for steel, cement, aluminium, electric vehicles and clean technologies, with specifications for local content and restrictive provisions on Chinese input. It aims to increase manufacturing to 20 percent of GDP. A March 2026 research paper from the Kiel Institute says its aims are unrealistic: restrictions on China will simply redirect its investment to outside the EU and the legislation's new provisions on local content will fragment value chains, increase costs and hinder access to international markets.

Volkswagen switches car plant to the production of military drones

Financial Times 27 March 2026 reports the conversion of Volkswagen's Osnabruck plant from car production to that of military drones. Partnerships have been formed with Rheinmetall and Israel's Rafael. It is claimed that these weapons will be used to defend the European Expeditionary Force in the Baltic.

Welfare not warfare

Research from the IPPR April 2026 'Bismark versus Beveridge Revisited' (introduction Lord Darsi) provides a major international comparison of health service funding – contrasting tax-funded systems with private social insurance.. Its conclusion is that tax-funded systems provide significantly better results than social insurance systems. It highlights results of such systems in the Scandinavian countries, Spain and Italy. The problems experienced by Britain's tax-funded NHS is its low level of funding. It notes that its capital spend is approximately **half** the level of Italy and Spain and well below Scandinavia.

Research from the IMF, also published in April 2026 by Pierre-Olivier Gourinchas, 'Defence Spending Macroeconomic Impact' concludes that defence spending booms often weaken 'fiscal and external economic balances ... followed by sharp increases in public debt and large reduction in social spending. The average multiplier is 'about 1' - less than most other areas of public spending, particularly those that involve R&D.

