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BRIEFING 87 OCTOBER-NOVEMBER 2026

Scotland drifting into rougher waters

The October budget has been described as a sticking plaster budget by the STUC with little or nothing to justify the prime minister's promise to end with neo-liberalism Referring to the massive rise in money for arms (£74 billion for the coming financial year from £62 billion in the current financial year), Ros Foyer stressed that such spending 'must not come from public sector efficiencies'. The Fraser of Allander Institute calculates that Scottish funding for the coming year 2027-28 will be down by 1.3 percent in real terms.

Earlier in the autumn the SNP conference once more called for an independence referendum and also supported calls for one on EU membership. The Scottish government's own plans for constitutional reform (6 regional councils and 60 or more 'community level' councils) were given a less than whole-hearted welcome. Swinney also announced future plans for a £2 standard bus fare in the Highlands and the Greater Glasgow region and (gradual) moves towards public ownership. During the same week Andy Burnham visited Scotland to launch his bid for a decentralisation of powers to regions and nations and, more specifically, within Scotland itself, taking power down to regional and community level – in a country which he described, in a swipe at the SNP, as the most centralised nation within the union. Neither Swinney nor Burnham addressed the key issue: that the exercise of 'power' depends, within our current economy, on financial resources.

The Scottish Fiscal Council Autumn Update predicted cuts in both resource and capital budgets for the coming year (with local government again taking the biggest hit): COSLA had previously noted with some concern Scottish government plans for social care (transfer of legal responsibility to Scottish government and operational responsibility to NHS boards at the same time as reducing the number of NHS boards to just two (COSLA: 'social care must be seen as an equal partner to NHS not as subsidiary to it'). A statement from Unison Scotland warned that 'this huge upheaval has been announced as part of a cuts agenda. The government has targets to cut 20,000 jobs by 2031 and £1.7 billion from budgets by 2029 through public sector reform. Local government is expected to play its part in this, despite having already lost tens of thousands of jobs. 'Rationalisation' and "reducing backroom duplication" is a key aim of the restructure. This is not the right way or the right environment in which to make important decisions.'

The Fraser of Allander Institute reviewed the wider health of the Scottish economy in its autumn issue as little different from the British: i.e. poor. Though growth was predicted as 1.1 percent for this year and the next, employment is already soft in the productive economy and falling for the below 35 age groups. The loss of jobs was highest in accommodation and food, wholesale and retail, information and manufacturing.

On 21 October the British government announced permission for resumed drilling of Shell's Jackdaw oilfield. Shell's five biggest shareholders are currently four US investment companies and the Norwegian state. It is estimated by Friends of the Earth that opening the field will generate 24 full-time jobs and provide little or no additional income for Scotland. Two weeks before Mark Williamson, *Herald* 6 October, itemised the policy failures that have left Scottish renewables in crisis. In particular the grid remains largely as it was when created – to distribute energy from centralised power plants – not to capture power from decentralised coastal and remote mountain generation points. The government has done little. The private power companies even less.
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Britain: warfare trumps welfare in a speculators' world

Andy Burnham made a series of major policy speeches in the early autumn:: at the Labour Party conference on 29 September, on the BBC on 30 September and in the House of Commons on 2 October. Each offered perspectives of progressive intervention: on transport, housing, water, education, industrial development and decentralisation of power. Details were, however, lacking. This was especially on its financing. There has been little or no follow up. A feature in the *Financial Times* 27 October estimated that the government would be lucky to reach half its original target for housing by 2029 – and almost all will be built by the private sector. A closer reading of the budget indicates the Housing and Communities will suffer a £2,.2 billion cut, Culture, Media and Sport (mainly the BBC) will be cut by £2.2 billion and Transport £1.6 billion. Increases, apart from

Defence, will be for Health £16 billion (NHS), Work and Pensions £21.8 and Energy £21.6 (nuclear decommissioning).

Ahead of the budget the Resolution Foundation (13 October) outlined the constraints – and also the immediate challenges. Existing rises in borrowing costs will increase national debt to £14billion above OBR target by 2029-30. Inflation over the past five years has pushed prices 30 percent higher (under previously 'normal' inflation this would have taken 13 years) and in doing so reduced potential real annual incomes by £3,900 below the previous trend line. Meantime, over the previous two years private rents had increased by 20 percent - with no increase in support. Earlier (8 October) the Rowntree Foundation had projected a fall in real incomes over the coming year – worst for the poorest. The biggest drivers would be the costs of energy and housing. On current projections the fall in real incomes would increase further in 2027-28. The temporary subsidies provided in the budget for energy, household and housing costs will offer limited mitigation – but in most cases only for a few months.

At the Labour Party conference Burnham sought to test the water for some form of resumed association with the EU - possibly with a view to a Lib Dem alliance in the next parliament. Shortly after, on 12 October, a Westminster Hall parliamentary debate took place. All Labour MPs spoke in favour of EU membership – apparently with little awareness that the EU has changed since 2017 and now faces a deep structural institutional, political and economic crisis. Some opposition is reported to remain in the Cabinet. Burnham has since reiterated a renewed interest in the EU but in a watered down 'closer association' form.

The world economy and the EU's multiplying crises

More widely the world economy appears to be on the cusp of a possibly serious financial crisis. Both the IMF and the Bank of International Settlements (Basle Working Paper 1388) have warned in the past month of growing financial instability particularly in the unregulated 'non-bank' sector, the major funder of AI. So has the Bank of England (20 October: BoE Risk Management).

The major EU countries, Germany, France, Italy and Spain, already face either economic or political crisis and, in the case of Germany and France, both. In neither France nor Germany has there been significant economic growth since Covid. The slight increase secured by Germany in the past year (0.7 – 1.3 percent) has been almost entirely the result of arms production (Bundesbank Report June 2025; Keil Institute: Nils Jennsen, September 2026) with growth projected to decline from 1.3 currently to 0.4 by 2028 and national debt estimated to rise from 64.2 to 68.5 over the same period). Germany's car industry continues to contract in face of US tariffs and technologically superior and cheaper Chinese cars (Brueghel Report 20 October 2026). On 6 October the head of the French Central Bank (Banque de France) warned that France was being strangled by high interest rates (1.5 higher than Germany) and demanded further budget cuts.

As an institution the EU itself has become much more closely integrated with NATO, now effectively an EU-based organisation, and EU economic interventions are increasingly focused on military preparedness. At the same time other areas of policy initiative, banking unity or fiscal integration, appear to have been halted or abandoned. On 21 October the European Policy Centre published a research paper on the demise of what had been a centre piece of EU structural planning: regional policy. Meantime the EU Commission is currently trying to sidestep the failure to secure fiscal or banking unity by promoting legislation for a common EU system of company registration as 'EU Inc'. Opposition is expected in the EU Parliament. The current drafts will override existing national registration procedures that, in some EU members, require recognition of trade unions and trade union oversight of accounts. It will also, some argue, denude smaller member states of legal control of key productive assets to the benefit of the bigger economies.

Meanwhile EU countries have become the passive hosts to hundreds of externally-owned data centres. Germany has 529 (consuming 4 percent of the country's electricity), France 322, Netherlands 298, Italy 173, Spain 144 and Ireland 139. None are owned by EU companies: two of the investing companies are Chinese; the rest are US-owned.

Key EU economies (Eurostat)

Country	***Growth Q2 2026***	***Unemployment August***	***Inflation September***
Germany	0.3	4.0 percent	3.3
France	0.0	8.2	3.4
Spain	0.7	10.0	5.0
Italy	0.2	6.2	4.2

Readers are also referred to the monthly Bulletin of the Scottish Trade Union Peace Network for more detailed reports on defence spending as affecting Scotland: contact the Secretary Arthur West [arthurwest7@hotmail.co.uk].