

Britain: Tories and Lib-Dems push “fiscal autonomy” for Scotland

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The Conservative-Liberal Democrat coalition has pledged to implement the Calman Commission on Scottish Devolution. An item on the commission’s recommendations, including proposals for greater “fiscal autonomy” for Scotland, was included in the Queen’s Speech.

By offering a greater measure of financial independence, the coalition is seeking support from the Scottish government and political establishment for its imposition of brutal austerity measures across Britain. Prime Minister David Cameron had an amicable meeting with Scottish First Minister Alex Salmond of the Scottish National Party (SNP), and his Welsh counterpart Carwyn Jones, and hand-outs have been offered.

The commission’s recommendations were published June last year. Chaired by Sir Kenneth Calman, it was tasked with reviewing the devolution arrangements set in place by the incoming Labour government of 1997, which culminated with the inauguration of a Scottish parliament in 1999. Calman’s brief was to defend the union between England and Scotland, while considering new financial arrangements designed to increase “accountability”—a euphemism for cuts.

Currently Scotland receives a block grant from the British government of some £30 billion, which accounts for about 60 percent of public spending in Scotland. This sum is calculated according to the Barnett Formula, which gives Scotland greater per capita spending than England. Calman’s central recommendation, beside proposals to ensure a high level of co-ordination between Westminster and Holyrood, the Scottish parliament, is for Scotland to have greater tax varying powers. In return for a cut in the block grant, the Scottish government would have the right to vary a number of taxes including income tax, up to around one-third the value of the block grant. These would be collected centrally then distributed back to Edinburgh.

Calman makes clear that the arrangement can be extended to other taxes. He also recommended that the Scottish government be allowed to borrow its own capital. This is a major step in the direction of “fiscal autonomy”, which is favoured both by the Labour Party and the new coalition, which is seeking to cut social spending while maintaining the Union between Scotland and England. The SNP views fiscal autonomy as a step towards Scottish independence.

Implementation of Calman’s recommendations must be viewed in light of the savage spending cuts being proposed by the British government. A report by the Scottish government’s chief economic adviser, Dr. Andrew Goudie, summarised the likely implications of this in Scotland.

Based on projections from the government’s budgetary forecasts, aimed at reducing the total public sector deficit to less than 70 percent of GDP, Goudie reckoned that annual public spending in Britain would fall in real terms from nearly £400 billion in 2009-10 to less than £350 billion in 2009 prices by 2014-15—five years of consecutive cuts.

Public spending in Scotland has, on average, increased by 5 percent annually since 2000. Much of this increase was channelled into a very few pockets via the opening of ever more areas of social life to profit making, since the period saw sustained pressure on many sections of public sector workers. Even so, Goudie predicted that, if Scottish spending fares the same as UK government departments, there will be an annual decrease of 2.9 percent in every year to 2014-15, by which time spending in Scotland will have fallen to just over £26 billion. This will fall particularly between 2011-12 and 2013-14, when annual cuts will be around 4 percent of spending.

Should the economy fare in line with Treasury projections, spending will not return to its current levels until 2022-23. In total, over the next 13 years Goudie expected between £25 and £35 billion to be cut. Goudie did not explain what the

consequences might be of the second wave of recession that is already developing.

There are already plans for cuts and the reorganisation of university and further education, the re-imposition of student tuition fees, an end to free care for the elderly, the abolition of travel concessions for people between 60 and 65, and cuts throughout the public sector. Fully 1,200 workers' jobs are threatened at the Greater Glasgow and Clyde Health Board.

A recent report from the Management School at Stirling University complained that the differential between public sector and private sector pay in Scotland was far too high. Teachers and doctors were particularly targeted as being overpaid. The report cited the Irish model of public sector pay cuts, noting that the British financial deficit was of the same order.

It is in this context that the Tory/Liberal coalition has set out to befriend the SNP. The minority SNP administration are hoping to avoid implementing major cuts before the next Scottish elections in 2011, and seeking to extract more cash from London to offset the falling block grant. Cameron went some way to meeting Salmond's demands. Shortly after their meeting, it was announced that some £165 million held as a fossil fuel levy, would be offered to Holyrood, while another £700 million was going to be considered.

Salmond effused that he was "impressed" with Cameron, and their meeting had been "more substantive" than he had expected. He was also informed that the SNP would be offered a role representing the UK in talks within the European Union. Greater Scottish representation in Europe has long been a key SNP demand.

The new government's coalition agreement also included proposals for a commission on an English assembly, and on the so-called West Lothian question—resolving the anomaly whereby Scottish MPs can vote on English questions but no English MP sits in the Scottish parliament.

Cameron visited Wales and held talks with Welsh First Minister, Labour's Carwyn Jones, who leads a coalition assembly government with the Welsh nationalist Plaid Cymru. Shortly before the election, the now chancellor of the exchequer, Tory George Osborne, is reported to have promised that there would be no block grant cuts to Wales in the first year of the Tory administration. Elections are also due in Wales in 2011. Jones complained, however, that no mention had been made in the coalition agreement of implementing the Holtham Commission findings, which

made similar proposals for Wales as those made by Calman for Scotland.

Devolution had been demanded by large sections of the Scottish and Welsh establishment as well as the trade union bureaucracy and national separatist parties for decades. It was conceived of as a means to allow social spending to be more directly configured to service regional financial and corporate interests, while avoiding the break-up of the 300-year-old United Kingdom. It expressed in constitutional terms the growing pressure of globalised production on some of the oldest and richest nation states in the world. With production and investment organised globally, devolution allowed the possibility of regional business and enterprise agencies establishing their own direct relations with transnational companies, cutting their own investment deals and ultimately setting low corporate tax rates in order to do so.

Devolution, promoted by the ex-left such as the Scottish Socialist Party, also served to drive new divisions into the working class. Similar demands for "Home Rule" were long used by the Labour Party and Communist Party to divert workers struggles along nationalist and regional lines. This is why the Tories, the Conservative and Unionist Party, opponents of devolution in power until 1997, are now set to deepen it in 2010. The new government recognises that, in its conflict with the working class, the wealthy layers grouped around the Scottish and Welsh governments, and their bureaucratic and ex-left hangers-on, are essential allies.



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