

2010 Scottish project

Mission Statement – To provide in-depth analysis of the potential impact on the Scottish economy of the proposed major policy decisions surrounding the 2010 referendum on Scottish independence or greater fiscal devolution.

Introduction

In the short time that CPPR has existed it has managed to create for itself an impressive reputation for high quality analysis of economic and financial issues in relation to Scotland and the Scottish Government.¹ Over the next two years issues about devolving greater fiscal autonomy to Scotland, and/or an independent Scotland, will need a strong evidence-base from which informed decisions can ultimately be made. Such decisions will impact on everyone, covering businesses in Scotland and their employees, and ultimately long-run economic development of the economy. Thus, the type of work CPPR does is increasingly important, as the socio-economic stakes are high.

We have received backing from the main political parties in Scotland (see Box 1 below), and our work is regularly cited by them as well as being given high profile coverage in all forms of the media.

The Need For CPPR

CPPR undertakes research aimed at the development of evidence to support specific policy developments. In addition, CPPR aims to scrutinise emerging policy plans that affect, directly or indirectly, the Scottish economy, ensuring the evidence supports the policy statements. This additional “challenge” role highlights where new and existing policy may not appear “fit for purpose”.

We recognise that the policy world facing Scotland is very different in this post-Devolution age. 21st Century Scotland has a powerful new Parliament, with responsibility for over three quarters of government spending covering Education, Health, Transport, Law and Order, Housing and much more.

Therefore alongside this change in how Scotland is governed, there is a need for a strong non-partisan think tank which can:

¹ See <http://www.cppr.ac.uk/centres/cppr/analysisofthescottisheconomy/>

- act as a generator of new ideas
- review the past, present and proposed future actions and policies for all levels of government in Scotland
- help to evaluate government and opposition budget proposals and spending plans
- act as a “challenge” function to existing practice and structures by:
 - helping to make the case for politically “difficult” policy decisions
 - creating a better understanding for important long-term decisions (e.g. pensions, infrastructure, energy etc)
 - helping to navigate the increasingly fruitful but complicated area of who is best placed to provide what, in terms of “public” services
 - examine how best to raise and spend funds for government and public services
- continue to build up strong links, both formal and informal, between government, other public bodies and academia

Currently many of these roles are underdeveloped in Scotland. There are few think tanks of note or with sufficient funds to be effective.² There is even less scrutiny with an economic or financial focus for determining the value for money and economic veracity of the policies being discussed and put in place that affect Scotland. The essential “challenge” role played by current commentators is limited which equally limits the quality of both the debate and of final policy outcomes. We believe that from greater unbiased scrutiny will emerge more refined and appropriate policy.

The need for this analysis is especially vital over the period to 2010 which will be crucial in deciding Scotland’s constitutional and economic future. The current level of debate and understanding on major issues is insufficient in relation to the importance of the decisions facing us. CPPR’s role will be to: inform; debate; and guide – although the ultimate decisions rest with politicians and the electorate.

A well-funded, high quality facility such as the CPPR would be able to build on its current role to help improve the understanding of the Scottish economy and to analyse the potential impact on it of major policy decisions and initiatives.

The outputs CPPR would seek to provide shall be politically neutral and shall be of use to a variety of stakeholders such as:

- The Scottish public
- Scottish businesses
- All political parties
- The Scottish Government

To demonstrate our political neutrality we have received support for CPPR’s agenda from all 5 of Scotland’s main political parties (see Box 1). We believe their endorsement recognises both the current gap in Scotland for the work proposed by the CPPR and the belief that the CPPR is uniquely placed to deliver.

² The existing institutions in Scotland act largely as networks or umbrella organisations in the public policy arena, and are not engaged in the range of tasks we list below.

Box 1: Support for CPPR

The following are quotes from letters received by the Director of CPPR in March and April 2008:

“I am happy... to put on record my appreciation of the valuable work which CPPR has undertaken in the past, and to express hope that it continues in the future” (Annabel Goldie, MSP, Conservatives);

“...confirm my Party’s formal support for the continuation of the public policy work that CPPR has been carrying out... this work (is) both necessary and important in informing public policy making and public opinion more widely in Scotland today” (Wendy Alexander, MSP, Labour);

“... my support for the important work done by... CPPR...The politically neutral contributions of CPPR have been of great importance...” (Nicol Stephen, MSP, Liberal Democrats);

“... (CPPR) provides a valuable source of academic research and comment on the Scottish economy and public policy... the First Minister has asked me to pass on his best wishes.... for the future” (Maureen Rooney, for Alex Salmond, MSP, SNP).

Proposed Outputs

1. Regular commentaries on key economic and financial data and policy publications covering:

Economy related^{3,4,5}

- The Quarterly Gross Value Added (i.e. GDP) Scottish government releases
- Labour Market Statistics for Scotland
- Economic Strategy updates
- Annual Assessment of the Strategy and its Targets

Towards 2010 – these commentaries will help improve our understanding of how the Scottish economy works, our strengths and weaknesses; and our international standing.

Finance related^{6,7}

- Annual Government Expenditure and Revenues in Scotland (GERS)
- Annual Scottish Budget Settings and/or Reviews
- Alternative Budget options – our own or those raised by Opposition parties

³ Our latest commentary can be found at http://www.cppr.ac.uk/media/media_63376_en.pdf.

⁴ See http://www.cppr.ac.uk/media/media_55715_en.pdf.

⁵ See http://www.cppr.ac.uk/media/media_76596_en.pdf.

⁶ Examples of current work include http://www.cppr.ac.uk/media/media_54616_en.pdf.

⁷ See http://www.cppr.ac.uk/media/media_57811_en.pdf.

- Impact on Scotland of UK Budget/Pre Budget Reports
- The details of the Local Government settlement and the Local Government Single Outcome Agreements
- Key Financial Memoranda in support of Legislation
- Public Sector Efficiency Savings including review of Technical Notes
- The impact of devolving greater fiscal autonomy to Scotland and/or an independent Scotland

Towards 2010 - these commentaries will help improve our understanding of Scotland's fiscal balance and the state of its public finances under independence or Fiscal Autonomy. It will also highlight sources of potential savings for reducing public expenditure or re-orientating it.

It is expected that around 20 such commentaries will be produced annually. A full work plan will evolve over the next few months, taking account of the comments of supporters and others.

2. Developments focused on 2010

- Selective development of relevant modelling capability to permit impact assessment of various policy initiatives

This would involve development over the next 18 months of a policy-driven model that uses the Scottish CGE model of the Fraser of Allander Institute (FAI) at the University of Strathclyde, as well as other Tax-Benefit models for Scotland. With such modelling capacity it would be possible to analyse the impact on the economy of changes in fiscal spending, and/or the impact of different ways of funding such spending (whether via a continuation of the Barnett Formula; through a block grant from the UK government; via more devolved revenue raising; or other options including Oil Revenues). This type of analysis is not currently available and yet it is crucial in order to understand the wider implications of alternative scenarios for Scotland (currently raised in the Scottish Government's 'National Conversation'⁸ and the Economic Strategy for Scotland⁹). This modeling capacity would be an extremely powerful tool in assessing the impact of various chosen policies, providing more in-depth understanding of the consequences of choices that Scotland is likely to face in the future.

3. A Bi-annual publication

This will pull together critiques, from an economic perspective, of various Scottish Government (and other) publications and policy initiatives from the previous 6 months. For example, recent such items worthy of review have included:

- The Varney Report on Corporation Tax Rates in Northern Ireland

⁸ See <http://www.scotland.gov.uk/Resource/Doc/194791/0052321.pdf>.

⁹ See <http://www.scotland.gov.uk/Resource/Doc/202993/0054092.pdf>.

- The Scottish Futures Trust initiative

There will also be coverage of emerging Economic Policy from the Northern Ireland and Welsh Assemblies.

Each issue will concentrate on a subject of key importance to the Referendum debate.