

Clive Lee, *Scotland and the United Kingdom: The Economy and the Union in the Twentieth Century*, Manchester: Manchester University Press, 1995.

There's an Osbert Lancaster cartoon of 1963 which has Maudie Littlehampton demanding: 'Why doesn't Selwyn Lloyd get himself a good accountant like the rest of us?' As the British economy tumbles further down Skid Row, however, accountancy isn't what it was. Indeed one professional, Terry Smith, in *Accounting for Growth*, (1992) makes its current state look like something out of Beaumont and Fletcher:

There is also the human factor. As well as bleeding balance sheets, soaring bad debts, devastating bank profits and penniless shareholders, the scene is littered with tarnished reputations and broken careers.¹

I cite this because Professor Clive Lee's *Scotland and the United Kingdom*, an attempt to account for the 'Union factor' in Scotland's twentieth-century economic career, becomes when it reaches the present, more to do with accountancy than with history, and hence tantalisingly indeterminate.

Lee's historical account isn't starry-eyed about the Scottish past. He considers that in the nineteenth century the role of the Union was 'neutral' (p.49) - the success of the leading capital goods sectors being purchased by low wages and by appalling underspending on the social fabric. He continues, in similar vein, that to the generally depressed level of demand for capital goods in the inter-war period must be added inherent weaknesses within the Scottish heavy industries: the absence of a port-based steelworks, the exhaustion of the Lanarkshire coalfield. Oddly, Lee doesn't allude at all to 'the fractiousness of organised labour' - that old right-wing complaint and left-wing campaign medal. Where were you, John Maclean?

The problem comes when these factors are projected into the later twentieth century. Here it's difficult to see whether Lee regards the Scots as still pulled down by the economic deficiencies of the past, or the victims of failing UK policies. Lee's expertise lies in labour market studies, and these illustrate only too well the decline of manufacturing industry. But his treatment of the 'new' industries and European funds is sketchy, and frequent passages like

Even though the Scottish financial sector is relatively strong, with 20 % of United Kingdom life funds and 33 % of investment trust assets in the late 1980s, merchant banks lost accounts as the result of the takeover of Scottish companies and the relocation of their headquarters ... (p. 122)

demand more concrete statistics. Particularly as they accompany an interpretative line that public expenditure in Scotland, running at 120 % of the UK average, is not met by a taxation revenue at 95 % (p. 146). These statistics, which date from the late seventies and eighties, lead Lee to conclude that independence for Scotland is an uneconomic proposition, even with 90 % of oil revenues, and devolution, since it needs a 'tartan tax' which can make good at least some of the deficit, will be

threatened by the sort of toxic stew Michael Forsyth is cooking up for it.

It seems *prima facie* odd that a country whose workers' productivity is 10 % more than the English, which exports 30 % more - a higher *per capita* figure than the Japanese, and possesses most of West Europe's oil and gas reserves should be so dependent. Professor Lee does little to clear this problem up. Accountancy, by definition and practice, is focussed on existing economic relationships. So Lee's taxation pattern is British, with Scotland a deviation from this norm, while his social expenditure pattern is based on actual Scottish payments. Not surprisingly, Scotland shows up as a limited contributor, but demanding beneficiary.

This won't do. Lee tells us to beware calculations like George Rosie's and Arnold Kemp's, which respectively see public expenditure and mortgage tax relief as skewed to benefit the English south-east (p. 148), and is silent about the billions going on London infrastructure. (With the deficit on the Channel tunnel, and the sweeteners offered to the private operators of its trains, I stopped counting at £ 12 billion ...) But although he states where the wealth created in Scotland actually is taxed:

In 1966 corporation tax was introduced. This falls into two parts, a tax on the profits and capital gains of the company, and a tax on shareholders' dividends. Companies are taxed where they are resident.(p. 139)

he remains coy about the implications of this. If, on p. 116, he states that takeovers diminish the profitability of the Scottish financial services sector, surely a figure can be put on this? If, between 1985 and 1986 £ 2.4 billion out of £ 4.7 billion of Scottish manufacturing capital was transferred to London control, surely this affected where taxation was levied?² Such questions demand an input-output model of the Scottish economy, of the sort created nearly two decades ago by the Scottish Council: Development and Industry. There is no sign of an updated version.

Asked recently about policies for assisting small businesses, the cookery entrepreneur Prue Leith said that the most useful thing would be government help with redundancy payments: a profound comment on the economics of modern manufacturing.³ New techniques bring greater profits by reducing the labour force. Profits go south to London and (if taxed: most big firms are now as streetwise as Lady Littlehampton) figure as UK, not Scottish, taxation income. As the people made redundant become a charge on Scottish social expenditure, growth in Scottish productivity actually increases the 'Scottish' public sector burden. Ye cannae win!

Lee concedes, with qualifications, that North Sea oil, if credited to the Scottish current account, might make a difference (p. 218), though he doesn't explore how oil prices would move, with greater scarcity (through, for example, the decommissioning of nuclear plants). But North Sea oil simply emphasises the

private benefit/public cost argument. Exploitation has consumed some £ 60 billion in investment between 1969 and 1994; the number of jobs created was never more than 130,000.⁴ Scotland picked up some additional expenditure as sweeteners for parting with the resource which kept the UK afloat for much of the 1980s. Lee doesn't mention that all 'British' parties promised an 'oil fund' for Scotland in the 1974 election. They forgot about it, but it makes any subsequent expenditure surplus look more like a contract than a dole. The 'Scottish' state is still picking up the tabs for the social and infrastructural disruption created by such a high-productivity industry, which adds further to an apparent national deficit. This situation shows every sign of repeating itself in microelectronics if (as seems to be the case with Scottish Enterprise's Locate in Scotland campaign) low-wage professionals are used as the bait for multinationals. Does it profit Scotland when hundreds of computer programmer jobs are created at £ 12,000 (half the German level) the people concerned cannot look forward to a stable career structure? Glasgow's experience, with a drug problem which now costs £ 500 million a year, shows an all-too-direct connection between industrial rationalisation and the social deficit.⁵

Far from presenting Scotland as a subsidy junkie, when one tackles the substructure of Lee's argument one detects a plethora of ways in which an independent Scotland can manoeuvre in the world of globalised finance. Such a government could offer tax concessions to win headquarters operations back from London, persuade the country's itinerant population of *les tres, tres riches* to move their taxation base north, tame the oil multinationals (probably in co-operation with Norway and Statoil) into paying a proper level of tax, emulate Ireland in weaving and dodging around the money-mines of Brussels, and (not least) expand job creation within the social network to obviate expensive disasters of underemployment like the Glasgow drugs bill. These days, so *distract* are both unionism and capitalism that a nation-state compact enough to negotiate, but not large enough to annoy people, has a lot going for it. The prospects for it certainly survive Professor Lee's assault.

Notes:

- 1.. Terry Smith, *Accounting for Growth* (London: Century Business, 1992), p. 20.
- 2.. Cited in Scottish Trades Union Congress, *A Land Fit for People* (Glasgow, 1987), p. 9.
- 3.. Cited in *Financial Times* (20-21 April 1996).
- 4.. Christopher Harvie, *Fool's Gold: The Story of North Sea Oil* (Harmondsworth: Penguin, 1995), p. 18.
- 5.. Data from Locate in Scotland, *Standort Schottland* (Munich, 1996), p. 9; Scottish Select Committee cited in *Scotland on Sunday* (7 January 1996).