

Westminster parties wrong-footed on GERS debate

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Today's GERS report demonstrates that Scotland's economy is fundamentally sound, generating £400 more revenue per person than the rest of the UK.

GERS, the Government Expenditure and Revenue Scotland report, was published today and on the surface it contains both good and not so good news for the Scottish economy.

Reducing deficit

The good news is that Scotland's public finances have improved according to the latest GERS. The country's deficit in 2013/14 was £12.4bn, this is an improvement on £14.3bn for the previous year. This is a smaller deficit drop in percentage terms than for the rest of the UK and is partly because of tax falls from North Sea revenues, due largely to tax incentives for oil companies who hit record levels of investment in exploration and new field development.

Scotland pays more tax per head.

One key figure in the report is that Scotland raised £54bn or £10,100 per person in taxes in 2013/14, a figure that is £400 per person higher than the UK average. This conclusively demonstrates that the Scottish economy is fundamentally sound. Indeed, this now means that Scotland has paid more tax per head of population than the UK on average for 34 years in a row. Scottish revenues generating the ability to spend £400 per person more than the rest of the UK, even in poorer years, scotches the myth that Scotland could not afford to be an independent nation.

The Scottish Government also spends more, about £1,200 per person, which is why although we raise more taxes, Scotland's deficit as a share of GDP fell from 9.7% in 2012/13 to 8.1% in 2013/14 – it is still 2.5% higher than the UK average. The Scottish voters are clearly not

in favour of Westminster's austerity plans and so this increased spending may explain some of the SNP government's popularity.

UK debt interest slowing Scottish Growth.

The Barnett Formula will be lauded by unionists as it does mean that Scotland has more to spend in years where revenues drop. However, the key point is that in the years in which Scotland's revenues have been far, far higher than the average for rest of the UK, the Barnett Formula has severely limited Scottish spending to an amount close to the UK's. Peer reviewed research by Business for Scotland has proven that had Scotland had been an independent country for the past 34 years (as the UK debt mountain grew) Scotland's higher revenues would have meant that we would not have had to borrow a single penny. In fact Scotland would by now have a cash surplus of at least £50bn. All of the UK debt was generated outwith Scotland, and in the 2013/14 figures £3bn or 24% of Scotland's deficit was driven by interest on that UK debt and the previous year £4.02bn or 33% of Scotland's deficit was interest on debt. Let's be clear, the Barnett Formula helps as part of the UK in some years, but has overall massively limited investment in Scotland's economy.

Unionists wrong footed.

What this means is that the GERS report represents how Scotland's economy is performing within the union and tell us next to nothing about how Scotland would have performed as an independent nation now or in the past, nor about how it would perform in the future with either independence or full fiscal autonomy. This makes it strange then that Labour are looking to score political points by stating that GERS shows that fiscal autonomy would be bad for Scotland; it wouldn't, and they and other unionist parties seem to have put the wrong foot forward on the economic debate that GERS will ultimately kick off.

Yesterday, commenting on GERS, Jim Murphy stated that the figures would demonstrate that full fiscal autonomy for Scotland was wrong.

Full fiscal autonomy will grow Scotland economy.

Murphy seems to misunderstand that the purpose of full fiscal powers is to create economic growth and increase Government revenues, thus enlarging the funds available for public services. Only devolving tax spending powers on welfare but not tax raising powers, as Labour suggests, would lead to an increase in the Scottish deficit as a % of GDP when compared to the UK, just the thing they are complaining about. Labour's plan would initially increase spending whilst denying Scotland the full powers needed to implement policies that would increase revenues. This would in the short term give the false, and for Labour and its Westminster allies the politically expedient impression, that Scotland's economy is reliant on Westminster. Raising spending without also devolving the tools to raise revenues would result in poorer economic performance and, ultimately, lower welfare spending – Labour is planning to fail!

This at a time when the Scottish people clearly support both full fiscal and welfare devolution, so that the Scottish Government can follow policies that are tailored to Scotland's needs and grow our economy and our revenues so that our deficit decreases in a managed way, without the need for Westminster austerity.