

## Scottish economy could double with Fiscal Autonomy

[Gordon MacIntyre-Kemp](#) | 04/05/2015

The leading Scottish business and economic policy think tank N56 has published a report that claims fiscal autonomy, (also known as full fiscal responsibility or just home rule) coupled with a comprehensive new economic strategy, could almost double the size of the Scottish economy over 25 years. This would also increase Scotland's public finances, propelling it to become one of the top five wealthiest countries in the world.

Business for Scotland welcomes this confirmation of our own policy recommendations published earlier this month that we predict could generate a progression towards 5% growth per annum in the life of the next Scottish Parliament. See: [5 ways full fiscal autonomy can create jobs & grow Scotland's economy](#).

The report published today (4th May) *Fiscal Autonomy: An Opportunity Not a Threat* – aims to support Scotland to become one of the top five wealthiest countries in the world through the delivery of a new economic strategy including measures to boost productivity and address inequality, including a new export strategy; investment in infrastructure; investment in innovation and looking to deliver a simpler taxation system.

N-56 is backing proposals for fiscal autonomy for Scotland, devolving fiscal powers from Westminster to Holyrood and highlighting that with the right political will this could be established in as little as four years. The report noted that with this and the right economic strategy in place Scottish GDP could increase by 86% from a baseline of £153bn in 2012 to £282bn over 25 years, elevating Scotland to become one of the top five wealthiest countries in the world.

This would also increase GDP per capita by two-thirds from around £27,000 per capita to more than £45,000.

Such an increase in GDP of £129bn would also result in an improvement in public finances of some £52bn per year.

The report casts doubt on the assumptions made in the reports from the Institute for Fiscal Studies (IFS) which indicate that if Scotland were fiscally autonomous it would have a budget deficit of £7.6bn for 2015-16, over and above the UK's existing deficit, a figure set to widen.

N-56 highlights the assumption the IFS makes that fiscal autonomy would not result in Scotland improving its growth trajectory relative to the UK as a whole. There is however considerable scope and opportunity to increase growth in the Scottish economy with an

economic strategy that is based on Scottish needs and opportunities (See Notes to Editors for further a further critique of IFS reports).

The report outlines a comprehensive economic strategy that, accompanied by fiscal autonomy, would assist Scotland to become one of the five wealthiest countries in the world.

Requiring collaboration between the public and private sectors to develop and implement a range of transformational policies, these will aim to increase economic growth and address inequality. This will be through a set of policies designed to increase economic participation to match the employment rate of the top five advanced economies and deliver export-based growth to increase Scotland's trade volumes to match the average for small advanced economies:

Such measures include:

- **Exports:** a new export strategy including development of a Scottish brand and enhancing the productivity of exporters;
- **Infrastructure:** a new national development plan, including a substantial increase infrastructure which could be funded by a Scottish infrastructure bond;
- **Renewables:** realising the economic opportunities offered by commercialising wave and tidal power, including development co-investment models;
- **Frankfurt of the North:** support for the financial services sector where long term growth opportunities exist, including the global growth markets for fund management. Measures include consistent regulatory and fiscal regimes, supporting innovation and skills development;
- **Growth Sectors:** strategies to build competitive advantage in a range of other sectors where global growth niches exist, including tourism, transport, food and drink, creative industries, life sciences, universities and healthy ageing;
- **Energy:** building on the recommendations of the Wood Review, a range policy measures in support of the oil and gas sector, including exploration incentives, ensuring fiscal stability, stimulating R&D and investment, incentives for the relocation of corporate headquarters to Scotland, education and skills initiatives and development of the Scottish engineering brand.
- **Human Capital:** continued investment in the education sector including taking advantage of the highly skilled workforce that is associated with Scotland's university and college system and labour market initiatives to promote high economic participation;
- **Innovation:** protecting investment in the existing innovation system and efforts to promote entrepreneurship to build longer term competitiveness in emerging sectors in the UK economy, including mechanisms to facilitate the provision of expansion capital, for long term growth;
- **Entrepreneurship:** ensuring that public policy is supportive of business-led advice and support initiatives, including a tax system with low business compliance costs and incentives for investment in new businesses; and
- **Taxation system:** reforming the tax system that applies in Scotland, based on the Mirrlees recommendations for a simpler tax system. The reforms will learn lessons from others that have simplified their tax systems such as the New Zealand.

Fiscal autonomy would also require borrowing powers to be devolved so that the Scottish Government could manage variations in tax revenues and make investment decisions that could generate longer term economic growth, as well as establishing new institutions.



Dan McDonald of N56

**Commenting on the findings of the report Dan Macdonald, founder of N-56, said:**

“Opinion polls consistently demonstrate overwhelming support in Scotland for fiscal autonomy and our report outlines how with this, the right economic strategy and collaboration between the public and private sectors we can transform Scotland’s economic position.

“Reports from the IFS which have been used as a critique of fiscal autonomy should in fact be viewed as a damning indictment of the current economic model, and if the model isn’t working it clearly needs fixing.”



Graeme Blackett of Bigger Economics

**Graeme Blackett of economic consultancy BiGGAR Economics, which compiled the report, said:**

“What our report outlines is a range of measures that if implemented, supported by fiscal autonomy and full control of the economic levers, could drive Scotland to become one of the most advanced economies in the world.

“There is considerable scope and opportunity to increase growth in the Scottish economy with an economic strategy that is based on Scottish needs and opportunities and we need to recognise fiscal autonomy as an opportunity not a threat

“As well as the economic and social benefits for Scotland, this growth would also benefit the UK as a whole since it would rebalance the UK economy.”

## Conclusion

The suggestions in this report match closely those put forward by Business for Scotland in our [Vision for Scotland](#) document published last year and are also a very close match for [Business for Scotland's economic priorities](#) crowd sourced from our membership earlier this year. Last week we also published [a list of 150 business owners who supported full fiscal responsibility](#) stating that it would “*allow us to attract added investment, create jobs and grow our economy faster than is possible under Westminster control. As a result, we will generate increased revenues to reduce the deficit through growth, whilst tackling inequality.*”

Whilst inequality, gender balance and environmental sustainability are additional values of Business for Scotland's membership, we agree wholeheartedly on the economic principles in this report.

**Business for Scotland – Prosperity for Scotland – [Join us now](#)**

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### About the Author ([Author Profile](#))

Gordon MacIntyre-Kemp is the Founder and Chief Executive of Business for Scotland. Before joining Business for Scotland full time first as its MD and then CEO he ran a small social media and sales & marketing consultancy. With a degree in business, marketing and economics, Gordon has worked as an economic development planning professional, and in marketing roles specialising in pricing modelling and promotional evaluation for global companies (including P&G). Gordon benefits (not suffers) from dyslexia, and is a proponent of the emerging New Economics School. Gordon contributes articles to Business for Scotland, The National and The Huffington Post.