

## Michael Fry: We'll not win indyref2 if we put up taxes and discourage growth

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HUGE pressure is building up in advance of the SNP conference in Glasgow next weekend over the question of holding a second referendum on Scottish independence, whether sooner or later, before 2021 or afterwards.

I want to put my ha'porth into this argument and say there is no chance of Scotland breaking free unless it markedly improves its economic performance, so as to achieve a growth rate equal to that of the UK as a whole, and for preference better. In terms of growth we had a good start to 2017, but the longer-term record remains dismal: 0.5 per cent annual growth for Scotland, nearly two per cent for the UK.

In my view the Scottish Government should start telling us how we can catch up. Otherwise, who is going to vote to be cast off into poverty when we can carry on in dependency? The latter is not a condition to yearn for but at least it keeps the wolf from the door.

Why do I take such a dim view? For the simple reason that the next referendum is not going to be won by the sheer enthusiasm of the Yes side, by a gung-ho campaign of hell-for-leather. At times I had thought that might work before the referendum of 2014 when, along with many others, I found my ardour awakened as never before in my own previous political life.

I and my colleagues, as representatives of the Wealthy Nation Institute, went round the country speaking to audiences who listened avidly to what we had to say whether they agreed in detail or not. It was even better when No supporters turned up as well and we had a real debate in the hall. There were many campaigning groups like ours, yet on the big day the Yes side lost.

I see little reason to expect a different result any time soon. We still have lies from the No side, and bias in the media. Some questions that we found hard to answer three years ago remain unanswered, though I hope that at the conference in Glasgow a few new ideas will be unveiled. And in one important respect the Yes case has weakened. In 2014 we did not know the slump in the oil price was about to happen, but now we can see this slice of Scottish prosperity has gone for good. That opens up to the No side a line of argument it did not have last time. Most of us then thought independence would make us better off, but they will be able to claim independence will now make us worse off. Here as in most democracies of the world, ordinary punters think in terms of which party or which policy offers them most in a crude material sense – which, in a democracy, they are perfectly entitled to do. What, then, is the answer to the Nay-sayers going to be?

The question has to find an answer. Unless we can be reasonably sure of winning, there is no point in holding a second referendum. If it is lost, we can say goodbye to Scottish independence for a long time ahead.

As things stand, I think the chances of winning are low. We do not, of course, yet know the outcome

of the Brexit negotiations, though they may anyway be messy enough to obscure rather than clarify things. Besides, I find it hard to believe that Brexit weighs so heavily with Scots that it will justify to most a continuing constitutional upheaval. Unlike in 2014, I do not find myself getting into political arguments in pubs and at bus-stops over the great issue of the day. A fair number of SNP voters seem to have been in favour of Brexit in any case, so the independence movement would not go united into a new campaign. These are all ill omens for another referendum before 2021.

Nicola Sturgeon cannot control much in this situation, but there are some things she might do. Brexit will come and go, but Scotland's long-term economic problems will still be there: the problems of a small country which has never decisively recovered from its industrial decline in the 20th century. Sooner or later we must come up with a plausible plan for making the economy grow faster again. I think we might be able to have a first stab at it now, or at least prepare for when the necessary powers are acquired by the Scottish Government. Though it has no end of international examples to follow, so far it ignores almost all of them. This means it is missing a possible important ingredient of victory in a second referendum.

Admittedly the Scottish Government has started to mention economic growth as something that might be quite a nice idea – which is at least better than ignoring it altogether, as had in general been the case ever since the SNP first formed a government in 2007. But the nice idea is still mixed up with all sorts of woolier notions (inclusiveness, sustainability, egalitarianism) that will either add nothing to or even detract from economic growth. Expanding the economy always needs to be a pretty single-minded activity, but governments pursue it because its ultimate rewards can be so enormous.

If there is any concept of economic growth in the SNP, it is very much a top-down affair. Convinced, so far as I can see, that governments are in principle omnipotent (and rightly so), ministers believe they need do no more than choose among the competing claims that are daily pressed upon them, hand over a subsidy and all will be well. This does not, then, differ in essentials from the pork-barrel politics pursued by Labour or indeed Conservative governments in Scotland for the last half-century, the sole difference lying in the total amount of money each was willing to cough up.

Indeed we have long had a quango dedicated to this sort of thing, as well as to luring foreign investment and promoting Scotland overseas. Since 1975 the Scottish Development Agency, becoming Scottish Enterprise in 1991, has been a modest success – though evidently not quite enough of a success for my colleague George Kerevan, who urged on us in his column here last week the additional concept of a Scottish Investment Bank for long-term projects. It is not clear to me what it could do that Scottish Enterprise is incapable of doing. But George's thinking aloud is surely indication enough that the required step-change in economic performance has not yet taken place.

In other words, we have not yet laid the foundations for an independent nation more successful than it can ever be as a dependent region of the UK.

But step-changes can and do occur. To see some, we need only look at a few other small European nations which started from a base far lower than ours.

Within a decade of their own liberation from socialism, Estonia, Latvia and Lithuania went from one per cent growth to five per cent, Croatia to seven per cent, Slovakia to nine per cent. They did it not through the heavy hand of the state, which after half-a-century of communist controls was completely palsied, but by releasing the energies of their individual citizens.

When I look at the policies of the Scottish Government, however, I see a palsied hand still pressing down hard. All the political chatter is about when to put up taxes and by how much. Here's some news for Nicola Sturgeon and her ministers: higher taxes hold back economic activity.

Yet we propose them at the very time we need to boost economic activity – not just because it is a good thing in itself but also for the overriding political purpose of winning a second referendum, of robbing the Nay-sayers of the chance to claim Scotland can never make it as an independent nation. By contrast, lower taxes release resources into the hands of people who may – wonders never cease – set out to make themselves richer rather than wait on the government doing it for them. That is just what Scots used to do.

These particular Scottish ministers seem to assume their business is never to lay up treasures in heaven but only to distribute the loaves and fishes. Or to put it into economic jargon, growth is exogenous, caused somewhere else by capitalists we have no control over. On the contrary, it is just as much in our own hands, and we need to put the economic goal of growth on a par with the political goal of independence.

I think that the two go together, and that there will never be the one without the other.

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