

Letter from Scotland

Santa will not be amused at the goings-on at Westminster. But he might be hoping that the gift-wrapped Scottish budget delivered this week will fill us with some compensating Christmas cheer.

The Finance Secretary Derek Mackay announced extra resources for health, education and local government and reduced income tax for low earners. But there will be higher tax for high earners to pay for part of it. He called it “a budget for stimulus and stability.” The First Minister Nicola Sturgeon waspishly picked up Theresa May’s old slogan saying it was an example of “strong and stable” government, in contrast to the chaos in London.



Cold comfort for Santa

Scotland's part in Mrs May's near-downfall this week was neither large nor distinguished. Most, if not all, of the 13 Scottish Conservative MPs voted for her to continue as Prime Minister. But we can't be sure, since it was a secret ballot, and at least two had said they would vote against her Brexit deal. It was also interesting that the 13 didn't band together to declare publicly in her favour.

In contrast the SNP leader at Westminster Ian Blackford was brutally straightforward. He called on Mrs May to resign immediately. And Nicola Sturgeon has been pouring scorn on the Labour leadership for not joining in a vote of no-confidence in the House of Commons to unseat the Conservatives altogether. "For goodness sake," she said, rather exasperatedly, "if the time is not right now, when will the time be right?"

But back to that Scottish budget. The main features are £730m extra for the NHS – largely as a result of an overall increase in the Scottish allocation from Westminster. £500m for childcare. £180m to raise attainment in schools. And a 3 per cent rise in pay for public sector workers. In addition, there is £5bn for capital spending over the next few years on projects like improving town centres and setting up the new Scottish National Investment Bank (£130m).



Derek Mackay MSP, Cabinet Secretary for Finance, Economy and Fair Work speaking in the chamber of the Scottish Parliament, Edinburgh during the debate on the Scottish Government's draft spending and tax plans for 2019-20. 12 December 2018. Photo – Andrew Cowan/Scottish Parliament

On the taxation side, the thresholds for lower rate tax-payers will rise in line with inflation, but not for higher rate taxpayers (earning above £43,430 a year). This has led to the Conservatives complaining that there will be an exodus of professional workers to lower-taxed England. But Derek Mackay says his budget will mean that more than half of all workers will be paying less income tax this coming year than workers elsewhere in the UK. And 99 per cent will be paying less than they did last year.

All of this, of course, has yet to be approved by the parliament at Holyrood where the SNP do not have an outright majority. They need the support of the Greens, which they got last year. This year however, the Greens are demanding rather a lot – a total reform of local government finance and, in particular, a move to a land value tax. As last year, they will probably settle for a slight increase in funds for local government. The problem will be finding the money from elsewhere in the budget.

While all this was going on, the law courts have been adding to the confusion. The European Court of Justice confirmed last week's interim ruling that Britain can unilaterally withdraw from Brexit and cancel the Article 50 if parliament so wishes. This was a case brought by an all-party group of Scottish politicians. And on Thursday the House of Lords ruled that the Scottish Parliament's "Continuity Bill", bringing back powers from Brussels to Holyrood, was indeed competent (except for one minor section) but it has since been overtaken by the UK Withdrawal Bill. Where that leaves us no one knows.

"Uncertainty" is certainly the word of the week. We have been struggling through a quagmire over Brexit, Mrs May's position as prime minister, the Scottish budget and the strange feeling that the economy is floating on a thin layer of pond weed. Unemployment is at a record low (3.7 per cent) but fewer people are in work. Wages levels are beginning to recover but high-street spending is weak. The major stores, already

depleted in number over the past year, are fearing a low-spending Christmas. What is everyone waiting for?

The man who might have known the answer is long since dead. Adam Smith, the Scot who invented modern economics, needs to up-date his famous "Wealth of Nations". As a measure of how desperate we are for answers, even his original copy of the book, published in 1776, has sold in auction for £908,000.



Adam Smith's tomb