

THE NATURE OF THE SCOTTISH ECONOMY

Whose economy? Seminar series, Stephen Boyd,
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a wee bit of history



- 1760 Enlightenment Europe's first literate nation
- 1800s Textiles, textile machinery & shipbuilding
- 1850s Steel, marine engineering & coal
- 1900s Industrial superpower & spirit of invention...
- WW1 Over-specialisation, failure to diversify into lighter consumer based industries
- WW2 Structural change, outward migration
- 1960s Regional policy, inward investment, north sea oil, financial services
- 1980s Ongoing manufacturing decline, shift to services, growing inequality, persistent economic inactivity
- 2008 Banking crisis....

Trends



- ❑ De-industrialisation
- ❑ Privatisation
- ❑ Under-investment
- ❑ Under-performance as an export economy
- ❑ Declining and ageing population
- ❑ Relatively high skilled workforce
- ❑ Growing participation of women in labour force
- ❑ Shift to part-time/temporary employment
- ❑ Growing economic insecurity and inequality
- ❑ Wages falling as a %age of GDP & concomitant rise in profits...rising household debt
- ❑ Persistent (in work as well as workless) poverty & economic inactivity
- ❑ Shift towards a lower carbon economy....about to gather speed?


Where are we now?



- Emerging very tentatively from longest and deepest recession since WW2
- A different kind of recession
- Key sectors badly hit
- Austerity likely to usher in period of low growth & high unemployment
- Output gap will persist - deflation?
- A very worrying labour market....

Since the start of recession...

- Employment down 106,000
- Unemployment doubling to 231,000
- Claimant count doubling to 135,000
- Long-term youth unemployment up 150%
- Long-term unemployment up over 100%
- Claimants to vacancy ratio Oct '10 at 7:1
- Massive rise in under-employment
- Manufacturing jobs lost – 33,000



a crisis of jobs and
growth...not a crisis of
the public finances



low carbon economy

offshore wind, wave and tidal

built environment

forest industries

life sciences

tourism

creative industries

The challenges are huge **but**
so are the opportunities

aerospace

data storage and processing

textiles

health

chemical sciences

education

food & drink

Policy



Need to move beyond ‘non-intervention intervention’...

- Fix finance
- Reinvigorate Scottish manufacturing through modern industrial policy for Scotland
- Rebuild the economy’s equalising institutions
...to create a fairer, more sustainable economy

Three pervasive myths



- The Scottish public sector necessarily crowds out more productive private sector activity and jobs
- Scotland is over-regulated and over-taxed...it is not a good place to do business
- Proactive industrial and regional policy will necessarily do more harm than good

Whose economy?



Scotland is a small, open comparatively wealthy economy with a number of enduring advantages...but...

...where the proceeds of growth are increasingly narrowly concentrated...

...where too few quality jobs are being created...

...where policy development and implementation is the province of business and government elites...

...where 30 years of supply side interventions has consigned communities to worklessness, undermined industry and final demand – profound reform is required if we are to meet Scot Govt targets...