

was necessary were obliged to adopt the latest model from London in its place.

There has been no attempt here to make a balanced comparison between the Scottish and English systems, which is obviously a matter only for experts; and in any case it is not necessary to disparage one system in order to praise another.

But what are we to say of the present situation as a whole? Some eminent Scottish lawyers accept it with satisfaction while others do not; but it may be observed that elderly gentlemen who have risen to great eminence in their profession may be a little too ready to defend the excellence of the *status quo*. There is no doubt that Scotland requires some highest court of appeal, though it is hard to see why this should not have been purely Scottish from the beginning. At present there are Scottish judges who, as members of the House of Lords, usually, though not necessarily, sit for Scottish appeals so that the House of Lords is no longer without the indispensable expert advice which was lacking for so long.

The main suggestion for improvement is that for Scottish appeals the House of Lords should sit in Edinburgh. It is difficult to see why it should not then have a majority of Scottish judges, though this possibility seems not to have been considered. A move of this kind would certainly do much to placate Scottish feeling and to reduce the expenses of Scottish litigants. The Faculty of Advocates would be deprived of jaunts to London at the expense of their clients and might be expected to regard the proposal with mixed feelings. Otherwise it would be very welcome in Scotland and would do something to make up for injustices in the past.

Such a reform, however, would still be incomplete. What is required is a Parliament in Edinburgh which would be familiar with Scottish conditions and would be able to develop the Law of Scotland in accordance with its own traditions and with the spirit of the Scottish people.

## CHAPTER VII

## THE FRAMEWORK OF TAXATION

*In this world nothing can be said to be certain,  
except death and taxes*

Benjamin Franklin

1. *Economic grievances*

For many years before the First World War Scotland was in certain respects one of the richest countries in the world – even richer than England according to some estimates of wealth per head of the population. On the same basis England at that time was thought to be richer than America. Whether these estimates are accepted or not, it seems certain that since then Scottish wealth has steadily declined in comparison with that of England. This is not an agreeable situation when the disparity seems likely to increase. But Scotsmen are inclined to flatter themselves that they are not without a capacity to meet the hardships inevitable in a difficult and changing world. Their fundamental grievance in economic as in other matters is that they are no longer able to control their own progress or regress, as to some extent they could in an age of Free Trade and *laissez-faire*. Now that governments determine more and more the economic progress of a country, it is widely believed that the economic troubles of Scotland spring at least in part from the policies of a London Government whose main concern is always with England, and primarily with the South of England.

A good man may learn to content himself with a modest estate. What he finds intolerable is that his estate should be mismanaged at great expense, and without any proper audit, by a trustee who insists on doling out to him his own money in small packages and on controlling every detail of his expenditure. This is the position of a ward, and not of a grown up. What



is resented in Scotland is the continual expansion of an English tutelage whose incompetence, if it is nothing worse, is sufficiently established by its results.

It is impossible to examine economic grievances here in a way that would be even remotely adequate. The subject is full of pitfalls and would require an elaborate discussion of statistics, which are too often incomplete or even unobtainable. The most that can be done is to sketch very crudely the sort of framework within which a detailed discussion should be carried out.

## 2. *Government revenue from Scotland*

It is not possible to determine with precision the revenue which the British Government draws from Scotland. All surtax is collected in England; and Customs or Excise Duty on articles consumed in Scotland may be collected in England (and *vice versa*). Apparently too where income tax is collected 'at the source', as it is on the income from almost all investments, 'the source' is taken to be London. Obviously enough, if calculations depended solely on the place where taxes are collected, the contribution of Scotland to revenue would be underestimated. Hence there has to be what is called an 'adjustment' to give the 'true contribution'. The method of adjustment must be rough and ready at the best, and no one need be surprised if these adjustments have sometimes been received in Scotland with scepticism. If they are ignored altogether as not 'identifiable' – to use recent jargon – the result can only be a travesty.

Nevertheless returns, such as they are, of the revenue from Scotland were in fact published from 1893 to 1922, and again in 1932 and 1935. In 1952 the Catto Committee on Scottish Financial and Trade Statistics concluded, after prolonged investigations, that it was practicable to do what had so often been done in the past – to make a return segregating government revenue and expenditure in Scotland: they even recommended that this should be done annually. A return was in fact made for the year 1952-3. Since then the silence has been unbroken.

Thus we have had no official figures since 1953, and it must be unconvincing to base precise conclusions on imprecise

unofficial estimates. For 1952-3 the official estimates of revenue drawn from Scotland was £409,694,000, while the revenue from England was £3,817,401,000. It is unlikely that the Scottish revenue was overestimated. But even as they stand, the figures show how feeble is the argument that Scotland is too poor to support Home Rule, or even independence. In comparison with the smaller nations of Europe, let alone of other continents, she is still relatively rich.

Between 1935 and 1953 the revenue drawn from Scotland increased from £67,000,000 to £409,000,000, and to-day it may be more – perhaps very much more – than £600,000,000. This increase may arise partly from depreciation in the value of the pound, and partly from the general increase in taxation. In any case a great part of the whole national income of Scotland – some say as much as a third – is now at the disposal of the British Government. Nothing like this has ever happened before. It is not surprising if some Scotsmen think Scotland might fare better if she had more control over her own money.

## 3. *Government expenditure in Scotland*

The fundamental question to be asked is how much of the revenue raised in Scotland is also spent in Scotland. Does Scotland get her fair share? To this we can get no clear answer.

Here again we must go back for general principles to the last official estimates – those of 1952-3. These distinguished between 'local expenditure' and 'general expenditure'. Local expenditure is, for our present purpose, expenditure on Scottish services; but there is of course similar local expenditure on services to England and Wales. General expenditure is expenditure on what are known as 'general services'.

'Local services' in Scotland may be taken to cover such services as health, housing, roads, forestry, food and agriculture, national insurance and assistance, and so on. The expenditure on these Scottish services in 1952-3 was estimated at £207,000,000 – that is, at slightly more than half the revenue from Scotland. The other half went on 'general services' for the benefit of the United Kingdom and its people as a whole. Among these are



included, for example, the defence services and the service of the National Debt.

These over-heads, if we may so term the expenditure on general services, may seem at first sight to be rather heavy; but it is right that Scotland should pay her share of the defence services and of the interest on the National Debt. This she has never grudged.

In the light of these distinctions the question we are asking breaks down into two separate questions.

Firstly, as regards 'local expenditure' is a fair proportion of this allotted to Scottish services?

Secondly, as regards 'general expenditure' does Scotland get her fair share of the benefits provided by the general services?

The second question may seem obscure and even unanswerable, yet to answer the first question and ignore the second would be to give a false picture of the situation. We all benefit alike – to take only one example – from the money spent in the defence of our common country; but if in spending this money a preference were given to England in assigning government contracts, maintaining naval establishments, and so on, Scotland would get less than her fair share of the benefits from this part of government expenditure. If a similar preference were commonly shown throughout the whole field of general services, the total treatment of Scotland might be grossly unfair even if she received a fair proportion of government expenditure on her local services. This is why our second question has to be answered as well as the first. The British Government, however, does not supply us with the figures necessary to give a satisfactory answer. Information on this subject – to quote the words of the Royal Commission on Scottish Affairs – 'is not available'.

There is a further difficulty. How do we decide what is fair treatment as between England and Scotland? If we may keep a firm grip on the obvious, it would be unfair to Scotland if all her revenues were spent in England; and equally it would be unfair to England if all Scottish revenues were spent in Scotland without any contribution to general services for Britain as a whole. But how do we strike a fair balance?

The nearest thing to a principle for distributing government expenditure is to be found in what is known as the 'Goschen formula'. According to this formula Scotland should receive eleven-eightieths of what is spent in England and Wales. This was fixed in 1888, when Scottish votes had begun to exercise real influence in Parliament. We must here assume that it is reasonably fair. In regard to the Scottish local services its present application is obscure. As for the general services, it seems to have no application there at all.

#### 4. *Expenditure on Scottish local services*

If eleven-eightieths of government expenditure on local services in England – that is, in England and Wales – were assigned as a lump sum to a Scottish Parliament empowered to use it in accordance with Scottish needs, this might do substantial justice between the two countries, so far at least as local services are concerned. Unfortunately this is the one solution which politicians in Westminster are resolute to reject.

On the other hand, if the Goschen formula were to be strictly applied under each separate heading of expenditure on Scottish local services, the position would be most unsatisfactory. First of all you would decide in every case what is appropriate to the needs of England, and then assume that a fixed proportion of this will meet the needs of Scotland, although these, for geographical and other reasons, may be very different.

Something like this seems to be the accepted ideal, but a system so absurd could not be strictly imposed in practice. Hence the application of the formula is modified in ways that are arbitrary and obscure.

Sometimes the formula seems to be used as a maximum beyond which Scotland is not allowed to go. In education, for example, the Goschen formula is applied in a way far too complicated to be explained here; but the result appears to be that Scottish teachers, even if more highly qualified, must not be paid more, but may be paid less, than their counterparts in the State Schools of England. In some fields, notably in that of law and order, Scotland is allowed considerably less than her



due proportion: it is a little hard to see why Scottish judges (including sheriffs) should be paid so much less than comparable judges in England. In other fields, sometimes as a result of past neglect, Scotland may for a time receive more than her due proportion, especially if we include loans at a high rate of interest – loans which may themselves be derived from Scottish taxation or Scottish savings. Sometimes the formula is used to show how well Scotland is treated, as when Scottish roads are allowed slightly more than the Goschen proportion. It seems to be forgotten that Scotland is more than half the size of England and Wales put together. No doubt other considerations must enter in: sparsely populated mountainous areas require fewer roads, though these are more costly to build and to maintain; and so on. But, broadly speaking, this is one field where the Goschen formula may well be inadequate to Scotland's needs. Over large areas the Highlands have to suffer from narrow single-track roads which would not be tolerated anywhere else: in some places they have no roads at all. Even if we supposed the present road system to be satisfactory, the needs of Scotland, which has 18 per cent. of the road mileage in Britain, cannot be adequately met by a slight improvement on the Goschen formula.

To an impartial observer all this must seem a strange way to finance local services in Scotland. If we apply the Goschen formula strictly, we, as it were, compel one brother in a family to wear clothes designed for another of a very different build. If we modify it, we lose even the apparent guarantee of justice and are at the mercy of arbitrary decisions taken in London.

A further source of dissatisfaction is to be found in the arbitrariness of the distinction between local and general services. One might have expected that the cultural interests of Scotland would count as a Scottish service and be supervised by a Scottish authority, even if it were only by the Secretary of State. For some unknown reason these interests (apart from school education) count as a general service, and so expenditure on them is controlled from London without regard to the Goschen formula.

There are bitter complaints that art collections, museums,

and libraries are starved in comparison with those in England and that the national galleries in Edinburgh are not given the special consideration they ought to have. Valuable works of art accepted in lieu of death duties, even if they come from Scotland, are ear-marked for London. Grants from the Arts Council change from year to year, but apart from some improvements made by Miss Jennie Lee in recent years the percentage allowed to Scotland has fallen steadily; and the whole of Scotland received in 1961–2 less than a quarter of the grant to Covent Garden. Even if we ignore the huge expenditure on London opera, Scotland is still allowed less than the Goschen proportion. When a vast sum was set aside to subsidise a history of the English Parliament, Scottish historians had to fight, and to fight hard, to secure a pittance for the history of the Scottish Parliament. No one would pretend that the two histories were of equal importance, but why should it be necessary for Scotsmen to struggle hard in order to get their modest needs met at all? And why should even culture be doled out to them by men whose interests are centred in the South?

The position of Scotland is naturally worse where her special needs have nothing corresponding to them in England. When the Secretary of State was requested in 1963 to grant a small subvention of some £800 a year for a badly needed English-Gaelic dictionary, it was at first ruled that he had no power to give grants for such a purpose. Later on it was said that a grant could be given only by an Order in Council passed by the British Parliament, though this too was questioned and subsequently denied. So far as I know, no grant was ever made; but the whole incident shows how little power Scotland has to use her own revenues in her own cultural affairs.

These are only samples of the treatment from which Scotland suffers in matters deeply affecting her national pride. The sums involved may be relatively insignificant; but this makes it all the more strange that she should be humiliated so unnecessarily. She is put, as it were, in the position of a wife compelled to go to her husband pleading – or nagging – for every sixpence of her own money that she wishes to spend on her own concerns.



5. *Expenditure on general services*

When we turn to the general services and ask whether Scotland receives a fair share of the benefits from them, the problem becomes even more complicated and more obscure.

First of all, there is what may be called the inflow of revenue to London. Every capital draws wealth from the whole country of which it is the capital, and the Treaty of Union was bound to be London's gain and Edinburgh's loss. The chief government offices and the bulk of government officials – to take the most obvious example – must be in the capital, and Scotland must pay her share for their support.

It may seem that expenditure on the central machinery of government is sometimes unduly high. More than two million pounds were spent in repairing three houses in Downing Street, yet after the repairs were completed the floor of the Prime Minister's drawing room was found to be worm-eaten. Several ministers enjoy official houses in London, maintained, equipped, and furnished at the expense of the tax-payers. The Secretary of State for Scotland is less fortunate. Only in 1966 was he assigned for the first time an official house in Edinburgh. This had come to the Government from death duties on the estate of a Scottish nobleman; but it was left to some Scottish peers to pass round the hat for private contributions to its equipment and furnishing. Such meanness in relatively little things may be a sign of similar tendencies in graver matters; but this topic cannot be pursued further here.

The fundamental question is whether the outflow from London, particularly for the general services, is fairly distributed throughout the United Kingdom. It is widely believed in Scotland that the answer is in the negative. This belief has been held ever since the Union, but the question becomes more crucial when the Government absorbs and spends so large a part of the national income as it does to-day. It has been argued that every year as much as £100,000,000 or £150,000,000 – some say £200,000,000 – of Scottish revenue is drained off to be spent in England to the impoverishment of one country and the enrichment of the other.

Such an estimate must obviously depend on a vast mass of detail, and it is difficult to see how it can either be established or refuted without far more evidence than we are permitted to have.

An attempt to refute it was made in the winter of 1966–67, when the Conservatives circulated widely, and almost gleefully, some figures obtained from the Chancellor of the Exchequer. These purported to show that Scotland was subsidised by the central government to the tune of £80,000,000 a year.

The figures supplied have been condemned in detail as inaccurate and as inconsistent with other official statistics, but fundamental criticism of them must go deeper: they profess to deal only with 'identifiable' revenue and expenditure, and the expenditure examined is only what is spent on 'local services' in Scotland. As a picture of the whole situation they are valueless. If politicians do not face the fundamental questions I have tried to outline, they merely show that they do not even begin to understand what the problem is.

It is most unfortunate that these matters should be shrouded in mystery. Although the calculations might be complicated one would imagine that with a little trouble it would be possible to give at least a rough estimate of what actually happens, and even this might be revealing. Busy officials, especially those who find the claims of Scotland irritating, are naturally reluctant to make the necessary investigations; but it is not surprising if some Scotsmen suspect that refusal to supply information on this topic springs, at least in part, from a desire to conceal the truth.

Amid all this obscurity certain things are clear enough.

The very obscurity itself constitutes a kind of smoke-screen under which the wealth of Scotland can be steadily drained away for the benefit of England. This is bound to happen if London administrators out of sheer ignorance and indifference tend, however unconsciously, to favour the South when conflicting claims are evenly balanced. Indeed we might almost say it is what is bound to happen in any similar situation unless steps are taken to prevent it. A distinguished historian like Professor Trevor-Roper has no difficulty in seeing that if



Portugal had been governed from Burgos or Toledo, 'its economic life would no doubt have been drained away into the Spanish monarchy'.

There is certainly nothing in the present machinery of government to prevent this happening to Scotland – certainly not the Goschen formula.

Perhaps we may be allowed an illustration of what could happen, and may seem to happen, although the prevailing obscurity makes it impossible to be certain whether it does happen or not.

For many years the Westminster Parliament has borne the excessive unemployment in Scotland with commendable equanimity. When in 1963 the same unhappy fate – not for the first time – struck the North of England with almost equal force, the equanimity was disturbed. Lord Hailsham, as he was then, was deputed to do some regional planning – which, as he himself explained, had never been done before. This happened to coincide with the need for building new Polaris submarines. Two of these were assigned to the North-East of England, and two to the North-West. None was given to the Clyde, but a sop was thrown to Scotland by assigning their maintenance and repair to Rosyth, whose naval establishments had been allowed to run down between the two World Wars.

No private person is in a position to say that this was not a fair decision on commercial grounds. If doubts arise, they arise from memories of the way in which Scotland has to fight, too often unsuccessfully, for a fair share in government distribution of strip mills, research centres, and so on. What is indubitable is that this was a heavy blow to Scotland with effects continuing far beyond the moment. Apart from the immediate loss of contracts which would have helped unemployment on the Clyde, where the art of building submarines had long been practised, it meant that new skills would be developed in England which would constitute a compelling claim for all similar contracts in the future.

The effect of big decisions about government contracts is obvious, but the effect of a whole series of small decisions may be hardly less damaging. Even the long delays in coming to a

decision may seriously affect Scotland's economy. Furthermore, if government ineptitude or indifference is one of the main factors that drain Scotland's wealth to the South, this has further consequences far beyond its immediate effects. A prosperous region acts as a magnetic field to attract more and more prosperity away from regions less prosperous; and it is generally recognised that this is what is happening now.

The Royal Commission on Scottish Affairs recommended that Departments should review at intervals the distribution of their expenditure on contracts as between the different component parts on the United Kingdom. Without special machinery to enforce it the recommendation can be only the amiable expression of a pious hope.

#### 6. *The balance of payments*

If we may try to sum up the position, what we want to know is in the first place, the difference between the revenue drawn from Scotland and the total amount of government expenditure in Scotland, whether this is described as local or general. We may call this the balance of payments as between Scotland and England on government account. Unfortunately we have no means of knowing what this balance of payments is. The necessary figures are not available, nor does it seem likely that they ever will be.

What we want to know in the second place is whether this balance of payments is fair to Scotland. If we do not know what the balance of payments in fact is, we obviously cannot answer this question with any pretence at accuracy. Even if we did know the balance of payments, we should still have the problem of deciding what is fair treatment as between the two countries; and we should have to remember that Scotland ought to pay her share of government expenditure abroad. It is fair enough that a considerable part of Scottish revenue should be spent in England – this is the inevitable price of Union, a price that increases as government becomes more centralised. The case for Scotland is that, even if we make due allowance for all this, the amount of Scottish revenue spent in England is a great deal more than can reasonably be called fair.



If we are given neither exact figures nor an accepted standard of fairness, the obstacles to a rational discussion of the Scottish case become very great. It may be unjust to suspect that these obstacles rise from a desire to conceal the unfairness from which Scotland suffers. It is hardly unjust to say that they arise, at least in part, because London politicians are not interested in asking whether Scotland is fairly treated or not.

In all this obscurity one thing is clear. In matters of revenue and expenditure, as in administration generally, the system of government, so far as Scotland is concerned, is simply a muddle – it could never have been devised spontaneously by any one with any pretension to rationality. It almost looks as if it were designed to ensure that the interests of Scotland can never be considered as a whole. Such a system is almost bound to work out to Scotland's loss and England's gain.

This sad conclusion may seem to be confirmed – it is certainly not contradicted – by the way in which Scotland becomes relatively poorer as control increases from the South. It is confirmed more strongly, if we find the interests of Scotland neglected and thwarted in many spheres of action, both great and small, where detailed information is available. Examples of this treatment might be multiplied indefinitely, and a limited selection of them will be found in various chapters of the present book. In the absence of comprehensive figures these examples can never demonstrate the Scottish case with mathematical certainty; but their cumulative effect may be persuasive and even convincing, except to those who are determined not to be convinced.

It should not be forgotten that besides the method of taxation there are other financial controls by which the economic welfare of Scotland can be affected for the worse. If some trivial examples of these may be given, they may perhaps serve as straws to show which way the wind is blowing and may afford some relief from arguments that are painfully abstract.

#### 7. *Straws in the wind*

One of the complaints made is concerned with Scottish savings. By savings banks and in other ways the Government borrows

money at a low rate of interest and transfers it to London. Some of the money is later returned to Scotland at a higher rate of interest through loans which politicians too often describe as 'grants'. It is hard to see why the Scots should have to pay such heavy charges to London before their own savings can be used to meet the needs of their own country. This is all the more galling because even to-day the Scots save more per head of the population than is the practice in the affluent South. This ancient virtue is sometimes counted against them, as in the case of a benevolent gentleman from the Home Counties who wrote to a Scottish paper explaining that Scotland was doomed to poverty by saving money instead of spending it freely, as they did in England. He showed no awareness of the real reason why this might to some extent be true.

Other methods of extracting money from Scotland may be found in *Memories* by Mr. Thomas Johnston. I confine myself to a couple of samples.

In the year 1925 the city of Glasgow wished to extend its boundaries. In those days, though things may be better now, the claims of Glasgow and the opposing claims of other local authorities had to be examined in London. A tribunal was set up in Westminster Hall. It was made up of Members of Parliament, none of whom was a Scot, although it was reported that one of them had once visited a grouse moor and might therefore have been supposed to sin against the rule of absolute freedom from bias. So profound was their ignorance of the local conditions that another of them is said to have imagined the town of Yoker in Dumbartonshire to be a kind of drink. Over twenty advocates took part, and a large number of witnesses, skilled and unskilled, had to be examined at great expense. The entertainment lasted several weeks and, according to one account, is supposed to have cost Glasgow about £25 a minute. Mr. Johnston himself mentions an estimate of some £200,000 in all.

This extravagant method of dealing with local problems by way of private bills in Parliament was of long standing. In the early eighties of last century the Great Northern Railway Company had to spend £763,077 for obtaining leave to



construct 245 miles of railway, or over £3,000 per mile. It seems not unreasonable to suppose that such affairs could have been arranged more economically in Edinburgh. Yet we are told to-day that the cost of a Scottish Parliament would be an impossible burden.

The second sample involves very little money, but is even more revealing. It is concerned with government attempts to bring tourists to Britain.

The story goes back to 1930, when Mr. Johnston was Under-Secretary at the Scottish Office. There then existed a British Travel Association, which received a subvention from the Treasury but, in his opinion, did less than justice to Scotland. He succeeded in forming a separate Scottish Tourist Development Association and even in securing its Goschen proportion of the Treasury grant, but only on one condition – it had to hand over to the British organisation 25 per cent of whatever money it raised by voluntary subscriptions and donations. Nobody seems to have observed that Scotland was already paying her full share of the Treasury grant through taxation. In return for surrendering 25 per cent of these voluntary contributions Scotland received from the Treasury the colossal sum of £345 18s. 7d.; and even this grant became less and less till in 1939 it was only £250. The fact that such an arrangement was accepted by Mr. Johnston and other distinguished Scottish Members of Parliament shows how even the most hard-headed Scots can allow themselves to be bemused by English claims.

The further adventures of the Scottish Tourist Board, though too variegated to be examined here, illustrate the difficulties of any similar Scottish Agency – including even the Scottish Council (Development and Industry), which struggles to perform the functions of a Ministry of Commerce such as is granted to Northern Ireland – in dealing with the British Government. There is usually a similar 'British' Agency to which the Scots must contribute by way of taxation. If they are content to merge completely with this, their interests will be neglected. If, on the other hand, the Scots set up an Agency of their own, they will have to support it by voluntary contributions bound to be insufficient. If they succeed in getting for it some special

government grant, this will not only be inadequate, but will be tied up with arbitrary and hampering restrictions.

At one time the Scottish Tourist Board was granted as much as £41,000; but not a penny of this could be spent in England where so many potential tourists are to be found – it could be used for overseas publicity only. In 1964 the grant allowed was £15,000 a year, but it had to be spent exclusively for the advantage of the Highlands. Even this was suddenly withdrawn by a Conservative Secretary of State, who was presumably too intelligent to have done so except under pressure from the London Treasury. His Labour successor substituted a grant of a possible £25,000 a year for three years – but on condition that it should be devoted solely to research. When the Board was starting on its new job under Lord Kilbrandon, a chairman whom everybody trusted, the Conservative ex-Secretary suddenly declared during the General Election of 1966, apparently on his own initiative, that if he got back to office, he would appoint a full-time paid professional chairman, on the ground that Scottish Tourism – commonly supposed to be worth some £65,000,000 a year (much of it paid in dollars) – was 'big business'. The immediate result was that Lord Kilbrandon felt obliged to resign.

All this arbitrary chopping and changing is bound even by itself to produce inefficiency; and if we are really concerned with big business, why should the pittances allowed (to which Scotland contributes her share by taxation) be so pitifully small? And why after thirty-six years of existence should the Scottish Tourist Board be compelled to spend its dole on a three-year programme of research before it can even begin to do its proper work of attracting tourists to Scotland?

The contrasting advantages of genuine autonomy may be indicated by some recent figures.

About this time the Tourist Board of Northern Ireland was receiving some £166,000 annually; the Board of the Isle of Man £143,000; and the Board even of Jersey £107,000. The Irish Tourist Board enjoyed an income of £1,900,000 – 97 per cent by way of government grant. Besides spending £108,000 on general publications it was able to devote £158,000 to



publicity in the United Kingdom – precisely where the Scottish Board was forbidden to spend a penny.

It is not surprising if tourists are being siphoned off to these autonomous areas of the United Kingdom, but especially to Ireland. What is surprising is that the Scottish tourist trade is able to survive and even to expand. Here where a small corner of the financial veil is for a moment lifted, we can get some ideas of the way in which Scotland is hampered in one limited sphere; nor have we any reason to suppose that she is not similarly hampered when much larger sums of money are involved.

#### 8. *The rating system*

Although rates may seem to be a matter of purely local taxation, they are determined more and more by policies of the central Government; and the system which prevailed till 1961 had for many long years disastrous and permanent effects on Scotland's economic life. After 1961 it became more like that in England.

In England the occupier pays the total rates on his house, whereas in Scotland half the rates were paid by the occupier and half by the landlord. The Scottish method might appear to be the more equitable so long as the rates were small in relation to the rent – if they amounted, for example, to £20 on a rent of £100 a year, £10 paid by the tenant and £10 by the landlord. When the rates exceed the rent and may even go up, as in some rare cases they do, to 30s. in the pound, the landlord and the tenant had in Scotland *each* to pay £75 in rates on the same house. The obvious result in this extreme case is that the landlord now received a net income of £25 (£100 – £75) from a house which formerly brought him £90 (£100 – £10). From this £25 he still had to pay landlord's repairs. If we add to this a wave of inflation such that the cost of repairs is three or four times what it was before, it is obvious that repairs become impossible if he is to have any profit at all.

The problem was further complicated by the Rent Restrictions Act of 1915, which, however necessary as a temporary measure, was allowed to become almost permanent and has recently been renewed. This may be ignored for our present purposes – it certainly was no help to the landlord, and it

applied also in England. Even if we suppose the Scottish landlord free to raise the rent of his house to £200 a year in order to cover the swollen rates and the inflationary costs of repairs, he was still no better off. Since in Scotland, though not at that time in England, rates were levied on the actual rent of the house, the total rates have now gone up to £300 a year, of which the landlord, like the tenant, has to pay £150. If he were to raise the rent again so as to cover the extra burden, the same thing will happen; and so on *ad infinitum*.

It may be held that landlords as an exploiting class have forfeited their claims to be treated justly; but this system, even where the rates are only twenty shillings in the pound, affects far more than the pockets of the landlords. Houses will inevitably fall into disrepair, and in the long run will become uninhabitable as well as unprofitable – there was one notorious case where a landlord offered to sell a large house for 2½d. and found no takers. It was said at one time that for every new house built an old house was condemned. What is more, private building became so unprofitable in Scotland that it was bound in the long run to cease altogether unless for some one who could afford to build his own house. This in turn placed an even greater burden of building on the local authorities with the inevitable result that the rates had to be still further increased. This vicious spiral is one of the main reasons why the housing situation is so much worse than it is in England, and why Scottish labour is so much less mobile: a man who loses his job cannot find a new job and a new house somewhere else unless he joins the weary trek to the South. Attempts to make good the damage have so far been ineffective.

Why should so oppressive a system have been allowed to last for so many years? The answer appears to be the usual one. Reform would require legislation, and Parliament was too busy with other things. The legislation might also be controversial, since although every one agreed that the system was wrong, there might not be agreement about the best way of putting it right. Apparently in Scotland, and in Scotland alone, unless opinion is unanimous there can be no reform – at least not for a very long time.



There is no such painful delay where English interests are directly involved. In order to meet an emergency the British Parliament in 1928 introduced a system of derating for industry and agriculture – a system which, however defensible as a temporary measure, has meant that at least in the country districts of Scotland the richer members of the community have been permanently subsidised by the poorer. Since the method of levying rates in Scotland did not fit in with this derating system, a change was introduced almost in the twinkling of an eye. Against the vote of a majority of Scottish M.P's the control of education was suddenly transferred from reasonably efficient *ad hoc* bodies to local authorities dominated by party politics. There was certainly no demand for this in Scotland, and its effects on Scottish education have been far from satisfactory. Education is a permanent Scottish interest, and it is hard to see why it should have been so hurriedly sacrificed in order to ease administrative difficulties in meeting a temporary emergency.

One further point should be noted. In England no rates are levied on an unoccupied house, but in Scotland they continued to be exacted unless the roof was taken off. The regulation now may be rather more humane, but its effects are there for all to see. Everywhere throughout Scotland the traveller will find these tragically roofless houses sinking defencelessly into ruin. To some they seem a standing symbol of Scotland's helplessness and decline.

#### 9. *Fiscal reform*

In spite of many examples of indifference and even hostility to reasonable Scottish complaints, it would give a false picture if we failed to record that some Englishmen at some times can be helpful and friendly. Thus, for example, the Liberal Assembly which met in Edinburgh in 1961 carried by an overwhelming majority a resolution supporting the claim for a Scottish Parliament to deal with Scottish Affairs. They demanded the maximum amount of fiscal power for such a Parliament so far as this was consistent with close co-operation in the United Kingdom and the Common Market. In particular, a Scottish

Treasury should be responsible to the Scottish Parliament for the levying of direct and indirect taxation in Scotland and should contribute to the United Kingdom Treasury the Scottish share of expenditure for defence, foreign, and Commonwealth affairs. Excise duties should be levied by the Scottish Treasury.

This would give to Scotland far more than was asked by the two million signatories of the Scottish Covenant.

A more modest reform suggested above would be to allow Scotland a fair proportion of her total revenue and to let a Scottish Parliament decide how this is to be expended in accordance with her special interests and ideals. Why, for example, should her expenditure be cut to an English pattern in transport, where her needs are so different, or in education, when for centuries she has had a distinctive tradition of her own?

There are bound to be differences of opinion about the rights and powers that should be given to a Scottish Parliament; but it is hard to see how a system so incompetent, not to say so crazy, as the existing one can be defended on its own merits. Apart from the special claims and problems of Scotland the logic of events appears more and more to demand legislative devolution for what are called 'the regions'. Resistance to this demand may spring partly from the instinct of administrators to extend, rather than to abandon, whatever powers they have acquired. In the case of Scotland and Wales this resistance seems to be fortified by English unwillingness to weaken in any way English control over the other British nations. Here we can glance only at some of the arguments explicitly put forward against any change.

One argument is that a central authority can do more good to an outlying part than the part can do to itself. Even if we accept this doubtful proposition, a central authority can also do more harm.

A variant of this argument is that a local parliament must be incapable of planning. It is hard to see why local knowledge should make planning more difficult; but in any case the existing system has consistently failed to plan for Scotland as a whole.



A further argument put forward is that if government money is to be spent in Scotland, this must obviously be done under government control. But the case to be answered is that if this money is drawn from Scotland, its expenditure would be more usefully controlled by some form of government in Scotland itself.

This further argument against Scottish self-government does not become more palatable when politicians of the less tactful variety speak as if the revenue from Scotland becomes English property when it is taken South of the Border. Too often they treat Scottish claims as if they were appeals for charity and must be balanced against the needs of under-developed countries in Africa. Even loans at a profitable rate of interest they seem to regard as gifts. Their kindly condescension is most conspicuous with regard to the Highlands – the contribution to the revenue from the duty on Highland whisky is conveniently forgotten. In extreme cases they almost give the impression of holding that the English alone are disinterested enough to distribute some part of English wealth among their poverty-stricken neighbours. All this belongs more to psychology than to economics, but it may help to explain the belief, or even the fact, that the treatment of Scotland is unfair.

The extent to which the wealth of Scotland is drained away to the South may be a matter for dispute, but one thing is indubitable. It would be hard to devise a system – if it can be called a system – more likely to produce this result without fear of discovery.

#### 10. *Sir Walter Scott*

Sir Walter Scott is commonly regarded as a man who was eminently sane, and a summing up from him, even if it is a trifle heated, may serve to indicate that the complaints of Scotland are of long standing, though the grounds for them are much stronger to-day.

His protest was occasioned by an attempt to deprive the Scottish banks of their right to issue their own notes and so to influence in some slight degree the economy of Scotland. The

attempt was fortunately unsuccessful, although to this day the sight of a Scottish £1 note in Scotland can make even the most sympathetic of Englishmen begin to think it high time that such an anomaly should cease. The quotations from Sir Walter are not continuous.

After a tribute to the kindness with which individual Scotsmen are received in the South, the author of *Waverley* goes on to say:

‘But, on the other hand, if the English statesman has a point of greater or less consequence to settle with Scotland as a country, we find him at once seized with a jealous, tenacious, wrangling, overbearing humour – not only insisting upon conducting the whole matter according to his own will, but by no means so accessible to the pleas of reason, justice, and humanity as might be expected.

There has been in England a gradual and progressive system of assuming the management of affairs entirely and exclusively proper to Scotland, as if we were totally unworthy of having the management of our own concerns.

All must centre in London. We could not be entrusted with the charge of making our own roads and bridges, but these labours must be conducted under the tender care of men who knew nothing of our country, its wants, and its capabilities, but who, nevertheless, sitting in their office in London, were to decide, without appeal, upon the conduct of the roads in Lochaber!

But I may perhaps be answered that these operations are carried on by grants of public money, and that therefore the English – undoubtedly the only disinterested and trustworthy persons in the universe – must be employed to look after its application.

Public money, forsooth! I should like to know whose pocket it comes out of. I should like still farther to know how the English are entitled to assume the direction and disposal of any pittance which may be permitted, out of the produce of our own burthens, to revert to the peculiar use of the nation from whom it has been derived.



THE CLAIM OF SCOTLAND

For God's sake, sir, let us remain as Nature made us, Englishmen, Irishmen and Scotsmen! We would not become better subjects, or more valuable members of the common empire, if we all resembled each other like so many smooth shillings.'