

THE ECONOMY, THE POLITY AND THE BLACK, BLACK OIL

ROBERT M. CRAWFORD  
FRASER OF ALLANDER INSTITUTE  
UNIVERSITY OF STRATHCLYDE

- Margaret Cuthbert (ed.)      Government Spending in Scotland,  
Edinburgh, Paul Harris Publishing ,  
1982.
- Dr. Michael Keating &  
Dr. Arthur Midwinter      The Government of Scotland,  
Edinburgh, Mainstream Publishing,  
1983.
- W.G. Carson      The Other Price of Britain's Oil,  
Oxford, Martin Robertson, 1982.
- Charlotte Lythe &  
Madhavi Majumdar      The Renaissance of the Scottish  
Economy?, London, Allen and Unwin,  
1982.

In the light of the recent General Election it is appropriate that we look at three books which, for the most part, deal with the political economic institutions of Scotland. A fourth book, The Other Price of Britain's Oil, is on a general, but no less important theme; the human price paid for our oil wealth.

The massive structural shift currently being experienced in certain strategic industries across central Scotland has given rise, amongst large numbers of people, to fears and anxieties, and to significant social change. But it has also given rise to political commitment which in British terms is the one least likely to have any influence on the socio-economic problems created by the structural change.

This is the bitter irony which has to be borne by an electorate which continues to support the Labour Party, but in the process of so doing tends to divorce itself from the Westminster power source. The more this tendency to isolation occurs, the more a majority of electors turn inwards towards Labour. Thus the cycle is reinforced.

It is this realisation more than anything else which has driven the Labour Party in Scotland to embrace even more enthusiastically the cause of devolution. Hitherto non-believers, like Robin Cook MP, have been persuaded by the logic of political geography that an Edinburgh

Assembly may be vital not only to defend Scottish interests, but also, perhaps, necessary for the preservation of the Labour Party itself.

The debate surrounding the Scottish constitutional settlement which raged only a few years ago, has been strangely mute since the 1979 Conservative victory. Meantime, the decline of Scotland's traditional industries has accelerated. In itself this need not have been a wholly unwelcome event. In fact, had it been accompanied by a coherent approach to the development of a new industrial base with what that implies for investment and re-training, then the long, if not the short-term, future may indeed have been much brighter than it currently is.

This economic malaise and political impotence is, some would argue, self-inflicted. Our national attitudes are insufficiently progressive, and our traditions hopelessly irrelevant to the needs of a post heavy-industrial society.

By itself an Assembly will not tackle these problems, indeed as a forum it could all too easily degenerate into a national "greeting-meeting" with little in the way of constructive suggestion, and much by way of obstructive cliché. However, it might also just realise the potential of its most vigorous proponents (of whom Keating and Midwinter are certainly two) and become the scene of a debate which compels the Scots to deal with an unavoidable socio-economic transformation. In plain terms, either we recognise that no industry is especially destined to immortality or we shall become an increasingly impoverished and politically inconsequential corner of an evolving European economy.

The relationship between governmental institutions and the Scottish economy is very close. Some critics of "demand-management" would argue that this is a large part of our problem. Perhaps. However, the reality is that for many years to come, until by some divine economic miracle a generation of forceful entrepreneurs is born to us, Scotland will continue to rely heavily on government intervention to boost our economic life. Government Spending in Scotland, edited by Margaret Cuthbert, examines this very subject. More precisely the contributors analyse the levels of public expenditure in Scotland since 1975. Public expenditure is all

government spending financed from taxation, including national insurance contributions, and from borrowing.

This admirable work is an essential guide through the labyrinth of government expenditure, as the latter affects everything from local authorities to nationalised industries operating in Scotland.

In essence, the book may be said to be about the efficiency of public expenditure. The latter's growth reflects a recognition common to all advanced societies, that government has a moral and pragmatic responsibility to play a lead role in the supply of education, health services, provision for the elderly, the disabled, and the socially disadvantaged. The current argument is not about the abandonment of such a role, but rather about the coverage and growth of such expenditure.

One of the most interesting chapters in the book is the contribution by Brian Ashcroft on "Spatial Policy in Scotland" ("spatial" policies are concerned with the removal, or perhaps enhancement, of economic inequalities within a defined geographical area). This gives rise to a debate not only on inter-regional policies, but also with inter-regional problems. A consequence of this shift has been the increased role played by local authorities in stimulating economic development.

Nineteen seventy nine may be said to have been a critical year for regional policy-making. The incoming Conservative Government slashed its office dispersal programme from 30,000 to 10,000 jobs. For Scotland this meant a cut of almost 4,000 to 2,150. Other regional incentives to suffer included the virtual abandonment of Industrial Development Certificates (IDC's), the reduction by 5 per cent to 15 per cent of Regional Development Grants (RDG's) for eligible investments in Development Areas, and, sadly, a less rigorous approach was taken for the provision of discretionary financial assistance in the "assisted areas". Moreover, and lest we forget, way back in 1976 (how long it seems), the Regional Employment Premium was abolished. This, I recall, cost something like 30,000 jobs and was probably the most wanton of the lot.

On a more positive note, we have had the creation of the Scottish

Development Agency, and more recently, but less seriously, the Clydebank Enterprise Zone. There is even talk of a "Freeport" in Prestwick, Leith or Aberdeen.

Ashcroft describes a move towards a more spatially selective policy biased towards urban and inner-urban areas. This he judges to be a panic move devoid of a long-term view of politico-economic change. His plea for a deeper understanding of how local economies actually operate prior to the commitment of more resources, is both sensible and overdue. Sadly, one suspects that this would require a degree of co-operation between St Andrew's House and local authorities, which given the present climate, is a hope flying in the face of experience.

At the moment, the current strategy (if the use of "strategy" is not a misnomer) gives local authorities an increasing role in stimulating economic development. The danger in this approach, of course, lies in the ever present possibility that such schemes will give use to a lack of an overall coherent national programme. Moreover, and ironically, this shift to local authority responsibility has been followed by central government's attempts to circumscribe severely the former's powers. Truly, there's nought half as queer as government folk.

Another interesting and worthy chapter is the contribution by McNicol and Swales. They examine the extent and value of public expenditure in industry in Scotland. This valuable little piece is worth reading if only for the myth de-bunking with which it is so conspicuously imbued. For example, one of the most basic and perennial moans about the Scottish economy is that it is infected by an invidious contagion known as the "branch-plant syndrome". This malady not only causes unemployment in the long-run, but weakens our national resolve to create jobs by our own efforts. No, it does not, say the authors. There is little evidence to suggest that branch-plants are more likely to reduce employment in a recession than their indigenous cousins. Anyway, it is unlikely that external ownership is higher in Scotland relative to other peripheral regions. Finally, if such employment is a curse and not a blessing, why are we spending a fortune in trying to persuade foreigners to invest here?

Other shibboleths which come under attack range from the claims that Scotland's poor economic performance can be blamed on an excess of large plants, weak management and uncooperative trade unions. Now, these and other factors may have a role to play in causing our economic sluggishness - indeed they almost certainly have - but at present there is not nearly enough evidence to allow us to elevate such speculations to the realm of fact. The latter should be remembered by those who prefer cliché to truth.

McNicol and Swales point to the limited value of RDG's as a major stimulant to investment and employment. Such grants are non-selective and favour capital-intensive projects. In sum they should be tied to job-creating investment.

The authors' concern with the need to attract more "service" sector employment is justified. At present this sector does not qualify for RDG's. Given both the job-creating impact of "service" growth, together with the evolution of a modern economy, we can see how myopic this policy actually is. Moreover, many "service" based companies are "foot-loose", and therefore may be seduced by the attractions of Regional Development Grants.

However, the bottom line for economic growth has to be greater aggregate demand. The latter is the responsibility of government and its macro-economic policies. It would seem that not even the level of oil revenues at its disposal, currently £1 million per hour, is enough to persuade the government that it should actually use this cash for constructive purposes.

McNicol and Swales have written an excellent chapter for an excellent book. If I spent so much time on two chapters, this is a reflection of personal interest and no slight to the other authors. I would also like to particularly mention David Heald's piece on local authorities. It is biting and perceptive. But it is unlikely to win him the affection of the Secretary of State for Scotland. I'm certain this will worry the author greatly.

Finally, a contribution which I must also mention is that on Transport by P.R.C. Clarke. Again this is stimulating and controversial. The pity is that the only part of it with which I am in

agreement is when he calls for a more integrated approach, and a co-ordinating body responsible for all Scottish Transport.

The overall standard of Government Spending in Scotland is, as one would expect, given the contributors, very high. In the light of the ongoing debate on the subject this book is both relevant and essential for those individuals and groups who prefer to argue from fact. Furthermore, at £3.95 per copy it is quite inexpensive.

Another book which looks at the workings of the Scottish economy is The Renaissance of the Scottish Economy?, by Charlotte Lythe and Madhavi Majmudar. This, it has to be said, will not be easy going for those who have nothing more than a passing interest in economics. This is notwithstanding the claims of the publisher. Indeed, upon occasion one is fairly weighed down by the welter of data available. This leads to an unfortunate tendency to either take the authors' word for the applicability of the data and move straight on to the analysis, or alternatively, hurl oneself into a close examination of the statistics. For the self-respecting academic, the microscopic approach should be the one adopted - and this is where the problems begin. But more of this anon.

As its title suggests the principal concern of the study is to try to determine whether or not the Scottish economy has, as many have suggested, enjoyed a revival in its economic fortunes vis-a-vis the rest of the UK.

Lythe and Majmudar highlight a decline in Scotland's economic performance from the late nineteenth century onwards. Prior to this it would seem that the Industrial Revolution had the effect of making Scotland a highly prosperous part of the British economy (or at least that part of Scotland which was industrialised). Yet the very foundation of its nineteenth century wealth, its heavy industries, became the source of twentieth century problems. Few steel or ship-yard workers would find cause to quarrel with that assertion. It was in order to combat this decline that regional policies were dreamed up.

Upon examining data on Scotland's national income from the period

1954 (1954 was chosen to avoid the distortions to national economic activity caused by the Second World War) until 1979, the authors conclude that the country was running a balance of payments deficit with the rest of the UK. Scottish expenditure has, it would seem, exceeded Scottish output, the difference being financed by the UK taxpayer.

The chapter which deals with Scotland's economic performance between 1954 and 1978 points to a highly complex pattern of activity. However, by and large one must say that, over the entire period, Scotland's GDP growth-rate was marginally slower than that for the UK as a whole. In the primary and service sectors, Scotland clearly lagged. But it enjoyed greater growth in the public utilities. In manufacturing, the two rates were identical.

Yet beneath this overall performance lies a differentiated pattern. Thus in the period 1954 to 1963, Scotland was clearly behind. Between 1963 and 1971 there was a marked recovery in Scotland. But in the years 1968 to 1971, and 1971 through 1975 there was a slowing down. This was followed by the virtual collapse of manufacturing and construction, together with the continued revival of service sector growth between 1975 and 1978. Finally, since 1963 marks the onset of an active regional policy, they are tempted to conclude that the marked improvement in manufacturing from 1963, was a direct consequence of regional assistance measures.

In summary, while Scotland has suffered from the UK's poor growth and productivity record, nevertheless from the mid 1960's onwards, it has been performing, on average, better than the UK as a whole.

In the concluding chapter they range over a number of important topics. For example, the overall impact of North Sea oil has never been great and is now in decline. Likewise the potential gains from multi-national investment appear to have been limited. This is not to suggest that such contributions are irrelevant, far from it. But merely to remind ourselves that in terms of linkages with indigenous enterprises, research and development, and contribution to technological and skills development, then the potential gains have been somewhat narrow.

There is also a summary account of governmental institutions which ranges over the role and activities of the Scottish Office, the Scottish Development Agency, and the Highlands and Islands Development Board.

Finally, they draw together the overall discussion in an attempt to forecast likely developments within the economy.

Whilst they are pessimistic about the medium-term, they appear to be much more sanguine about the long-term, at least insofar as Scotland seems well able to provide the farmers, design scientists, genetic engineers, and people working in personnel services, all of which will be vital in a post-industrial economy. These groups should, they believe, ensure that even if Scotland is not the most prosperous region of the UK, then at least it has the most fully employed workforce.

Sadly, they do not have much faith in the contribution a devolved government could make to the restructuring of Scottish industry and the economy. This is doubly distressing since they do not indulge in any serious discussion of the role such a government might play.

In the Preface, the authors express the hope that the arguments will be "accessible to a variety of readers". The publishers even more assertively claim that it will be "essential reading for all concerned with the future prospects of the Scottish economy". Both views fall far on the side of optimism. Not only is the style somewhat pedantic, but, candidly, there is little stimulating discussion about the future. Given the enormity of the restructuring currently going on in the economy, especially in the older industrial areas of the country, this seems a grave omission. A preoccupation with the past is only really relevant if it can teach us valuable lessons about the future; Santayana warned us about such dangers. This, I am sorry to say, the book does not do.

Its other problem lies, as we indicated at the outset, with sources of data. The authors themselves admit that the evidence is fragmentary, for example, it fails to distinguish between such basic concepts as resident's income and territorial income. The underlying dilemma is that the sort of data vital for definitive study of the

Scottish economy is just not available. Rather, the whole thing is thrown into a British goulash, and the difficulties in subtracting the Scottish items is both messy and frustrating. This is no fault of the authors, but neither does it help the case.

The only book of the four which deals with the "polity" of Scotland is The Government of Scotland by Drs. Michael Keating and Arthur Midwinter of Strathclyde University. Both authors have established a deserved reputation for incisive comment on the workings of both local and central government in Scotland. It was not surprising, therefore, if I picked up my copy of their latest effort with some anticipation.

Hitherto, the standard work on the structure and functioning of both politics and government in Scotland, is Kellas', The Scottish Political System. This has been and remains, a core component in the education of anyone interested in Scotland's institutions of administration and public affairs.

Keating and Midwinter's contribution to our understanding is not only welcome because of the scarcity of such studies, but also because it is highly germane given the recently resurrected concern about the need for a devolved government here in Scotland. Indeed, in the concluding chapter they actually call for some sort of quasi-federalist solution to combat the appalling lack of representative democracy in this nation. The more so since the administrative system itself is still much too secretive and our MP's are still without an effective forum from which to challenge and investigate the rule of government here in Scotland.

The authors wisely recognise that policy formulation is often a trans-national phenomenon, beyond even the control of sovereign forces. Equally, however, it has both national and regional dimensions. They are concerned with the distinctively Scottish aspects of government in Scotland. They conclude by establishing that whilst there is considerable room for initiative and action within the Scottish context, the underlying trend is towards centralisation and a confirmation of the powers of the unitary state. It would seem that in Whitehall's view, "Big Brother still knows best". What is even more alarming is that this democratic sacrifice is not even resulting in

heightened efficiency. A view confirmed by Government Spending in Scotland. Is anyone out there listening? Do governments and/or their officials, even read such material?

The Government of Scotland is really in two distinct parts. The first describes the structure of the Scottish Office, the political parties, the role of MP's, etc. The second, and more substantial portion of the book, is given over to an in-depth analyses, functional guideline, and case-study of local government policy-making within Scotland. One section, on local government expenditure, is especially good and the authors are most comfortable in this particular neck of the academic woods. In fact, had the book been published without chapters two, three and four, it would have suffered little. James Kellas' book - though he requires to update his material, a new edition is long overdue - is still by far the best account of this aspect of the Scottish political system.

One chapter looks at "corporate management". Lest faint hearts allow themselves to be intimidated by its title let me assuage their fears. It has the advantage of being accessible yet thorough and manages to cover an area of vital concern to us all. Yet one which all too frequently is not discussed outside the confines of local council headquarters.

The book is, of course, destined to become a set-text wherever Scottish government is taught, good news this for the publishers, (its hardback price is £9.95p). It has the consummate advantage of being both coherent and easily understood by the lay-man - other academics please take note. Moreover, it covers an area, the local government system, which has heretofore been scantily treated. It should, however, be read in combination with Kellas' work. Both studies contribute to, and enhance, one another.

One last point, the index in The Government of Scotland, is lamentably short. But it far surpasses Government Spending in Scotland, which suffers from the singular disadvantage of not having one.

Finally, to a book not obviously in the same category as the

three above, The Other Price of Scotland's Oil, by W.G. Carson, previously a lecturer in Criminology at Edinburgh University. What one might ask is a criminologist doing writing about North Sea oil? Could it be that a sub-culture of criminals directly related to oil activities, has emerged? Could be. But in this case Carson's legitimate concern is with the safety record of the offshore companies, and the part played by successive British governments in failing to institute the necessary controls to sufficiently safeguard the men and women working on the frontiers of this particular technology.

This book is a highly detailed account of how, in their desire to maximise revenue flow, British governments ignored even basic and elementary safety arrangements. It is supposed that given the unique hazards of North Sea operations, loss of life was inevitable. Tragic but unavoidable, Carson argues very persuasively that this was used as an excuse to disguise failures which were avoidable.

In a chapter entitled, the Political Economy of Speed, he narrates the development of macro-economic imperatives which drove British governments to mess up planning and extraction rates for North Sea oil, - how national and supra-national economic forces put a premium on speed. This, in turn, increased the necessity for co-operation with the international oil industry, banking and the capital markets. British reliance on American technical expertise led to diminished safety control features. Another element was the massive capital investment; Shell have calculated that exploration and production activities cost £13 per second.

The result in human terms? The loss of 106 lives in the British sector. In the Norwegian sector 123 men died when the Alexander Keilland collapsed in 1980. The most serious single loss of life in UK waters was in 1965 when 13 were killed when a jag-up drilling-rig, The Sea Gem, was lost.

In Carson's view these statistics compare badly with other high-risk occupations (can one really compare North Sea work with any other industry; is it not, by definition, unique?). The likelihood of accidental death in North Sea activities was eleven times that of construction, and nine times that of mining, for the mid 1970's.

Recently, these figures have improved quite considerably.

It is hard to disagree with his overall conclusions that the rate which the oil was, and is, being extracted, is to say the least, indecent and wasteful. As Lythe and Majmudar point out, the zenith of oil's contribution to the Scottish economy has passed. Yet, outside of the Grampian and Highland regions, Scotland has not been greatly enriched by the "black, black oil". Our basic industries have gone into accelerated decline. And re-training, re-staffing, and industrial development funded by oil cash, is little more than a pious hope. Aside from the plugging of a great gap in Britain's balance of payments, little else of a tangible benefit has emerged.

Carson's comprehensive account of the fortunes of normal, and obvious, safety features, will not be bettered. It is an impressive and salutary book. Although the arguments about acceptable death-rates implicit in such high-risk endeavours, will doubtless rage on, he at least has made a constructive contribution to the overall debate. It is perhaps fitting therefore, if we leave the last word to him.

"the task of promulgating and enforcing safety regulations pertaining to the North Sea was placed in dangerously close propinquity to decision-making processes concerned with other priorities such as getting the oil ashore as fast as possible".

Since the failure to create an Assembly for Scotland, there has been a quiescence from many sections of Scottish life on the need for such a change. The Election of June 1983 highlighted yet again the peculiarity of Scottish politics. It also gave rise to renewed demands from all the political parties in Scotland, save one, for some form of self-government. The likelihood of getting such an institution this side of the next General Election seems minimal. However, the debate itself will doubtless continue, and perhaps once again top the national political agenda. In the meantime, in a small way, all the books just reviewed have, in varying degrees, a part to play in understanding and coping with the many changes Scotland is currently enduring.