

# Financing the Scottish economy: my talk this morning

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I am in Crieff in Perthshire this morning to address the annual conference of [COSLA](#) - the Convention of Scottish Local Authorities. This is (give or take) what I said:

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Thank you for inviting me to speak here today.

A apologise for being the second person with my name to address you this morning. The Murphie is everywhere.

When Colin Mair called me to discuss what I might talk about today he mentioned a book I wrote three years ago. That book is called The Courageous State.

In it I describe the sort of politicians that I think we have leading the UK at present. I describe them as cowardly politicians.

There was a rational reason for my description: I wasn't being personal.

What I said these politicians are doing is running away from their responsibilities when in office.

What that means is that based upon their belief that the market always knows a better answer to any question than they or the state does they have done three things.

First of all, they've tried to shrink the size of the state.

Second, they have tried to outsource the state.

And third, they have tried to deny that the state has any responsibility for our well-being.

I will be unambiguous. In my opinion each of these policies represents a profound error of judgement.

As an economist let me assure you that if you try to shrink the size of the state at a time when there is a shortage of private demand and under or unemployment then the inevitable outcome is a lack of growth. And that is precisely what we have had, exactly and inevitably as a consequence of government policy.

It's by government choice that recovery from the recession that started in 2008 has been the slowest in economic history, and it's because of that same choice that it has not happened for most households in the UK as yet.

The lost opportunity for growth that is the additional consequence of that decision is hard to estimate, but those cowardly politicians will have given us a lost decade or more before this nightmare is over.

This policy of shrinking the state is, then, based upon an economic falsehood.

The second policy, of outsourcing the state is, as an alternative to a fallacy, profoundly insulting.

To suggest that the driver of the train who brought me up the East Coast route yesterday did not a couple of weeks ago add value to the UK economy but that he or she now does so simply because they're now working for Richard Branson is, to be candid, not just economically absurd, but patronising and rude.

And it's also rude say when some people say that we would have been so much better off if all those people, many of you included, who have expended countless effort over long careers working for central and local government, the NHS and in education had instead been working for the private sector. That's just wrong.

Now, that's not to deny, of course that some of the people engaged in such tasks at present will in your opinion, and maybe in mine, be unfit to hold the post that they currently occupy. In fact, you can probably name a few, but please don't do it now, especially if it's the person sitting next to you.

But I tell you, I can name many more directors of some very large banks that were most definitely unfit for the tasks they were given. Let's start with Fred Goodwin and move swiftly on to Lord Stephen Green of HSBC whose reward for his incompetence was to become a government trade Minister with a life peerage.

The fact is that the good, the bad and the ugly exist wherever we humans gather together, and it makes no difference who we work for. The story that the private sector is the source of all wisdom, innovation and skills is, I can tell you, not just a lie, it's also errant nonsense that needs to be consigned to the nearest bin from which nothing will ever be recycled.

And with regard to the last of the three myths that have been the foundation of the cowardly state, to say that we're all responsible for our own well-being is three things.

First it's a denial of the fact that we all live in community.

Second, it's to deny the human capacity to care.

And third, it confirms what the pre-eminent US economist of the 20th century, John Kenneth Galbraith, once said when he quipped that the modern conservative is engaged in one of man's oldest exercises in moral philosophy; that is, the search for a superior moral justification for selfishness.

I do not believe that the long and proud history of local government has been built on the foundation of the philosophy of the cowardly state.

I think that most especially true in Scotland.

And I am here to suggest that there is another choice available, to politicians and those who work in government. And that is to be Courageous.

What I am pleased to tell you based upon my experience in the private, public and voluntary sectors is that I can spot no difference in the enterprise, skill and commitment that people bring to their work barring the fact that each of us is, inevitably, a different human being who sometimes gets out of bed on the wrong side, and, worse, occasionally in the wrong place.

But what I can also say is that in my experience of the state sector it is much easier for people to identify with the interests of those that they serve because those people are, ultimately, the community that they live in.

No artificial incentives or cajoling are required to make most public sector employees align their self-interest with that of their employers in contrast to the directors of quoted companies who appear to require a bonus just to make them turn up to work.

And what I am saying is that these are facts that we need to recognise, and celebrate. After 35 years of the state sector being told that it is inferior to the private sector the time has come to say we've had enough of that nonsense.

What's more we have to say that unless we unleash a strong, robust, innovative state sector then there is no chance of people flourishing in this country or the rest of the UK and that there is no chance of the inequalities and the differences that we face in our communities being resolved.

But talk is cheap and I am aware action costs money. So let me assure you, if the political will exists then so too would all the cash that you need.

HM Revenue & Customs' big business dominated Board of Directors say that the UK tax gap is £34 billion a year. Well they would, wouldn't they?

I believe that tax gap is £120 billion a year, and at least I've had the decency to publish my workings.

If only we invested in collecting the tax owing in our communities we could pay for most of the services that you want to supply, but are unable to deliver.

And we could go much further than that. From 2009 to 2012 we printed, literally out of thin air, £375 billion of money that was largely used to keep the financial services sector solvent at a time when the government was not sure whether that sector could survive.

That quantitative easing programme worked, and bankers' bonuses continued unabated as a result.

The time has come when we should now be printing money again, but this time for the benefit of Scotland, and the rest of the UK.

So my challenge to every Scottish politician elected on 7th May, of whatever party they come, is to get to Westminster and demand that whoever is in power they must put in place a new quantitative easing programme that will, using money that is once again printed out of thin air, fund the infrastructure investment that we need in this country and throughout the rest of the UK so that we have the schools, the hospitals, the roads, the railways, the alternative energy systems, the universities, and the new technologies that we need that will build our futures and provide an inheritance to our children.

And they should add that because we have zero inflation at present there is no risk at all from spending £50 billion or more pounds a year in this way right now in terms of future inflation, which we now, anyway, realise is something that can, like a small glass or two after 6pm, do us all a power of good.

In fact all we risk by turning on the money printing presses is that we might create the prosperity that we have lost.

And for a final source of money then please look to yourselves. More than £80 billion a year is paid into pension funds in the UK, much of it from state employees, many of them working for local authorities.

Suppose that one quarter of that money was required by law to be invested not in second-hand stocks and shares, the trade in which keeps the City of London in champagne, but instead in new shares and bonds that are directly linked to the creation of new employment. How many houses could that build in Scotland?

If you want your children to have the future that the financial services industry would deny them then you can make that change possible by creating a new economy for the generations to come out of the pension savings you are making now.

Of course this is visionary thinking. And of course some of it will require legislative change.

But Scotland is going to be in the driving seat of the UK as a whole come 8th May.

Don't doubt it.

This will be where our future is decided.

And if you want a bright future for Scotland then you have to send politicians to London to demand it, not just for here, but for everyone in the UK.

And then everyone will owe you a debt of gratitude for the courage of your politicians.

And for the vision they will have delivered.

And for the business plans that you in the local authorities of this country will come forward with showing how you could spend the money that could be released to deliver the services that you have the skills and the ambition to supply to the people of Scotland, and which could transform the well being of the people of this country.

I stand here in hope.

I stand here in expectation.

You are my hope.

You are my expectation.

Please don't let me and the people of the UK down because you could be our salvation.

All you have to do is believe that what I have said is possible and have the courage to deliver the state we want to live in and which you can build.

Thank you.