Funding the Future

The good and the (really quite) bad of Gordon Brown on ...

Published: January 13, 2026, 11:10 am

I apologise to all those who think I have suddenly become obsessed with Scotland, but there is another story on the political economy of that country that demands comment this morning.

According to Politics Home (and others) Gordon Brown is going to intervene in the independence debate today, suggesting that instead of leaving the Union Scotland should be given additional powers. Environmental regulation, fisheries and agriculture are all mentioned, being areas that Scotland could take from the EU. He also suggests Scotland should have the right to set its own VAT rates and sign international treaties.

There are merits to these arguments. First, they say that those who campaigned to stay have moved on: the sterile and belittling arguments of 2014 are not, nexcess arise, the view this time.

Second, the environment, fisheries and agriculture are all very logical areas for Scottish control, although the £800 million he suggests come with them is clearly inadequate: the total spend on these issues is much more than the EU contribution made for them, so he seems to need to do some rethinking there.

And to recognise that Scotland could have its own VAT rate takes me right back to the debate of this week on the quality of Scottish economic data: it would, of course, only be possible for Scotland to have its own VAT rate if Scotland knew what VAT chargeable sales in Scotland were, and that would also require data on all Scottish imports and exports. Some of the key missing data to assess Scotland's real national income would then be available. I have to welcome that.

But then let's move to the problems. The first is the obvious silliness of suggesting Scotland can sign its own international treaties and then deny it is an independent country. I know the UK supposedly lets the Crown Dependencies sign tax agreements in their own names, but the reality is that we demand they do it and they are all based on OECD rules, meaning that this is pretty notional. Maybe that is what he has in mind: it could be argued Revenue Scotland might need such agreements in due course, but it's pretty patronising if that it's all it's about and to be dismissed as such: this is tokenism.

There is, however, something worse inherent in the suggestions that drives to the very heart of the debate on what an independent state is. As Brown should know, almost every tax power devolved to Scotland has been, to some extent, a poisoned chalice coming with it the challenge 'Use it if you dare'. And in almost every case a rational politician would not because to do so would be counter-productive. This is because, as I have long argued (especially in The Joy of Tax, which I know some in the SNP have read and understood) tax is only an exercise in raising revenue to balance a budget when a government does not have control of its own currency, its own borrowing and its own macroeconomic policy. When a sovereign state with its own money, in which it issues its own debt, taxes it does not do so to pay for the services it supplies because it prints (albeit electronically) its own money to do that. This has to be true: unless it prints and spends the money to pay the taxes into the economy there is no money available to pay the tax. That's a simple fact: it can't come from anywhere else. And when a state does tax to reclaim the money it has created to pay for government services it does so for six quite different reasons than paying for that spending, because it's already done that . Those reason to tax are to:

1. Reclaim the money it has spent with the primary goal of preventing inflation;

2. Ratify the value of its currency in the economy: demanding that tax be paid using the money it has created does this and would be the reason why, for example, Scotland would have no choice but use a Scottish currency if its government decided to have one because the demand that tax be paid in it would mean using sterling locally would simply not be a viable option;

3. Reorganise the economy to suit its priorities using fiscal policy;

4. Redistribute income and wealth;

5. Reprice goods and services to suit Scottish social priorties;

6. Raise democratic representation - because people who pay taxes set by a parliament vote for it.

If Brown really understood macroeconomics, money, the role of tax in nationhood (and I question that) then he would know this, which I call modern taxation theory. And because his proposal very clearly denies Scotland all these rights - which are at the core of what defines the ability of the state to reflect the mores of the society it represents by taxing to reflect those social priorities - he is still in denial about the fact that Scotland is a nation in its own right, even if he, as a token gesture, says it can sign international treaties.

Worse, Brown denies Scotland the right to control its economy.

And the right to have is own currency and so monetary policy.

And instead he leaves it little better than a glorified local council.

Now, I stress, if Scotland were to join the Euro it would voluntarily give up these rights and so negate many of the same benefits. But that's not the point here: my point is three fold.

First, Brown clearly still has a lot to learn about macroeconomics, tax and statehood.

Second, I suggest the Scots do need to be a step ahead on this. Control of this narrative is the route to independence precisely because not being able to answer these questions last time was what lost the vote.

And third, the issues need to be much more widely understood. Then we might truly end up with economic and social policy worthy of the name, as well as government in control of its fortunes, and so have worthwhile politics. Scotland could claim that prize. But not with Gordon Brown's sorry prescription.