

# Funding the Future

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I was invited to sit in on a meeting of the Young Fabians in Scotland last night, where they were discussing whether Scotland could afford to be independent, or not. I was aware that two people with whom I have crossed swords in the past, being Kevin Hague, who is amongst other things the director of the profoundly pro-Unionist think tank '[These Islands](#)', and Jackie Baillie MSP, who is deputy leader of Labour in Scotland, had been invited so I expected some difference of opinion. But what I had not expected with the scale of economic illiteracy that was on view from all those who were asked to speak. Nor had I expected the sheer level of contempt for Scotland that was on display.

Two Fabian members gave opening economic presentations. The first was, supposedly, on the economics of deficits and debt. I genuinely suspect that the Institute for Economic Affairs would have been quite shocked at how right-wing fundamentalist it was. The household analogy was out in force. Money creation was always to be frowned upon. Government surpluses were equivalent to profits, apparently, and deficits to losses. Debt supposedly constrains the ability of a country to grow because of crowding out private sector activity, which will be news to the IMF, OECD and World Bank amongst many others right now. Ratings agencies determine the capacity of a country to borrow. Even Reinhardt and Rogoff made an uncorrected appearance, without getting a name check. Keynes never got the slightest look in. It was staggeringly inappropriate at this time, and I would hope always so for a Labour meeting, and, more important, was almost without exception quite simply wrong.

Then there was a presentation on the scale of Scottish deficits that assumed that the Government Expenditure and Revenue Scotland statement (GERS) is factual, and that Scotland runs the biggest deficit in Europe, and that this is utterly unsustainable. There was not a mention that GERS quite specifically says it provides no indication of how the economy of an independent Scotland might behave. Instead it was assumed that nothing would change if independence were to happen. How that constitutes a credible argument, even before the flaws in GERS are considered, is hard to conceive.

Jackie Baillie opened by acknowledging that she and I have differed on GERS. For those who want to know what I think wrong with it, [this is a guide](#). She then acknowledged that she has no economics training. After that she proceeded to declare that GERS is

unambiguously and categorically 'correct', which is absurd, because that is a quality no national accounting data has. Given the preface to the comments I can only assume that this was intended as provocation.

Much anti-SNP comment followed from her, which could safely be ignored.

But she spent much of her time lamenting that cuts would be required to close the supposed deficit that she thinks would exist if Scotland were to be independent, before then using this as and the inability of Scotland to suffer these cuts as a reason why independence must not happen.

However, and most tellingly, when asked what she would do if she was a leader in a Labour government she simply admitted that she could not imagine that happening. You could, of course interpret that as an admission that Labour has no hope of winning. I am quite sure that was what was intended. But you could also note it as a failure on the part of Labour to think about the issues that leadership demands. I think that just as likely. By implication Labour's policy in Scotland was made clear. It is to party that Scotland stays in the UK, with a Tory government if need be, as that is the only option for maintaining what they see as the desirable status quo for Scotland given that they believe that GERS is right and Scotland cannot manage its own affairs. The contempt for Scotland, its people and their abilities on display in this comment was quite staggering.

And then there was Kevin Hague, who presented some charts (no surprise there) all of which were designed to show Scotland has the worst economy in Europe. Kevin more than happily convinced himself, and all else present it seemed.

By this point it was 7.50 and I had forsaken fifty minutes of my life to quite the worst and ill-informed civil society economics discussion I had ever partaken in, and knew I would never get that time back. I was also aware that the Bake Off was on at 8 and the meeting was meant to last until 8.20, so I did not hold back, having made clear that I have no Scottish party allegiance and am quite critical of SNP policy right now.

I did of course explain all the well-known problems with GERS, and was laughed at.

I explained that the economics I had heard was shockingly wrong and inappropriate for Labour at this time and for this moment, and briefly explained why. That did not go down well.

I explained that an independent Scotland would record a massively different economic performance to that of Scotland now. I explained that it would have its own finance centre. It would record its own rents and financial income, and the tax due on both would be paid. It would measure its imports and exports, and financial flows. It could also control and tax its own profits. But most importantly, it could invest in its own future and deliver sustainable growth. And so on. And I was openly laughed at. Jackie

Baillie smirked in contempt throughout.

After that, I explained that it was impossible that Scotland alone accounts for the majority of the overall UK regional deficit. The only logical explanation has to be that the data is wrong, and of course it is. But that suggestion was met with incredulity. The data underpinning my claim [is analysed here](#), and comes from GERS.

Kevin Hague replied and said I could not do arithmetic. His claim was that since the UK had no deficit in the period to which I referred it was arithmetically impossible for me to suggest that Scotland created the greatest part of it. As my data shows, his claim was wrong, but what was clear was that argument had disappeared and pedantry was on display. As a result I decided I had wasted enough time and made it clear to the meeting that the reason why Labour was now doing so badly in Scotland was apparent. It was the arrogance on display, plus the contempt for the capacity of Scotland and its people, as well as for their ability to manage themselves and their economy, plus the sheer scale of economic incompetence evidenced and its hardcore right-wing bias that explained that failure.

I then told them that since the quality of political and economic debate on The Bake Off was bound to be of a higher calibre than that in this meeting that was what I was going to watch, and left the meeting.

My conclusion is that I am wholly unsurprised that Jackie Baillie cannot imagine Labour forming the next Scottish government. Candidly, nor can I. And I would add that on this evidence, for the people of Scotland that is decidedly good news.