

THE CONVERSATION

Scots should forget devo max – it's not possible and wasn't offered

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Whatever Sturgeon may say, there will be no devo max in Scotland. Danny Lawson/PA

One of the unfortunate things about the independence referendum debate is that it did not help us clarify the most likely outcome: the offer of more powers commonly known as devo max. For some, this refers to the idea of devolving everything except foreign and defence policy.



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Measure everything they propose against Devo Max – defined as everything except foreign affairs and defence. Nothing less is enough [#the45](#)

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Devomax minimum = oil rev, corp'n tax, income tax, excise duty + sovereignty guarantee. Any advance on that? #indyref

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The idea of devo max suggests that Scotland could join up taxation and spending decisions. You decide who to raise taxes from, in what mix, and how much you want to borrow to fund capital programmes. You decide which services and which people should benefit from the distribution of that income. You can also try to use one lever to have an impact on another, for example by spending big on employment and training programmes with a view to saving money on benefits or gaining it in tax. Under devo max, it becomes clear who to blame if your taxes are too high or your benefits are too low.

It's the currency again

But this just can't happen to Scotland in any radical way if it remains part of the UK. There is a desire to maintain a degree of fiscal uniformity when two countries share a currency. There are high costs associated with setting up new (or boosting old) institutions to deal with the administration of a new tax regime. There is a desire to maintain a certain level of uniformity in taxes and benefits as part of a broad attachment to UK "social citizenship". You would also risk flouting EU policies and aims by devolving the likes of corporation tax or VAT. At the very least, the Bank of England will remain in charge of monetary policy and the UK government will retain control of many fiscal policies.

I think most politicians, and many campaigners, know that devo max is not possible and was not offered during what was described on the front page of the Daily Record as "The Vow" in the final weeks of the referendum campaign. If you look at the proposals by the main UK parties in the preceding months, you find the greatest emphasis on devolving responsibility for income tax.

I have never heard a UK politician promise to assign oil tax revenue to Scotland. Instead we have heard the three leaders maintain a commitment to the Barnett formula, which sets the budget transfer levels for the UK "nations" outside England – something that could not survive under true devo max. This suggests the UK parties envision Scottish governments tinkering at the taxation margins while, on the whole, receiving their income from the Treasury. Whatever is agreed in this very short time scale may still be called devo max, but it will come to mean the maximum you will get, not the maximum you thought you could have.



We should also expect a political outcome, not a sensible one. In other words, the political leaders won't always get together to work out what responsibilities complement each other, and what level of government is appropriate to what decision (if indeed that is possible). They won't ask, what are the powers for? Instead it will depend on who holds the power, such as whichever party or coalition is in charge after next year's UK general election. At least in part, it will be a question of what greater settlement will people in Scotland and the

rest of the UK be content with. This is where the Scottish National Party will come in, presumably under the leadership of Nicola Sturgeon, who has announced her candidacy. It looks set to be part of negotiations. She and others in her party have already made clear that they will push as forcefully as possible for the maximum settlement, which will likely influence what Scotland will accept.

Sheep in wolves' clothing?

Whatever exactly comes out of the Smith commission, we are likely to see the introduction of limited borrowing powers, extended beyond what will be permitted from next year, plus the devolution of some taxes, the biggest of which remains too electorally toxic to permit much adjustment (income tax). If we were being super-cynical, we might say that the UK will mostly devolve a tax that it expects Scotland not to use, while claiming that a Scottish government can raise taxes to fund more public services to satisfy an allegedly left-wing electorate.



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"Scotland expects you (parties) to come together, work together and agree the detail of what those powers should be"

Lord Smith of Kelvin

1:41 PM - 23 Sep 2014

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It might also talk up the idea of the Scottish parliament becoming more accountable for the money it spends. But if most of the Scottish government budget is raised by the UK, and the Scottish government is destined to tinker at the margins and remains integrated within a UK regime, how can you hold it accountable for its tax and spending regime? It seems only a little more plausible than holding local authorities to account for their council tax rates.

If Scotland wants more than that, we could (but probably won't) explore the idea of a strategy of sharing powers. This might involve the the Scottish government signalling to the treasury its desire to pursue distinctive policies (on employment, childcare, and/or a higher minimum wage) and seek the financial rewards/punishments if they work out. Or it might seek equivalent funding when its policies have an effect on UK benefits. In either case, the power would be held by London but transferred on an ad hoc basis.

Energy is worth mentioning here. The UK remains responsible for energy policy, but has effectively devolved some decisions to Scottish ministers. It has effectively accepted a Scottish veto on new nuclear power stations. And through devolving planning laws, it has essentially handed over the decision to allow or refuse fracking for unconventional oil and gas in Scotland, even though the UK still grants the drilling licences. This shows how Scottish powers can evolve in unexpected ways through overlapping devolved and reserved responsibilities.

The reality of the limits of future devolution are clearly going to come as a big disappointment to some, perhaps including some who voted No. The stance they adopt in response will be a matter for them.




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