



The Scottish Parliament  
Pàrlamaid na h-Alba

## ECONOMY, ENERGY AND TOURISM COMMITTEE

### AGENDA

6th Meeting, 2014 (Session 4)

Wednesday 5 March 2014

The Committee will meet at 9.15 am in Committee Room 4.

1. **Declaration of interests:** Richard Baker MSP will be invited to declare any relevant interests.
2. **Scotland's Economic Future Post 2014:** The Committee will take evidence from—

Paul Johnson, Director, Institute of Fiscal Studies;

Professor Jo Armstrong, Independent Economist and Researcher, Centre for Public Policy for Regions, University of Glasgow;

Dr. Angus Armstrong, National Institute of Economic and Social Research and Fellow of the ESRC Future of the UK and Scotland programme;

and then from—

Crawford Beveridge, Chair, and Professor Andrew Hughes Hallett, Member, Fiscal Commission Working Group;

and then from—

Professor David Bell, University of Stirling and Fellow of the ESRC Future of the UK and Scotland programme;

Professor David Simpson, Economist and Author;

Professor Charlie Jeffery, Professor of Politics at the University of Edinburgh and Director of the ESRC Future of the UK and Scotland Programme.

3. **Scotland's Economic Future Post-2014: Review of evidence heard** The Committee will review the evidence heard at today's meeting.

**EET/S4/14/6/A**

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The papers for this meeting are as follows—

**Agenda Item 2**

Note from the clerk

EET/S4/14/6/1

PRIVATE PAPER

EET/S4/14/6/2 (P)

**Economy, Energy and Tourism Committee**

**6th Meeting 2014, (Session 4), Wednesday, 5 March 2014**

**Scotland's Economic Future Post-2014**

**Introduction**

1. This paper provides background information for the Committee's third evidence session of its [inquiry into Scotland's economic future post 2014](#). The Committee will hear from economic think tanks, academics and members of the Fiscal Commission Working group.

2. The remit and call for evidence for this inquiry can be found online: [www.scottish.parliament.uk/S4\\_EconomyEnergyandTourismCommittee/Inquiries/Economic\\_Future\\_Inquiry - Remit and Call for Evidence.pdf](http://www.scottish.parliament.uk/S4_EconomyEnergyandTourismCommittee/Inquiries/Economic_Future_Inquiry_-_Remit_and_Call_for_Evidence.pdf)

3. The Committee will hear from witnesses as below:

Panel 1 (9.15-10.30 am)

- Paul Johnson, Institute for Fiscal Studies
- Professor Jo Armstrong, Centre for Public Policy for Regions
- Dr Angus Armstrong, National Institute of Economic and Social Research and fellow of the ESRC future of the UK and Scotland programme

Panel 2 (10.40-11.40 am): Fiscal Commission Working Group

- Crawford Beveridge
- Professor Andrew Hughes-Hallett

Panel 3 (11.45 am-1.00 pm)

- Professor David Bell, University of Stirling and fellow of the ESRC future of the UK and Scotland programme
- Professor David Simpson
- Professor Charlie Jeffery, Professor of Politics, University of Edinburgh and Director, ESRC future of the UK and Scotland programme.

4. Written submissions from a number of witnesses are attached (Annex A). A briefing from the Parliament's Financial Scrutiny Unit (FSU) is also attached (Annex B). Members will recall that the FSU has also published briefings with respect to recent and future developments. Links to these, for information, are below:

- Scotland's economy: recent developments  
[www.scottish.parliament.uk/parliamentarybusiness/72299.aspx](http://www.scottish.parliament.uk/parliamentarybusiness/72299.aspx)
- Scotland's economy: future developments  
[www.scottish.parliament.uk/parliamentarybusiness/72297.aspx](http://www.scottish.parliament.uk/parliamentarybusiness/72297.aspx)

5. For information, a list of the agreed further sessions is attached (Annex C).

**Fergus D. Cochrane. Senior Assistant Clerk to the Committee**


**Annex A**

Written submissions from the following witnesses are available via the link below:

- Fiscal Commission Working Group
- Professor David Simpson

[www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/72692.aspx](http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/72692.aspx)

**Annex B**

28 February 2014		
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## **Economy, Energy & Tourism Committee**

### **Scotland's Economic Future Post-2014**

#### **Evidence Session with Economic Think Tanks, the Fiscal Commission Working Group and Academics**

#### **Background Briefing**

This briefing provides a summary of some of the work that has been undertaken by economic think tanks, the Fiscal Commission Working Group and academics in relation to Scotland's economic future post-2014. The briefing provides an overview of some of the key issues raised in publications and written submissions by witnesses, and some of the responses to these, but does not offer comprehensive coverage.

#### **Panel 1 – Economic Think Tanks**

##### *Currency*

The UK Government has ruled out a formal monetary union between an independent Scotland and rUK (2014). This was the Scottish Government's preferred option for an independent Scotland. Nicola Sturgeon, Deputy First Minister and Cabinet Secretary for Infrastructure, Investment and Cities, told the Committee that "we think that the position that the Chancellor of the Exchequer outlined last week will not hold up in the reality of a yes vote." She went on to highlight advantages to the rUK of a monetary union, including the avoidance of £500 million in transaction costs that businesses in rUK would face if an independent Scotland had a separate Scottish currency (2014).

Although the Scottish Government continue to state that its preference is for a Sterling monetary union, press articles have suggested that First Minister Alex Salmond appears to hint that ‘sterlingisation’ (the continued use of pound Sterling in an informal currency union) is his ‘Plan B’ for an independent Scotland (The Telegraph [2014](#)). In a blog post Dr Angus Armstrong states that “because of the level of debt an independent Scotland would inherit, this arrangement is likely to be unstable”. He goes on to state that where these arrangements are in place it is under specific economic conditions:

*“They are either tiny states with minimal debt, countries in transition from communism or countries for which this is very much a last option. The prime example of a long lasting currency board in a modern city with a large financial centre is Hong Kong, which survives specifically because it has no debt”* ([2014](#)).

A number of other economists have raised concerns about ‘sterlingisation’. For example, Paul Krugman blogged in the New York Times that rUK “can’t prevent the Scots from using the pound, just as the United States can’t stop Ecuador from using dollars. But the lesson of the euro crisis, surely, is that sharing a common currency without having a shared federal government is very dangerous” ([2014](#)).

A National Institute for Economic and Social Research (NIESR) publication by Dr Armstrong and Dr Monique Ebell on [Scotland’s Currency Options](#) suggests that there may be a case for introducing a new Scottish currency to give an independent Scotland an extra degree of policy freedom to support the financial system if necessary. The authors conclude that the greater the amount of public debt an independent Scotland assumes, the greater the importance of retaining some policy flexibility and the stronger the case for introducing a new Scottish currency. They highlight that countries with their own currency have an extra degree of policy freedom which allows them to pursue exceptional monetary policy measures to support the financial system if necessary (2013).

A number of other economists have also suggested that establishing a new Scottish currency would have economic benefits. However, it is also recognised that there would be transitional issues and other challenges associated with this option. For example, in a recent Financial Times article Professor John Kay highlights some challenges that would be associated with this option. He suggested that reserves would be “hopelessly inadequate to defend a fixed exchange rate from speculative attack” and that as a result:

*“The likely outcome of a commitment to a fixed peg for the Scottish pound would be that these modest reserves would be handed over to a group of macro hedge funds as the Scottish central bank suffered its own black Wednesday.”*

He goes on to state that a variable exchange rate would also be a “nuisance for individuals and businesses” and suggests that they would probably prefer to denominate their assets and liabilities in pound Sterling than the untested pound Scots ([2014](#)).

### *Cost of borrowing*

If Scotland continues using sterling, Dr Armstrong and Dr Monique Ebell of NIESR estimate that it would face additional interest rate costs of between 0.72% to 1.65% above the UK borrowing costs for 10 year debt. They also estimated that Scotland would have to run a tight fiscal policy to achieve a sound debt level under those borrowing costs. Such a fiscal tightening would leave an independent Scotland with very little room for fiscal manoeuvre in the case of a negative shock, such as a drop in the oil price or a recession ([2013](#)).

However, in the White Paper on independence the Scottish Government states that they expect an independent Scotland to face very low borrowing costs:

*“The Scottish Government expects Scottish bonds to become firmly established as a low risk, gilt-edged investment backed by Scotland’s substantial oil reserves and a stable, high skilled economy trading successfully within the EU with few uncertainties. Borrowing costs should match the very low levels enjoyed by other comparable states such as Norway, Finland and Sweden”* ([2013](#)).

The borrowing costs faced by an independent Scottish Government are important as they impact debt interest payments and public finances (any change to borrowing costs could impact levels of taxation and spending). In addition, in their most recent [Assessment of a sterling currency union](#), HM Treasury have suggested that increased borrowing costs faced by an independent Scotland would pass-through to the cost of borrowing for businesses and mortgage-holders. UK Chancellor George Osborne stated that if borrowing costs were to increase under independence in line with the estimates from NIESR, pass-through could mean that the average mortgage-payer in Scotland would pay “an extra £1,700 a year in mortgage payments” ([2014](#)).

### *Taxation*

In the Institute for Fiscal Studies (IFS) report [Taxing an Independent Scotland](#), Stuart Adam, Paul Johnson and Barra Roantree expressed a similar view to that of the Fiscal Commission on the opportunity for tax reform offered by independence. The authors suggest that independence offers autonomy in the design of Scotland’s tax system and thus an opportunity to improve upon the current UK tax system, for example along the lines proposed in the recent IFS-led Mirrlees Review of the tax system. However, while recognising that the Scotland has made some different choices in the areas of taxation already devolved, the IFS noted that “the Scottish Parliament has eschewed more fundamental reform of these taxes.”

The authors also point out new challenges would arise as a result of the creation of a tax border between Scotland and the rest of the UK, ranging from cross-border shopping in the context of indirect taxes to tax competition in the direct tax system. Tax competition between Scotland and the rest of the UK could leave both areas raising less revenue than if there is co-operation to set rates at what would be best collectively ([2013](#)).

*Public spending*

The way public spending is funded will change radically post-independence. Currently the difference between spending and revenue raised in Scotland is met by transfers from the UK Government, based on the Barnett Formula. In a future independent Scotland public spending will be funded by Scotland's onshore taxes, plus North Sea receipts.

An IFS report on [Fiscal Sustainability of an Independent Scotland](#) by Michael Amior, Rowena Crawford and Gemma Tetlow examined the long-run fiscal pressures that an independent Scotland would face including demographic change and borrowing and debt, and the size of the fiscal consolidation that would be required to put public finances on a sustainable path. It concludes that a significant further fiscal tightening would be required in Scotland, on top of that already announced by the UK Government. Its basic model estimates that, without policy action, Scotland would require a permanent tax increase or spending cut equal to 4.1% of Scottish national income to be implemented in 2021-22, to put Scottish public sector debt on course to reach 40% of national income by 2062-63 (2013).

Another IFS paper on [Government Spending on Benefits and State Pensions in Scotland](#) by David Phillips looked at current and future welfare spending in Scotland. It finds that benefit spending per person in Scotland in 2011–12 was 2% higher than the average for Great Britain. However, the gap has been shrinking in recent years, reflecting, at least in part, the fact that the proportion of Scots claiming that they have a health problem that limits their daily activity, or a disability that restricts their ability to work, is generally higher. Phillips states that if Scotland becomes independent, or if benefits policy is devolved to Scotland within the UK, there would be an opportunity to reconsider a number of recent poorly-designed reforms and undertake more radical reform. However, he warns that major reforms would likely either create large numbers of losers, many of whom are likely to have low incomes, or else involve a substantial increase in overall benefit spending. He also highlights that the Scottish Government's 'triple lock' pensions commitment would become costly in the long term and that higher spending on health and social care also suggests that demographic change will place a greater burden on Scotland's public finances than it will on Great Britain as a whole (2013).

Jo Armstrong and John McLaren of the Centre for Public Policy for Regions (CPPR) have also [undertaken analysis](#) on what would be required of the public finances in order to establish an oil fund in an independent Scotland. The authors stated that they are:

*“...pessimistic with regards to the potential for future North Sea revenues being of a sufficient size to allow for the building up of a Savings Fund, post-independence.”*

Although the CPPR does accept that setting aside relatively small sums for such a fund would be possible with cuts to public expenditure, it believes such annual contributions though would be small and not 'anything like the scale seen in Norway'.



They estimate that offshore receipts need to be £7 billion or more to compensate for the loss of Barnett related funds. Forecasts from the Office of Budget Responsibility estimate North Sea revenues far below the £7 billion mark for each year up to 2017-18, so it is unlikely that a fiscal surplus will occur in the short-term.

*Economic performance and its measurement*

During a recent BBC interview Dr Angus Armstrong was asked whether Scotland would be better or worse off under independence and he stated:

*“The most important point is whether independence would allow Scotland to use policies to raise productivity, and therefore the standard of living for Scots over the long term. That’s the crucial question”.*

Jo Armstrong agreed that “if we can find economic measures that would suggest that us being independent we could put them into place quicker, faster, and they’d be more efficient, more effective to delivering real wage growth, then yes Scotland could be better off” ([2014](#)).

In terms of measuring economic performance, CPPR’s recent contribution to the National Institute Economic Review built on [work first published by the centre in April last year](#). This earlier analysis suggested that Scottish GDP - including a contribution from the North Sea sector - was not the best way to measure economic performance in Scotland, as much of the economic benefits from oil and gas production leave the country in the form of profit outflows to foreign-owned companies. Indeed, CPPR argue, the same could also be said of the financial services and whisky industries which also see high levels of overseas ownership. According to John McLaren and Jo Armstrong:

*“...allocating North Sea activity to Scotland is unlikely to result in any immediate change, post-independence, to the standard of living of Scottish households”.*

John McLaren and Jo Armstrong argue that Scottish GNI, or gross national income, would be the more appropriate measurement to use as this would show the value of all final goods and services produced by enterprises *owned* by Scotland’s citizens.

The Scottish Government’s Office of the Chief Economic Advisor has subsequently produced [an estimate of GNI](#) for 2010, published as experimental statistics in November last year. In its calculation the Government estimates that GNI was £136.8bn in 2010 compared to a GDP figure (including NS) of £144.3bn, a difference of £7.5bn or 5%. In its recent contribution to the National Institute Economic Review, the CPPR contests the Government’s GNI figure, believing that the difference between the two figures should be much larger. They assert that the Scottish Government’s estimate includes “bullish assumptions” regarding the level of industry profits retained in Scotland, particularly North Sea profits. For example, around two thirds of the companies operating in the North Sea are foreign owned. It is CPPR’s belief that Scottish GNI is far lower than the Scottish Government’s recent estimate. It is their contention that only once an accurate GNI figure is produced can Scotland’s true wealth be compared with other OECD countries ([2014](#)).

## Panel 2 – Fiscal Commission Working Group

The Scottish Government established the [Fiscal Commission Working Group](#) to help shape the development of a robust fiscal and macroeconomic framework for an independent Scotland. The members are Professors Andrew Hughes Hallett, Sir Jim Mirrlees, Frances Ruane and Joseph Stiglitz and the group is chaired by Crawford Beveridge. They have published four reports to date, the findings of which are outlined in Annex 1. A number of areas of particular interest are highlighted below.

### Currency

In the [Annex](#) to the Group's Macroeconomic Framework publication, it assessed a variety of possible currency and monetary models for an independent Scotland including Sterling, the Euro and a Scottish currency. It concluded that an agreed Sterling Area was the best option for Scotland and indeed the rest of the United Kingdom in the event of Scottish independence. Note that it only considered Sterling in the context of a formal monetary union because it did not see an informal currency union ('sterlingisation') as a viable long-term solution:

*“International evidence suggests that informal monetary unions tend to be adopted by transition economies or small territories with a special relationship with a larger trading partner (e.g. between the UK and Jersey, Guernsey and the Isle of Man). Advanced economies of a significant scale tend not to operate in such a monetary framework. Though an option in the short-term, it is not likely to be a long-term solution”* ([2013](#)).

In light of recent announcements by UK Chancellor George Osborne, the Group released a statement to clarify that “It remains the view of the FCWG that a Sterling Monetary agreement would be in the best interests of Scotland and the rest of the UK” ([2014](#)).

Professor Ronald MacDonald has been critical of the assessment by the Fiscal Commission because it assessed future alignment of Scottish and rUK economies by analysing historic data. He states that “in coming to that decision it is striking to note that the FC [Fiscal Commission] considered how the Scottish economy compares to the UK today rather than what the economy is likely to look like post independence, which is surely the relevant comparison”. He goes on to state that oil exports and productivity differences could be sources of post-independence divergence. As a result, he argues that:

*“a sterling zone with the rest of the UK is not a tenable option for Scotland or indeed for the rUK. International investors will make sure of that. And because expectations are so central in currency markets the future becomes the present very quickly indeed and there would be no time for an independent Scotland to put in place a credible alternative. The certain collapse of such a union would be hugely costly for a Scottish government and the rest of the UK and create huge uncertainty for all parties involved. The kind of sums that are currently being mentioned as the transactions costs of not re-forming a monetary union with rUK would be small beer indeed*

*compared to the massive costs of the inevitable collapse of the monetary union.”*

He states that a separate Scottish currency is the “only viable economic option for an independent Scotland” (2014). With regard to a separate Scottish currency, the Fiscal Commission did itself recognise a number of advantages:

*“Establishing an independent currency would allow the greatest policy activism and discretion for Scotland, which many countries have found to be advantageous. This includes the setting of interest rates to reflect macroeconomic conditions, such as growth, inflation and asset prices, in the Scottish economy. It would also provide the greatest opportunity to align fiscal policy with monetary policy.”*

However, the Group also highlighted the challenges associated with a separate currency such as transitional costs, short-term uncertainty and transaction costs (2013).

#### *Oil fund*

The Fiscal Commission publication on [Stabilisation and Savings Funds for Scotland](#) recommends that there is clear merit in an independent Scotland establishing both a short-term stabilisation fund and a long-term savings fund immediately following independence. However, it cautions that:

*“The Scottish Government should plan its public finances and borrowing requirement on the basis of a cautious forecast for oil and gas revenue. If revenues exceed this forecast, the surplus should be transferred to the stabilisation fund. Conversely, if revenue is below this forecast, reserves could be withdrawn from the fund thereby allowing public spending to be maintained despite short term movements in oil and gas revenues” (2013).*

Jo Armstrong and John McLaren of CPPR, while acknowledging that setting up a Savings Fund is a worthy cause, raised concerns that the work of the Fiscal Commission “took a largely theoretical look at the merits of such a Savings Fund without analysing the implications of its own recommendations given what we know about future North Sea output, tax revenues and current spending patterns”. They went on to highlight that:

- The relative merits of setting up a fund versus paying down existing debt need careful consideration.
- The Scottish Government scenarios for future oil revenues have “proven to be optimistic, as they are not based on the most up-to-date price and production projections”.
- The annual input into such a fund is likely to be relatively small and not of the scale seen in Norway (2013).

#### *Taxation*

In their report on the [Principles for a Modern and Efficient Tax System in an Independent Scotland](#) the Fiscal Commission independence offers an opportunity to

re-examine the tax system and design one that is more robust and efficient following the principles of simplicity, neutrality, stability and flexibility ([2013](#)).

While the IFS also believe that independence would offer an opportunity for major tax reform and recognises that the Scotland has made some different choices in the areas of taxation already devolved, they noted that “the Scottish Parliament has eschewed more fundamental reform of these taxes.”

### Panel 3 – Academics

A number of academics have made contributions to the debate on Scotland’s future post-2014. The following paragraphs specifically look at issues that have been raised by the academic witnesses on Panel 3.

#### *Inequality*

A study by Professor David Bell and David Eiser of the University of Stirling looked at [Inequality in Scotland: trends, drivers and implications for the independence debate](#) (2013). They find that inequality is much higher in Scotland than in the Nordic countries, but slightly less than in rUK. Although there has been relatively little increase in inequality in Scotland since the mid-1990s, inequality at the extreme ends of the distribution has increased in the last decade. Much of this has been driven by increased part-time working, especially in the in lower-paid occupations. An independent Scotland would gain access to a wider range of fiscal levers with which it could tackle inequality, notably around taxation and welfare spending. However, the authors highlight that, even under independence, there are limits to the extent to which a small open economy can mitigate inequality given that many drivers are linked to global trends in technology, trade and family formation practices.

#### *Currency*

In his written submission Professor David Simpson agrees with the Fiscal Commission Working Group that a Sterling currency union is in the best interests of Scotland and England and describes it as “the most likely outcome following independence”. He explains that:

*“It has been suggested that to work properly, a currency union requires political union, but the historical experience of those monetary unions between sovereign states that have been successful provides evidence to the contrary.”*

He also believes that “Scottish representation on a common financial stability authority might bring a fresh perspective to monetary policy and financial regulation, two areas in which UK performance has been poor in recent years.”

In addition, Professor Simpson argues that an informal Sterling currency union is also a feasible and attractive option, stating:

*“It would be quite possible for Scotland to keep the pound following independence without entering into any formal currency union. Indeed, this*

*would not only be possible but, if Scottish interests alone were to count, it would be desirable. It would deliver the main benefits of a currency union – low transaction costs, no set up costs, no exchange risk, without some of the costs.”*

He goes on to explain that it would be an advantage, in this scenario, that the Bank of England would not act as a guarantor for Scottish banks as “It was precisely the implied promise of a bailout from the European Central Bank that allowed so many Eurozone banks and Governments to get themselves into a crisis of excessive debt” (2014).

#### *Debt*

In January the UK Government announced that it would in all circumstances honour the debt it has issued in the event of Scottish independence (2014). At the time there were reports that the First Minister Alex Salmond was warning that an independent Scotland could walk away from its share of the UK’s national debt if the UK Government rejects its terms for a monetary union (FT 2014 and Scotsman 2014). Following on from the UK Chancellor George Osborne ruling out a formal monetary union between an independent Scotland and rUK, John Swinney, the Cabinet Secretary for Finance, Employment and Sustainable Growth stated to this Committee:

*“If we follow to its logical conclusion the Treasury’s argument—that the United Kingdom would be the continuing state and as a consequence would in essence have exclusive access to the role and responsibilities of the Bank of England and the sterling currency—the United Kingdom will assume the entire responsibility for the liabilities of the United Kingdom. To quantify that, that would mean that the United Kingdom would take on an additional share of debt, which could be supported by an independent Scotland, of up to £130 billion” (2014).*

However, Professor Bell has commented that “there is a danger in threatening not to take on a share of the debt”. He explained:

*“One of the first actions of an independent Scotland will be to go to the markets to raise cash. It will also want to keep interest charges as low as possible. For this, it will need a good credit rating. And the markets might be wary of a borrower that would not take a share of UK debt” (2014).*

In response to these concerns, the Cabinet Secretary has argued that Scotland cannot ‘default’ on its debt because it is the UK that legally owes the money. He quoted the view of Professor Christine Bell to the Committee:

*“Legally under international law the position is clear: if the remainder UK keeps the name and status of the UK under international law, it keeps its liabilities for the debt. The UK took out the debt, and legally it owes the money. Scotland cannot therefore ‘default’” (2014).*

**Scherie Nicol and Greig Liddell**  
**SPICe Research**



Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

### Annex 1 – Overview of Fiscal Commission Working Group publications

Report	Outline
<a href="#">Macroeconomic framework</a>	<p>This report puts forward recommendations with regard to the macroeconomic framework (monetary policy, fiscal policy and financial stability) of an independent Scotland. For example, the Group states that, given the scale of integrated markets, the preferred model would be for Scotland to enter a formal monetary union with the rest of the UK with the Bank of England operating as central bank for the common monetary area. The Group suggests that retaining a common currency would promote the single market and help facilitate trade and investment to and from the rest of the UK and elsewhere. It proposes that ownership and governance of the Bank could be undertaken on an agreed shared basis and monetary policy would be set in the monetary area according to economic conditions in both Scotland and the UK. This report also highlights the range of new policy levers that the Scottish Government would have under independence to boost growth, address inequality and stabilise the economy. This includes taxation levers such as corporation tax, oil and gas taxation, excise duty and VAT. It also includes non-tax based levers such as financial regulation, consumer protection and industry regulation.</p>
<a href="#">Stabilisation and savings funds for Scotland</a>	<p>The Group's recommendations include that:</p> <ul style="list-style-type: none"> <li>• The Scottish Government should establish a short-term stabilisation fund to manage year on year changes in oil and gas tax revenue immediately following independence.</li> <li>• The Scottish Government should plan its public finances and borrowing requirement on the basis of a cautious forecast for oil and gas revenue.</li> <li>• The Scottish Government should establish a long-term savings fund immediately following independence. This will ensure that a proportion of the wealth generated from the taxation of Scottish oil and gas production can be invested in financial assets and thereby provide a permanent revenue stream for future generations.</li> </ul>
<a href="#">Principles for a modern and efficient tax system</a>	<p>Suggests that independence offers an opportunity to re-examine the tax system and design one that is more robust and efficient following the principles of simplicity, neutrality, stability and flexibility. Recommendations and examples to consider include:</p> <ul style="list-style-type: none"> <li>• The use of fiscal rules and the establishment of an independent fiscal commission</li> <li>• The establishment of a stabilisation fund to manage natural resources and enhance economic resilience</li> </ul>

	<ul style="list-style-type: none"> <li>• The use of a select few targeted tax reliefs</li> <li>• The use of modern technology to lower the burden of administration and compliance</li> </ul> <p>Linking the tax and welfare systems so the system can be used to tackle inequality effectively.</p>
<a href="#">Fiscal rules and fiscal commissions</a>	The Group recommends that an independent Scottish Fiscal Commission should form a key part of the fiscal framework of an independent Scotland. It also suggests that, within a monetary union, fiscal rules should be clearly defined while allowing each member to take a flexible approach to decisions over the level and composition of their tax systems and public spending.

## Annex C

## Future Committee evidence sessions:

<b>Date/theme</b>	<b>Witnesses</b>
12 March 2014 <b>Monetary policy</b>	<ul style="list-style-type: none"> <li>• Sir John Gieve, former deputy governor of the Bank of England</li> <li>• Professor Ronald MacDonald, University of Glasgow</li> <li>• Dr Monique Ebell, National Institute of Economic and Social Research</li> <li>• Professor Anton Muscatelli</li> <li>• Professor Jeremy Peat, David Hume Institute</li> </ul>
19 March 2014 <b>Taxation, spending, borrowing, debt</b>	<ul style="list-style-type: none"> <li>• Elspeth Orcharton, ICAS</li> <li>• David Glen, Head of Tax, PWC</li> <li>• Moira Kelly, Chartered Institute of Taxation</li> </ul>
2 April 2014 <b>Economic sectors, trade, regulatory issues, labour market</b>	
23 April 2014 <b>Welfare/equality</b>	
28 April 2014 <b>Energy, oil and gas, renewables</b>	
30 April 2014 <b>Business sectors</b>	
7 May 2014 <b>International, lessons from abroad</b>	
14 May 2014 <b>Civic Scotland</b>	
21 May 2014 <b>Campaign groups</b>	<u>Panel 1</u> Better Together

	<u>Panel 2</u> Yes Scotland
11 June 2014 <b>UK and Scottish governments</b>	<u>Panel 1</u> UK Government  <u>Panel 2</u> Scottish Government