Economy, Jobs and Fair Work Committee
Scotland's Economic Performance inquiry

Digital tools

1. To extend the reach of the call for evidence, the Committee agreed to undertake a digital pilot, seeking the views of university-level economy students on the issues raised by the inquiry via the online platform Dialogue.

2. The closed online forum was active from 21 November to 1 December. The Dialogue page and responses can be viewed online: https://scotparl.dialogue-app.com/e7dzxa48d1

3. Below are the full responses received.

Dialogue online responses

Supporting Family Businesses for Innovation and Growth – Cseaman – 21 November 2017

Family businesses form the bedrock of the economy in Scotland and include some of our largest businesses. A recent report by Family Business United in Scotland highlighted that the Top 100 Family Business in Scotland alone contribute 11% onshore GDP, £16.6 billion in annual turnover, employ around 103k people and have a combined profit before tax of £1056 million. Two things would help the family businesses in Scotland; support for sustainability through the succession process and support to drive innovation & hence productivity in a family business context. Moreover, family businesses represent around 65% of businesses in Scotland, include numerous SMEs and operate across all the priority sectors. Research indicates that family businesses learn better and more willingly from their peers Family business innovation is important for three reasons; family businesses are exceptionally numerous, research indicates they operate differently and they are especially important in rural areas where large corporate firms are less active. Further, current research indicates that family firms are more likely to be led by women (contributing to diversity) and tend to take a longer term view of business strategy.

Towards a sustainable Economy for Scotland – Andreas Zaunseder – 28 November 2017

Natural resources are finite. Financial markets highly unstable. Scotland's economy has become increasingly dependent on these to economic sectors. What Scotland needs is an economy that is sustainable and even allows to realistically consider independence - in case this is still on the agenda of the leading party. These are some suggestions for essential measures that would help Scotland's economy to prosper:
- Promote small, principled worker co-operatives (less big scale co-ops)
- Protect Scottish local businesses - especially social enterprises and co-operatives from UK-wide and international market exposure and fierce competition.
- Promote renewable energies and reducing dependence on fossil fuels (up to complete cessation)
- Uncouple prosperity from growth (constant growth is logically impossible and environmentally fatal)

Scotland’s aims to protect its pristine countryside, keep it attractive for tourists, maintain a healthy habitat for human beings and animals. An economic system needs to be attuned to this. Growth and dependency on fossil fuels and financial market destabilise the economic foundation of the people living in Scotland. In growing wealth gap, stratum of people living in poverty, high numbers of drug abuse are just some examples that require the government to interfere and work towards a more egalitarian, fair, and sustainable economy. An economy that does not pit people and companies against each other in competition that relentlessly squelches the less competitive participants. A long-term viable economic system needs to be based on collaboration, reciprocity, self-determination, human beings and nature rather than profits, grueling income gaps, and a disheartening insufficient support for the social sector.

In the Scottish cities where housing is getting scarcer and more unaffordable, housing co-operatives and community ownership (through community trusts) rather than private estate developers ought to be promoted and boosted.

**Import substitutionism – Commonweal – 1 December 2017**

The expansion of domestic production for domestic consumption to become less reliant on imports.

To ensure the Scottish economy is resilient to shocks, creating high-skilled work and producing for social need, the Scottish Government needs to have a long-term trade strategy of import substitutionism, where we expand domestic production for domestic consumption to become less-reliant on imported goods. Domestic production for domestic consumption is every bit as economically valuable as exports, while having greater durability during times of international economic slowdown. It is not necessary to erect international trade barriers in order to do this. The Scottish Government must support businesses which are seeking to compete against multi-national competitors in producing for the domestic market, for instance in local food production. Funding support could also be tied to ‘anchoring’ strategies which ensures expanding Scottish enterprises remain in Scotland. This is essential to tackle Scotland’s low-rate of domestic headquartered companies, and associated low-rate of business research & development investment, which hinders productivity.

**Increase public investment through public – public partnerships – Commonweal – 1 December 2017**

A new approach to financing public investment through public-public partnerships - A Scottish National Investment Bank lending to local authorities, with strategic and logistical support from Scottish National Investment Company (which could be based on the current Scottish Futures Trust).

The UK has one of the lowest rates of public investment in Europe, and the Scottish Government has few levers to overcome this weakness north of the border, with the Capital Budget declining from 3.4% of GDP in 2010 to 1.4% today. Lack of investment in public infrastructure is a key factor in stagnating productivity, as for instance improved transport infrastructure makes the movement of goods more
efficient. The establishment of a Scottish National Investment Bank could help overcome this weakness, as long as within its lending criteria includes the ability to lend directly to the public-sector. Specifically, local authorities could borrow from the SNIB at lower rates than the UK Government’s Public Works Loan Board, with loans devised to specific lending requirements. This could be done in collaboration with a Scottish National Investment Company, which could provide logistical support and co-ordinate between local authorities. For instance, the building of a new generation of public rental housing could be based on a SNIB loan over the expected life-time of the asset, with modest loan repayments made based on rent returns. We have described this approach to financing as a public-public partnership.

**Reduce land and property values to incentivise productive assessment** – Commonweal – 1 December 2017

Use tax measures to reduce land and property values in order to make productive business investment cheaper and act as a disincentive against land and property speculation and rentier practises.

Asset price inflation – the rise in the cost of land and property significantly above inflation – has skewed business incentives in Scotland’s economy away from productive business investment towards speculative investment in property and rentier practises, neither of which are in any way productive. The high cost of land and property has not only caused a housing crisis – for small businesses the cost of land purchase or letting a retail unit is excessive. The government therefore needs a strategy for sustainably reducing land and property values. The most obvious way to do this is through tax. It is a mistake to think of tax as solely or even mainly a revenue-raising activity – the principle reason to tax is to put a premium on economic activities which are negatively affecting the economy as a whole. High land and property values is a perfect example of this, and therefore the replacement of the dated and regressive Council Tax with a tax on property/land values levied on the owners will not only reduce inequality but will also incentivise productive business activity over asset price inflation.

**Establish non-profit digital platforms for Scottish industry sectors** – Commonweal – 1 December 2017

Through government support and investment, establish non-profit digital platforms which can act as local/national alternatives to global corporate monopolies like Uber and Netflix.

Global corporations like Uber and Netflix are monopolising markets and extracting profits from local and national economies through establishing digital technology platforms which taxi drivers and filmmakers have to utilise to reach customers. But there is nothing preventing the creation of national, non-profit alternatives to these platforms which could easily be established and promoted with government support. In the film industry, this could allow for greater exposure of Scottish culture to Scottish audiences and increase employment. In the taxi industry, this could lead to higher wages and more job security for drivers, and keep small taxi firms in business. In the modern age of information technology, there are very few industries where digital platforms are not of great significance, and where alternative to global corporate monopolies would not have substantial social and economic value for national and local economies.