

Council of Economic Advisers

Conference Call, 15th November 2017

15:00 – 16:00 [UK Time]

Participants

Crawford Beveridge – Chair

Sir Harry Burns

Sir Jim Mirrlees

Jim McColl

Frances Ruane

Marianna Mazzucato

Gary Gillespie – Chief Economist, Scottish Government

Also attending:

Annabel Arbuthnot, OCEA, Scottish Government

Angela Nolte, OCEA, Scottish Government

Apologies: Joseph Stiglitz, Sir Anton Muscatelli, Sara Carter and Amanda McMillan

Update on Developments

- Gary Gillespie updated Council members on recent engagements including, in October, meeting with Joseph Stiglitz and the First Minister at the INET conference in Edinburgh, and Gary Gillespie met with Frances Ruane while on a visit to Ireland.
- Council members were provided with an update of the Inclusive Growth Conference in October. Council members who were in attendance agreed that it was a successful event.
- Council members requested information on the Wellbeing Economies Alliance breakfast meeting that took place on the morning of the conference. Gary provided an overview of the meeting, including noting that an informal agreement was made to build a platform to facilitate this Alliance.
- Council members were presented with a paper on progress around developing a Scottish National Investment Bank. Members had a wide ranging discussion on progress, including noting that the speed with which discussions are happening is encouraging, though noted that there is a risk of rushing the development.
- Members also discussed the importance of articulating the purpose of the bank; and advised that the SNIB advisory group could look at evidence from Ireland.
- Council members were provided with a paper on procurement and thanked officials for the information provided.
- The recent Scottish Government paper on 'The Role of Income Tax in Scotland's Budget' was shared with members. It was noted that the discussion paper has widened the context of the debate by examining a range of approaches that would increase the progressivity of the tax system, such as the introduction of new income tax bands. Council members noted that this was a good document but highlighted that income tax is only one of a range of taxes that could be analysed.

Fiscal Matters – taking forward the workstream

- Council members were provided with an update on the analysis of the impacts of potentially raising the Additional Rate of Income Tax to 50p, including a draft Scottish Government Paper for publication at or before the Draft Budget 2018-19.
- The papers were well received by members who noted that these reflected Members' previous comments and suggestions.
- In addition, Members noted that it would be good to highlight in the final draft that income tax forms part of a wider basket of taxes that could be changed to raise additional revenue. Officials pointed out that, within the current fiscal framework, Scotland's tax powers are limited to a small number of taxes of which income tax is the biggest lever.
- Members noted that a significant feature of increasing the Additional Rate would be that it has a big impact on a small number of people. This could impact on employer behaviour, for example resulting in offering a higher salary to compensate for the higher tax; or consider whether to move location.
- Members noted that what is important for Scotland, as part of the UK, is that the issues around movement of people and businesses as a result of an increase in the Additional Rate are compounded. And, therefore if the Additional Rate were to be increased, the narrative provided behind it is important, including how the additional resources will be spent. Members also raised a point around the importance of distinguishing between a gradual incremental change as opposed to a step change i.e. the speed at which a policy reform takes place.

Future Council Meetings

- Members were asked to note that the next full meeting of the Council will provisionally take place on Thursday 18th – Friday 19th January, in Edinburgh.

Actions

- Officials will provide Council members with more information on the Wellbeing Economies Alliance, including what countries are involved and their forward plans.
- Officials will follow up communications with contacts in the Irish investment bank regarding development of the SNIB.
- Officials will plan to provide an update to council members of the SNIB in the January meeting.
- Officials will work to publish the paper of the analysis of the revenue implications, and potential mitigation actions, associated with a 5 pence rise in the Additional Rate at or before the Draft Budget 2018-19.
- Officials will look into the possibility of arranging a visit to Clyde Gateway.