

## EDITORIAL INTRODUCTION

In the March 2014 volume of the **Fraser of Allander Institute Economic Commentary** we invited both the **Better Together** and **Yes Scotland** campaigns to state the economic case for their respective positions in the current Scottish independence debate. In so doing, the Commentary offered itself as a *neutral* and informed Scottish economic policy platform.

In this Commentary, **Professor Andrew Goudie** of the University of Strathclyde reflects on the economic cases presented in the Commentary by the pro-union and pro-independence campaigns (by **John Swinney MSP** and **Professor Jim Gallagher**) and on the wider economic (and political) debate within which the current economic issues surrounding the Union, Independence and, importantly, enhanced devolution, have - and have *not* - been debated. Drawing on his book '**Scotland's Future: the economics of constitutional change**' (Dundee University Press, 2013) and particularly on the 'six tests' set out there, Professor Goudie provides three distinct and interlinked articles. The first reflects on the key economic questions that remain central in the Scottish independence Referendum. The second focuses briefly on the pro-independence and pro-union economic cases made in the March 2014 volume of the **Fraser Economic Commentary**, with further commentary on 'enhanced devolution', given that all major UK political parties now propose additional economic powers for the Scottish Parliament. Finally, Professor Goudie turns to some reflections on the Referendum campaigns and Scotland's post-Referendum economic policy agenda.

**Tobi Emonts-Holley, Andrew Ross and Professor Kim Swales** of the Fraser of Allander Institute present on-going research to develop more sophisticated analytical tools to model the Scottish economy and assess the impact of tax and other policy changes. Their work to build a **Social Accounting Matrix (SAM)** for Scotland, based on 2009 data is outlined. As they note, irrespective of the outcome of the Scottish independence referendum, Scotland will require more and better economic data to manage its increased economic responsibilities. This article outlines how a SAM approach can be used to create a more detailed knowledge of the flows of income and expenditure through the Scottish economy *and* to model how the Scottish economy might respond to proposed changes in, for example, government expenditures and taxes. The Commentary will publish in its next volume, proposals by the Scottish Government to enhance economic data collection and analysis.

**Professors Julia Darby and Ian Wooton and Dr. Ben Ferrett** (University of Strathclyde and Loughborough) present work on an important economic aspect of the current referendum debate: the issue of corporation tax and the prospectus that an independent Scotland might wish to reduce it to attract investment and jobs. They take a theoretical approach to this and demonstrate that were a small country (eg Scotland), in a larger customs union (eg EU), that competes with a large country with a large centre (eg rUK), to reduce its rate of corporation tax that it can expect to increase its share of mobile investment (and jobs) - even if there is tax retaliation. However, this is clearly at short run cost, of lost tax revenue.

Finally, the Commentary presents a short note by **Dr Nicolas Scelles** (University of Stirling) and **Emeritus Professor Wladimir Andreff** (University of Paris 1) on a proposed methodology to predict the outcome of men's international football matches. The method is briefly outlined and can be used to predict the outcome of the current 2014 World Cup in Brazil. In the forthcoming Fraser Economic Commentary, Scelles and Andreff will produce an analysis that will model the progress of Scotland's national football team in the forthcoming 2016 Euro competition.

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June 2014

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