

FRASER OF ALLANDER INSTITUTE

Editorial Introduction

Happiness, well-being and life satisfaction are topics that are attracting increasing attention from policy makers, and even from economists. In this issue, we publish work undertaken by researchers from the European Policies Research Centre (EPRC) and the Fraser of Allander Institute (Sara Davies, Stewart Dunlop and Kim Swales) at the University of Strathclyde. They seek to ask a simple question: is happiness or life satisfaction related to where you live in Scotland? They provide evidence to back up previous research that indicates lower levels of 'happiness' in Scotland's cities, though they find that 'happiness' is greatest those rural areas that have good access to Scotland's cities. The good life, it appears may be one of 'having one's cake and eating it'.

Though the founder of modern economics is generally taken to be the Scot, Adam Smith, Scottish-born winners of the Noble Prize for Economics have been thin on the ground. James Mirrlees was awarded a Nobel Prize in 1996 and in 2015 so was the US-based, ex-patriate Scottish economist, Angus Deaton. In this issue, Hervey Gibson reviews Deaton's 'almost ideal demand system' model of consumption and applies it to consumption in the Scottish economy, with surprising results.

The Agreement between the UK and Scottish governments on Scotland's Fiscal Framework is of historic importance to every man, woman and child in Scotland. That it was a very protracted negotiation was indicative of its importance, as was the agreement that the indexation that should underpin it be reviewed by both governments in seven years. This topic was the subject of an article by Jim Cuthbert in the June 2015 Commentary (see http://strathprints.strath.ac.uk/53549/1/FEC_39_1_2015_CuthbertJ.pdf). In this issue, Professor Anton Muscatelli, one of Scotland's leading economic commentators, provides an analysis of the Agreement, the competing indexation methods to meet the Smith Commission's 'no detriment' and 'taxpayer fairness' criteria. In his view, the Agreement is 'right on the money',

In international terms, the UK has a poor record in the planning and delivery of large-scale infrastructure. Why this is the case is the subject of an article by Miguel Coelho and Sebastian Dellepiane. They take a *political economy* perspective to decision making in a variety of settings: power generation, high speed rail, London's international gateway airports and sewerage infrastructure. Their analysis shows that UK political decision making processes are defective and they note some international policy innovations that might be adopted in the UK - and Scotland? – to plan and more rapidly deliver major infrastructure.

Given that the elections to the 2016 – 2021 Scottish Parliament are only months away, the Commentary publishes two articles of key current policy importance: widening access to higher education and creating 'inclusive growth' in the Scottish economy. Alan Sherry, looks at the progress to date of widening access to higher education from Scotland's poorest communities. Despite much work and rhetoric, he sees little evidence of a systemic shift and questions the current policy focus on SMID 40 as a target and measure.

The second article is by David Wilson of the International Public Policy Institute (IPPI) at the University of Strathclyde. He provides a perspective of the reasons why inequality and fairness are back on the policy agenda worldwide and reviews the current policy focus of the Scottish Government on 'inclusive growth'. In doing so, he notes that the changing nature of the contemporary economy militates against it producing socially-fair outcomes. For these to be overcome – or at least ameliorated - economic policy and its institutions needs to 'build in' fairness. He uses the example of work based learning as a policy that is not only socially progressive but an economic necessity, that is targeted not only on building skills but also raising productivity – the surest and most sustainable was to raise living standards and increase median incomes.

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