

## OFFICIAL SENSITIVE

**Council of Economic Advisers  
Conference Call, 6<sup>th</sup> March 2017  
15:00 – 16:00 [UK Time]**

### **Participants**

Crawford Beveridge – Chair  
Anton Muscatelli  
Jim McColl  
James Mirrlees  
Gary Gillespie – Chief Economist, Scottish Government

### **Also attending:**

Kathy Johnston (OCEA, Scottish Government)  
Kevin Brady, (OCEA, Scottish Government)  
Annabel Arbuthnot (OCEA, Scottish Government)

Apologies: Frances Ruane, Joseph Stiglitz, Sir Harry Burns, Amanda McMillan, Sara Carter, Mariana Mazzucato

### **Update on Developments**

- Gary Gillespie updated members on developments since the January meeting.
- Following the meeting in January, draft minutes had been circulated to Council members for comment and review by week beginning 13<sup>th</sup> March.
- Members were advised of the recent publication of the Chief Economist's State of the Economy report of which had been published on 3rd March, and were updated on on-going analysis on the impact of the EU Referendum. Updates were also provided on developments on economic data, particularly around business investment and labour productivity, and on recent developments regarding the UK Government's Apprenticeship Levy and the Scottish Government's response, following an action from January's meeting.
- Following an action from January's meeting, Members were provided with an overview of public sector spend from available data from the Scottish Procurement Information Hub. Members noted this update, and requested some further specific analysis.
- Members were also updated on plans for the Inclusive Growth Conference, which will incorporate an official-level meeting of interested parties to the Wellbeing 7 initiative. Members will be contacted shortly regarding proposed dates in October or November this year.
- Later in the meeting, Members also received a short update on the work of the Data, Performance and Evaluation Workstream of stage 2 of the Enterprise and Skills Review, following an action from January's meeting.

### **Council Response to the UK Government Green Paper**

- During the Council's discussion on patient capital and development banks in January's meeting, the Council had offered to provide an independent response to the UK Government's consultation on industrial strategy. Following this, officials had circulated a draft discussion document to Council members for

## OFFICIAL SENSITIVE

comment and review, based on materials presented in support of the discussion, and points raised during the session.

- Members agreed that the draft captured the discussion well, and had set out the major issues. Members requested that subsequent drafts make a positive statement that development banks are a cornerstone of a successful industrial strategy.
- Members requested that the paper highlighted the venture capital gap in Scotland, and that there are practical examples in Scotland of where patient capital would encourage SME development.
- Members highlighted that the approach adopted should avoid a 'share of funds allocated to Scotland' approach.
- Members requested that the response highlights that a national development bank's provision of patient capital would not be limited to small firms.
- Members requested that the response includes information on sources of funding for a national development bank.
- Members recommended that the response drew on the report presented by Mariana further.
- Members advised that the response should set out that a national development bank would provide guarantees, as well as loans.
- Written comments had also been received from some Council members, and further comments on the draft Council response were requested for the week beginning 13<sup>th</sup> March.

### **Fiscal Matters – taking forward the workstream**

- A discussion paper had been circulated to Council Members on potential approaches to taking forward their fiscal workstream, following on from discussion at the January meeting. The paper set out directions in which the evidence base underpinning the analysis could be developed.
- Member's views were sought on progressing the workstream, and to confirm further areas of analysis in support of this workstream. Members were invited to consider whether the workstream should be taken forward by the full Council, or through a smaller sub-group.
- Members asked about the specific plans for the work and if further estimates of revenue risks or gains with a change to the additional rate will be provided.
- Members were interested in the allocation of responsibilities between the Scottish Government and the Scottish Fiscal Commission. The Scottish Government will carry out policy analysis and if the decision was made to make a change, the SFC would carry out further analysis. Both use the same modelling framework.
- Members were interested in what analysis could be undertaken of the long term impacts of a change in the additional rate, and highlighted the importance of considering dynamic effects of taxpayer behaviour over time.
- Members were content that the Council would be a sounding board with the proposals set out on ways to progress this workstream, but stressed the importance of there being clarity around the timeframe and length of time available to consider and review any analysis undertaken.

## OFFICIAL SENSITIVE

### Actions

- Officials to further investigate procurement data, particularly around approaches to ascertaining the size of companies receiving procurement contracts.
- Officials to look into whether and how older workers' hours and output had been accounted for within productivity and GDP statistics and analysis.
- Officials to continue to keep Council members apprised of developments and analysis around the EU referendum result.
- Officials would develop the Council response to the Green Paper in line with members' comments, both oral and in writing. Following Council members' comments, the response would be redrafted and circulated for members' approval. Officials would also circulate members' comments on the draft discussion document to the Council overall
- Officials would continue to develop the evidence base for the additional rate analysis, in line with areas set out in the paper, and with Council comments.
- Officials to provide a further update on developments to the Council at the end of March.
- Officials will canvass Council members for dates for a further conference call in late May / early June, and around potential meeting dates in August and October / November (to coincide with the Inclusive Growth conference).

**CEA Secretariat  
OCEA  
March 2017**