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TERRITORIAL EQUITY AND PUBLIC FINANCES:

Concepts and Confusion

by

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The incumbency of Willie Ross is widely regarded as a period in which political muscles were flexed to improve Scotland's relative position. The evidence is consistent with this view that the paths of expenditure shares were then heavily influenced by political bargaining. In 1978, there was a return to a formula. It is an indication of the extent of official secrecy that this was never placed upon the public record until the Select Committee on Scottish Affairs elicited this information from Mr. Younger. The Labour Government did not reveal the existence of this formula despite its relevance to the debate on the financing of devolved Assemblies. Similarly, the debate on how Scotland would fare during the Conservative Government's programme of public expenditure cutbacks was also conducted without reference to the operation of the formula.

All formulae need a name. In the apparent absence of an official one, I will now name this the 'Barnett formula', after Joel Barnett MP, the then Chief Secretary of the Treasury with responsibility for public expenditure. Perhaps, some day, this will make Joel Barnett as famous as Lord Goschen! The Barnett formula was that of any marginal increases in public expenditure in Great Britain, Scotland would obtain 10%, Wales 5% and England 85%. The latest population estimates then available would be those for June 1977, which were 9.57%, 5.10%, 85.34% respectively, rounded to two places of decimals. The new formula looks to be based on population shares.