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We now talk about the ‘Barnett formula’ as if everyone now knows what it means - which would be a mistake. In Scotland, I get the sense that it has become shorthand for Scotland’s current financial position – as in ‘we will protect the Barnett formula’ or ‘they want to lose money by getting rid of Barnett’. A reference to ‘Barnett’ is used largely for people to argue *internally* that Scotland does well out of the Union, which can be a valuable argument (albeit heavily contested) as long as no-one in the *rest of the UK* hears you make it.

Our collective understanding of the detailed workings of Barnett was already low because, for example, there are genuine difficulties in understanding the idea of ‘convergence’ (discussed by the committee’s other sources of evidence) when it can only refer to an *overall position* but we can see some convergence in *some policy areas*, such as health, arising from a combination of the financial settlement and devolved government policy choices.

Our understanding may be about to plummet, since we are maintaining a UK-wide formula while also devolving more tax responsibility, and the calculations will become messier still. *Still, our shorthand understanding should remain the same*: it is a way to adjust spending at the margins without expending great political energy in annual negotiations. Similarly, the new Scottish arrangements will involve the same fiddling at the margins based on estimates of its share of taxation.

We talk periodically about replacing Barnett, but it is always more likely that the topic will go away for a while before we talk again about replacing Barnett – largely because its alternative, the needs based assessment, is (in many ways) far more controversial than Barnett. A needs based formula involves many value choices about what people need and what services we should all deliver. Further, for many, a UK-wide needs based formula seems increasingly distant from the idea of devolved discretion.

More importantly, Barnett is now at the heart of the independence debate *which has not gone away despite the ‘no’ vote*. The referendum was won partly because the idea that Scotland did well economically from the Union – (a) macro stability (b) a good deal from the Treasury – seemed convincing. So, if you start messing with Barnett to help Wales and Northern Ireland you undermine the key argument that kept Scotland in the Union.

On that basis, the *principled* among us may want a new and transparent system with clear criteria for fairness. The *pragmatic* may want to work with what we have, to supplement poor territorial distributions (in some areas) with side deals with the Treasury. The Scottish experience suggests that it helps to have a crisis, particularly if you have the ability to exit from UK-wide arrangements.