

One consequence of the Brexit debate is that it has left little room for discussions of the emerging structural challenges and opportunities our economy is facing.

So what are these big policy questions?

First and foremost, the sustainable growth challenge is arguably still something that remains inadequately addressed in the political discourse in Scotland.

For all our economy's documented successes, the backdrop is an economy that has grown slowly for the best part of a decade.

We have clear strengths in sectors and firms across the Scotland, from food & drink, financial services, energy and tourism. Our workforce is highly skilled with our university sector world class.

But we also know that our export base is too narrow and that our levels of R&D activity and entrepreneurship lag behind the UK as a whole (which in turn lag behind key OECD economies).

For all the talk about 'inclusive growth', nearly 1 in 4 children in Scotland continue to live in poverty. Indeed, the policy response in support of this asserted vision remains opaque at best.

And despite record levels of employment, for many being in work is no longer providing the security and prosperity it once did. In-work poverty is on the rise, with over 50% of those in poverty now living in a household where there is at least one working adult.

In some areas, such as renewables and climate change, the government has overachieved on the ambitious targets that they set themselves. But on the major 'macro' targets - such as the 2007 'Purpose Targets' - most have been missed.

Last year we highlighted the 'cluttered landscape' here in Scotland, with numerous strategies, advisory boards, action plans, agencies and small-scale initiatives. It would appear that little has changed.

But this is not just a challenge for the Scottish Government. In November 2017, and as part of their Industrial Strategy, the UK Government announced a review of how UK and Scottish Government agencies could better collaborate to support businesses. Nearly 18 months on, this review has yet to offer any insights, recommendations, or even any evidence of having

got off the ground.

The lack of evaluation and scrutiny of the effectiveness and value of policy initiatives remains - in our view - the weakest aspect of the devolution policy landscape.

The second 'big' question relates to how the Parliament will respond to the major structural changes that we know are coming to our economy in the years ahead.

Some have a particular resonance in Scotland, such as sharp rise in the average age of our population, the challenges of managing the long-term scaling back in oil and gas or the advantages our natural environment can give us in a world where sustainability is rarely just an outcome of growth rates but a key driver.

Others are more universal, such as understanding both the benefits and risks to jobs, household incomes and inequalities from the 4th industrial revolution and the growth of new and emerging markets.

Scotland's economic strengths provide a solid foundation upon which to build. But in a world of such significant change and shifts, 'more of the same' policy ideas will not succeed. The scale of these changes will require a boldness in economic thinking that, arguably, we have not seen over the 20 years of the Scottish Parliament.

Finally, one thing that we can be certain of is that public sector budgets will remain under pressure for the foreseeable future.

Whilst borrowing has fallen in recent years, the UK's stock of debt still stands at nearly 90% of GDP. Should Brexit weaken the economy, this will hit tax revenues and lower the long-term rate of growth in public spending.

As highlighted above, the near-term outlook for some devolved taxes is a further concern, with a gap emerging between forecasts and revenues raised.

All this comes at a time when demand pressures continue to rise. Health is likely to absorb around half of day-to-day government spending by the end of the parliament. And even then, this is just sufficient to keep pace with rising take-up and costs of delivery.

As a result, future Scottish governments will have little room for manoeuvre, unless they are prepared to make radical changes to the way services are delivered, what services are delivered, and/or there is a step change in the level of revenues raised.

One reflection is that whilst politicians are happy to set out their spending aspirations, not enough is said about their vision for non-prioritised areas.

Is Scottish society content for the changes in spending distribution we are seeing to continue? Can we make more transparent, strategic and consensual decisions about which areas to prioritise (and which are less of a priority)? And at what point do we need to become more realistic about the scope to raise additional public revenues to meet ambitions for public service delivery?

So what next?

The age of economic and fiscal uncertainty and upheaval is clearly here to stay. This is the new normal to which we need to adapt.

Resilience, and an ambition to seek out new opportunities, are likely to be the two most in-demand qualities for businesses and policymakers over the coming months and years.

On a more long-term level, the Scottish Government - and opposition politicians - will need to understand and respond to the big structural economic and fiscal challenges and changes that are underway.

So where might they focus?

Firstly, there is clearly a much greater role for robust evaluation of policy than we have seen in recent years. What has worked? What has not? Why have some targets been met? And why have some been missed?

Some institutions, like Scottish Enterprise, are aware of the need to do this and engage in a wide variety of appraisals and evaluations. But more broadly, challenges remain around the extent and quality of economic data, the public sector's capacity to undertake such analysis, and - perhaps most concerning - the lack of recognition of the importance to good policymaking and accountability of evidence.

Secondly, a renewed emphasis on medium term challenges is needed. This will require more strategic thinking about the likely economic and fiscal challenges of the future, than appears to be the case just now. The new Scottish Government 5-year financial strategy is a good step forward, but is undone by the fixation to one year budgets.

Thirdly, and most politically challenging, is that there needs to be more recognition that if Scotland is to respond to the structural shifts that will impact on our economy in the years

ahead, it will need a more collegiate approach that seeks consensus on the big issues and what should be done to understand their implications. The last few weeks in Westminster have shown the consequences that can arise when consensus policymaking breaks down.

20 years ago those who established the Scottish Parliament had the hope that politics here in Scotland would take a different approach and usher in a new era of collective effort and decision making.

The need for that approach is now more urgent than ever.