Scotland and Brexit

‘Independence in Europe’ – or Economic Democracy ?

***Paper for 19 July conference of the Institute of Employment Rights***

It’s tempting to start any discussion of contemporary Scotland with the term used by Hugh MacDiarmid to describe the volatile mentality of his country: ‘Caledonian antisyzygy’ – the yoking together of contradictory extremes. You think you have a fix on Scottish politics. The next minute it’s gone. A century ago Scotland was politically the most Conservative part of the British Isles. By the beginning of this century the Conservatives had been wiped out and Labour was totally dominant. By 2015 Labour had been wiped out and the SNP was totally dominant. When the title of this paper was originally discussed, it was assumed that Scotland’s SNP 56 MPs would be seeking to play a determining role in the EU negotiations. Now they’ve gone and the SNP heartland has turned Conservative.

Nonetheless, wisely or not, the paper will seek to draw some conclusions:

* The additional support for the SNP and Scottish independence in the three years to 2016 reflected a populist protest vote more than an ideologically nationalist one.
* Like populism elsewhere in the EU the driving force was austerity and anger against remote power and economic and social deprivation
* The SNP’s demand for continuing EU membership, or at minimum membership of the Single Market, was, and is, a tactical device of little or no relevance to the material needs of the SNP voting base or to the requirements of the Scottish economy. Hence the recent decline in support.
* The Labour Party Manifesto, and particularly its industrial strategy, does address these needs and offers some prospect for a redevelopment of class-based political allegiances in Scotland.

**1. Attitudes to the SNP, to independence and to the EU**

The wave of support for independence probably reached its peak in 2016 – as shown by these figures from the Scottish Social Attitudes Survey:

Table 1 Support for Independence, Devolution and No Parliament

|  |  |  |  |
| --- | --- | --- | --- |
|  | Support Independence | Support Devolution | No Parliament |
| 2014 | 33 | 50 | 7 |
| 2015 | 39 | 49 | 6 |
| 2016 | 46 | 42 | 8 |

However, according to the same survey, Scottish scepticism towards the EU also increased over the same period. In 1999 only 40 per cent wanted either to leave the EU or reduce its powers. By 2005 the proportion had reached 53 per cent and by 2016 it had reached 67 per cent. Particularly notable is the position of those who support Scottish independence. Between a quarter and fifth also took a Leave position – more in fact than non-independence supporters up to 2015.[[1]](#endnote-1)

Table 2 The growth of Euro-scepticism in Scotland

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2013 | 2013 | 2015 | 2015 | 2016 | 2016 |
|  | Pro-Ind | Pro-Union | Pro-ind | Pro-Union | Pro-Ind | Pro-Union |
| Leave EU | 24 | 17 | 25 | 13 | 21 | 29 |
| Stay but reduce EU powers | 33 | 45 | 36 | 47 | 41 | 44 |

It would seem that the *increased* support for independence and the growing scepticism about the EU reflected the same thing: an expression of populist anger at austerity, remote government and the consequences for Scotland’s working class communities. According to the House of Commons research paper on the 2014 Independence referendum, there was, for the first time, a strong correlation between the size of the Yes vote and indices of deprivation: the poorest communities opted most strongly for independence.[[2]](#endnote-2) Opinion surveys show the same in the run-up to the referendum: issues of economic disadvantage became increasingly important for those wanting independence. The number of independence supporters believing that the English secured more benefit from existing arrangements than Scots went up from 27 per cent in 2011 to 33 per cent in 2014. The belief that the English got a disproportionate share of government spending increased from 36 to 43 per cent.[[3]](#endnote-3) This momentum continued into the 2015 general election in which the SNP won 50 per cent of the vote, Labour lost all its Scottish seats bar one and the SNP even managed to capture all but a fifth of the ‘Left’ spectrum of Scottish voters.[[4]](#endnote-4)

Yet within two years all had changed again. The 2017 general election saw SNP support collapse from 50 to 36 per cent with a loss of almost a third of its 2015 vote.

**2. Misunderstanding the Brexit vote in Scotland**

In the 2016 EU referendum Scotland had voted strongly for Remain: 62 per cent as against 48 per cent across Britain. What was less noticed, particularly by the Scottish government, was the 36 per cent of SNP voters who voted Leave.[[5]](#endnote-5)

In the run-up to the EU referendum the SNP government had sought to place itself in the lead of those campaigning in favour of EU membership. Afterwards it asserted a Scottish right to either remain within the EU as an independent nation or, at minimum, to retain a special status within the EU Single Market. It sought to build alliances with pro-EU forces north and south of the border in Ireland and at Westminster its 56 MPs, the biggest single block of pro-EU members, demanded special status for Scotland in the negotiations and sought to build alliances with other pro-EU MPs. Nicola Sturgeon, as SNP leader, made highly publicised visits to the Presidents of the EU Commission and the EU Council to push Scotland’s case for special consideration.

In doing so the SNP sought to position itself as natural leader of the Scottish nation and to identify it with the party’s long-standing slogan of ‘independence in Europe’. There can be no doubt that this stance helped ensure a strong Remain vote in Scotland (where no major party campaigned for Leave). Yet this strong identity with the EU also endangered its own base within an electorate increasingly angered by remote corporate power and economic and social impoverishment.

The SNP formally adopted the ‘independence in Europe’ slogan in 1983 to overcome accusations of parochialism after a period in which its electoral strength had declined as a result of its parliamentary support for the Conservatives in the late 70s. By identifying itself with the EU, and also by proclaiming itself a social democratic party, the SNP was eventually able to make increasing inroads into the Labour heartlands during the years of New Labour dominance.

Yet the SNP’s courtship of the EU has been almost entirely uncritical. Just as EU leaders were putting Greece through the financial wringer, Nicola Sturgeon addressed the European Policy Centre in Brussels and gave unqualified support. No treaty changes were required. No mention was made of TTIP or CETA. The benefits of membership were listed as energy security, trade, social protection for workers and freedom to travel.  "For many investors, EU membership is a vital selling point”. This was the very same week the Scottish government was claiming that it could do nothing about the private tendering of Scottish ferry services because of EU competition rules. The First Minister did not mention this – nor the swingeing austerity requirements of the 2012 Fiscal Compact or the bans on state aid that had required the re-privatisation of Scotland’s biggest bank, the RBS. The same lack of social democratic focus was also apparent when the First Minister appeared in New York the following week. There she argued that Scotland should seek the benefits of the ‘Rhine capitalism’, the West German model that combined ‘competitive markets with strong social protection and partnership’ between workers and business.

This stance only served to highlight other inconsistencies in SNP policy. While it claimed to be a social democratic party, its economic policies were strongly neo-liberal. In June 2015 the then SNP deputy leader John Swinney published the party’s alternative to the Scotland Bill, *Beyond Smith*. This argued for the devolution of a much wider range of tax powers including Corporation Tax and National Insurance. The text made clear that the intention was to vary these taxes downwards, not upwards, to attract business and business investment from elsewhere in Britain. The SNP’s economics spokesman in the Commons Stuart Hosie challenged the Tories, in the spirit of neo-liberal economics, to say whether they opposed tax competition in favour of business. In the course of 2016 the SNP Scottish government was increasingly criticised, in a period of intense austerity, for not using the new powers of the Scottish Parliament to increase taxes on the wealthy and for its refusal to allow local authorities to increase the moderately redistributive Council Tax. In 2017 the Scottish government continued with its policies of cost-cutting centralisation – police, fire services – and launched its School Governance Reforms, effectively to take schools out of local government control, in a manner very similar to Kenneth Baker’s ‘Local Management’ legislation in 1988.

In 2017 the SNP’s election manifesto focused on the EU. It demanded a seat at the Brexit negotiating table and did so in order to assert Scotland’s right to ‘our place’ in the Single Market:

A majority of people in Scotland voted to remain in the EU - but even many of those who voted to leave have real concerns about the extreme Brexit being pursued by the Prime Minister. Leaving the Single Market could cost 80,000 jobs in Scotland. That is why the Scottish Government published proposals that would keep Scotland in the Single Market, even as we left the EU. These proposals were rejected by the UK government. However, if the SNP wins this election, we will demand a place for Scotland at the Brexit negotiating table and the inclusion of the case for our place in the Single Market in the UK’s negotiating remit.

Scotland’s choice

At the end of the Brexit process, when the final terms of the deal are known, it is right that Scotland should have a choice about our future. Brexit must not simply be imposed on Scotland no matter how damaging it turns out to be. Last year’s Holyrood election delivered the democratic mandate for an independence referendum. The recent vote of Scotland’s national Parliament has underlined that mandate. If the SNP wins a majority of Scottish seats in this election, that would complete a triple lock, further reinforcing the democratic mandate which already exists. And, in such circumstances, any continued Tory attempts to block the people of Scotland having a choice on their future - when the time is right and the options are clear - would be democratically unsustainable.

For a party whose increased support between 2012 and 2016 seems have been largely associated with populist anger against austerity, remote government and corporate power these were risky policies – even if they did fit the book of the Edinburgh finance sector. They were particularly risky when over a third of the SNP supporters had voted Leave and 67 per cent of Scottish voters in general expressed dissatisfaction with the EU.

In the election it was the Conservatives who did best – winning twelve additional seats in the SNP’s rural heartland of the north-east and the borders. Labour did significantly less well. The pro-Labour swing was 2.8 per cent as against 10.2 per cent in England. Only six seats were recovered. This failure of the Corbyn effect to penetrate Scotland was at least in part because the Scottish Labour leadership found its radicalism unwelcome, campaigned separately as Scottish Labour and sought at least some common cause with the Conservatives in highlighting opposition to a second independence referendum. Labour’s radical Manifesto was kept almost entirely under wraps. Yet the key thrust of that manifesto was precisely about working people collectively regaining democratic control over the economy – proposals that also mirrored very closely Scotland’s economic needs.

3. The Needs of the Scottish Economy

It is unfortunately not the case that the SNP has been able to shelter Scotland from the worst effects of either the 2008 crisis or of Conservative austerity policies. Scotland is a small, open economy particularly exposed to external corporate control. Previously possessing a disproportionately large financial sector and industrially largely reliant on oil and gas servicing, it now faces a very difficult future in terms of maintaining its industrial competitiveness. This is in part at least because of the way in which the economy is now owned.

The latest edition of the Fraser of Allander *Economic Commentar*y, for June 2017, describes the position of the Scottish economy as ‘precarious’: total growth over the past two years has been 1.2 per cent as against 3.5 per cent for Britain.[[6]](#endnote-6) In part this has been because of the decline in the oil and gas sector but to a greater degree it stems from more fundamental and underlying factors. Business investment and research and development are all lower than for Britain and far lower than for most OECD countries. Figure 1 shows Scotland at virtually at the bottom of the league for business investment. Figure 2 shows scarcely better levels of research and development expenditure. Productivity, as for Britain, remains alarmingly poor with almost no increase for a decade.

Figure 1 Business Investment for OECD countries 2014[[7]](#endnote-7)

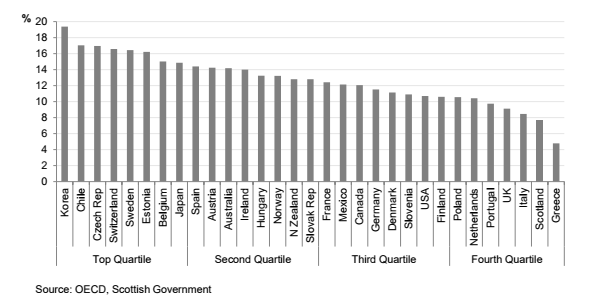
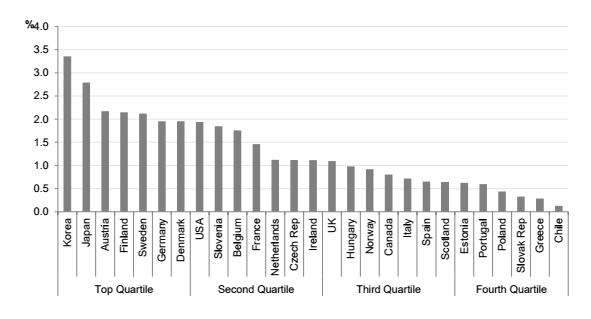


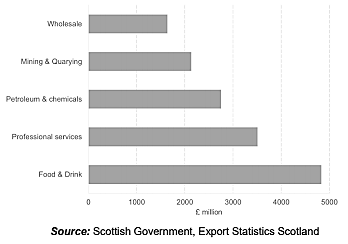
Figure 2 Research and Development in OECD countries in 2014



One major factor influencing the lack of business investment would seem to be the increasingly high level of ownership *and* control by externally based finance companies. Driven by the highly competitive and rapidly expanding global investment market, these companies require for their own survival maximum short-term investor return – which is, inevitably, at the expense of long-term investment. Even among previously Scottish-owned and Scottish registered companies the past decade has seen a rapid transfer of ownership. Today almost are all controlled through share blocks owned by a handful of investment companies.[[8]](#endnote-8)

This loss of ownership has been accompanied by a general deskilling of the Scottish economy. The beginning of this century saw the loss of electronics, the 2008 financial crisis inflicted particularly heavy losses on the banking sector (with both big Scottish banks failing), metallurgy and precision engineering have continued their decline and the past four years having seen a major fall in oil and gas servicing. This has left the Scottish economy reliant on less technologically advanced areas – mainly fish processing, agricultural products and whisky. Today Scotland’s level of exports is equivalent to 10 per cent of GDP, half that for Britain and far below Germany’s 44 per cent.

Figure 3: Scottish exports 2015[[9]](#endnote-9)



All this leaves Scotland particularly dependent on public sector expenditure – mainly health, education and other local government services – still funded, as a result of the Barnett formula, at around 15 per cent ahead of the British average. Conversely, however, Scotland also tends to feel the effects of overall cuts in public expenditure disproportionately – with over 40,000 jobs, nearly 20 per cent of the total, lost in local government since 2010.[[10]](#endnote-10)

So, while Scotland still has some economic strengths – in chemical and petroleum products, shipbuilding and bio-medical sciences – these are matched by serious vulnerabilities. Because of the size of its public sector it still has levels of collective bargaining slightly above the British average.[[11]](#endnote-11) Largely for the same reason wage levels are also a little above average. Yet this conceals serious disparities within Scotland and the existence in large areas of the workforce in services, construction and agriculture where conditions are poor, precarious and dangerous. Workplace mortality in Scotland is almost double that for Britain.[[12]](#endnote-12) Average life expectancy is two years shorter.[[13]](#endnote-13) Within Scotland itself there is a differential life expectancy of ten years between areas such as Glasgow City and its neighbouring suburbs – a measure of the underlying poverty that seems to have played a significant part in recent electoral history.[[14]](#endnote-14)

4. The Single Market or Economic Democracy ?

The SNP victory in the 2015 election was followed by calls for a second independence referendum. It was, however, a demand that was quickly muted by the SNP leadership in light of the simultaneous collapse in the price of oil. Simple arithmetic revealed that ‘Independence in Europe’ would result in a public sector deficit of around 9 per cent – placing Scotland in serious violation of the EU’s requirement for a balanced budget. Instead the SNP shifted its strategic demand to Single Market membership. Economically, this suited the Edinburgh financial sector in terms of access to EU markets. In terms of labour supply, it also matched the needs the firms in agribusiness, fish processing and construction which rely on low paid staff willing to work in remote locations. Politically, as we have seen, it enabled the SNP to pose as power-brokers on the British and European stage. And in terms of policy options it corresponded closely with existing SNP thinking. Scotland would be free to expand its tax incentives for external corporate investors.

However, in electoral terms in Scotland it did not work. Nationalist fundamentalists were not satisfied. Those who voted Yes in 2014 in protest against social exclusion and poverty saw the SNP government dallying with remote office holders in the EU at the same time as it was enforcing a further year of austerity and refusing to use its own tax raising powers. Politically, at that moment, the opportunity existed for a restoration of class-based allegiances. Yet tragically, the Scottish Labour leadership failed to use the weapon it had to hand: the radical economic demands of the Labour Manifesto. The result was, particularly in working class areas, abstention rather than a major swing to Labour. As against Britain as a whole, where voter turn-out rose from 66.1 per cent to 68.7 per cent, in Scotland it fell from 71.1 per cent to 66.4 per cent.

The key demands of the Labour manifesto do not need rehearsing for the present audience. But they do closely match the actual needs of the Scottish economy – as they do also for struggling regional economies elsewhere in Britain. They provide a range of interventions to challenge the crisis of private sector investment, de-industrialisation and arbitrary corporate closure. Public ownership is one. Strategically as important are the proposals for a public sector investment bank that can use pension savings for long-term investment – both helping to de-financialise our economy and resolve the productivity crisis. Equally important for creating locally-concentrated centres of expertise are the proposals to restore the ability of local governments to run their own services and for regions and nations to use public procurement strategically to ensure support for industrial development – in, for instance, the production of structural steel for infrastructure renewal or medical products for the NHS. Not least, the Manifesto proposes the re-establishment of comprehensive sectoral bargaining – also using state procurement as a bargaining tool – to ensure that the collective power of the trade union movement can be exercise economically at industry level. In Scotland itself a welcome recent development, in July 2017, has been the publication of a Scottish Labour industrial strategy that incorporates some of these proposals.[[15]](#endnote-15)

However, very few of them would be feasible within the EU Single Market. They run directly counter to its neo-liberal regulations for Competition and Procurement, its ban on State Aid and its prohibition of any form of comprehensive public ownership for postal services, energy and transport. They would also be fatally vulnerable to the State Investor Dispute clauses incorporated in all recent EU trade treaties including CETA. This is why the Labour Manifesto, in recognising the result of the EU referendum, stresses its commitment to securing access to, but not membership of, the EU Single Market.

The SNP’s advocacy of the Single Market is in part, as we have seen, a way of asserting political leadership on a wider international stage. But it also matches, and provides legitimacy for, the SNP’s economic policies. These policies for its past eight years in government have been neo-liberal. Its proposals for a future ‘more independent’ Scotland are equally so. As we have noted, simply welcoming corporate capital on its own terms, and providing tax incentives to do so, can only worsen the now very serious problems facing the Scottish economy.

By contrast, Labour’s manifesto is about reasserting popular control - sufficiently radical, it would seem, to precipitate one further convulsion in Caledonian antisyzygy.

1. http://natcen.ac.uk/media/1361407/ssa16-2fr8m-1ndyref-2-1ndyr8f-tw0-two.pdf [↑](#endnote-ref-1)
2. House of Commons research paper 14/50 Scottish Independence Referendum 2014. [↑](#endnote-ref-2)
3. Scottish Centre for Social Research: Paper June 2014 <http://whatscotlandthinks.org/ssa> [↑](#endnote-ref-3)
4. Research report by Dr Craig McAngus at the Centre on Constitutional Change, Stirling University http://www.centreonconstitutionalchange.ac.uk/blog/step-left [↑](#endnote-ref-4)
5. http://lordashcroftpolls.com/2016/06/how-the-united-kingdom-voted-and-why/ [↑](#endnote-ref-5)
6. *Fraser of Allander Economic Commentary*, Vol. 41, No 2. [↑](#endnote-ref-6)
7. Kenny Richmond and others, ‘Scotland’s Business Investment Performance, *Fraser of Allander Economic Commentary*, Vol. 41. 1; Bank of England, *Who Owns a Company ?,* 2015. [↑](#endnote-ref-7)
8. John Foster, ‘Planning for Scotland’s Economic Future’, *Progressive Federalism*, ed. Pauline Bryan, Red Paper Collective, 2017 [↑](#endnote-ref-8)
9. Jonathan Slow and others, ‘Scotland’s Export Performance’, *Fraser of Allander Economic* *Commentary*, Vol. 39, 2. [↑](#endnote-ref-9)
10. http://www.gmbscotland.org.uk/newsroom/economy-on-brink-of-crisis [↑](#endnote-ref-10)
11. https://www.gov.uk/government/uploads/system/uploads/attachment\_data/file/616966/trade-union-membership-statistical-bulletin-2016-rev.pdf [↑](#endnote-ref-11)
12. House of Commons Briefing Paper 7458, *Health and Safety Statistics, 2016* [↑](#endnote-ref-12)
13. Office of National Statistics, *2014-based National Population Projections: Mortality Assumptions for Scotland* [↑](#endnote-ref-13)
14. National Records of Scotland, *Mortality Statistics 2015*. [↑](#endnote-ref-14)
15. http://www.scottishlabour.org.uk/page/-/Industrial%20strategy%203.pdf [↑](#endnote-ref-15)