

On Surprises, Strategy, the Economy and What Comes Next for Scottish Independence

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Abstract

Nicola Sturgeon's resignation as First Minister and leader of the SNP has thrown Scottish politics into flux. But beneath the superficial media coverage and frenetic party politics that followed her resignation, the fundamentals of the constitutional debate remain unaltered. One of these fundamentals, the extent to which Scotland is better or worse off being part of the UK political economy, is rarely debated in the depth it deserves. The parlous state of the UK economy and, in particular, the deeply entrenched territorial inequality that results from its extreme core-periphery structure that safeguards the economic dominance of London and South East England, holds the potential for a surprise shift in the debate over independence to emerge.

Keywords: Scotland, independence, strategy, surprise, economy, territorial inequality

Introduction

THE LITERATURE on organisational strategy is replete with analyses of the importance and impact of strategic surprise. Surprise events can knock even seemingly resilient and well-run organisations off course, undermining their strategic direction to the extent that they can take several years to recover, if they do so at all. Such are the existential dangers of succumbing to strategic surprise that organisations have developed ever more elaborate tools and techniques to try and equip themselves to manage these risks, understand the signals that might help them pre-empt surprise events and be ready to react effectively if and when such surprises occur.

The crisis that engulfed the Scottish National Party (SNP) after the resignation of its leader and Scottish First Minister, Nicola Sturgeon, on 15 February 2023, has many of the hallmarks of the kind of strategic surprise that can be fatal for organisations. Not only did the party lose its leader of eight years and a multiple election winner, but the party bureaucracy was also plunged into turmoil, with a number of high-profile figures also leaving their posts in quick succession, culminating in the abrupt resignation of the party's Chief Executive (and Sturgeon's husband), Peter Murrell, in the midst of a fractious leadership election campaign. The winner, establishment favourite Humza Yousaf,

has an unenviable in-tray of problems to deal with in addition to the task of governing, not least a (remarkable) police investigation into the party's finances - which saw the arrests of Sturgeon, Murrell and the party's Treasurer - as well as declining poll ratings.

The supreme irony, of course, is that Sturgeon's resignation as leader was absolutely no surprise at all. Although nobody was sure of the precise timing, the question of 'what's next after Nicola?' had been discussed openly in the Scottish media and political circles for years. The former First Minister herself had never shied away from talking about life after politics and there had been much speculation on which of the likely candidates would succeed her: at her last major speech as First Minister at the RSA in London on 20 March, she herself noted that such speculation had been evident for at least a couple of years.¹ After eight years in the top job, seven before that as Cabinet Secretary and twenty-four in total as an MSP, Sturgeon would have been defying the laws of political gravity to survive much longer, even if her tenure as First Minister had not encompassed the aftermath of the 2014 independence referendum, Brexit, and the Covid-19 pandemic. It is

¹N. Sturgeon, 'Keynote address to the Royal Society of Arts', 20 March 2023; <https://www.thersa.org/events/2023/03/nicola-sturgeon-rsa-talk>

inconceivable that senior figures in the party had not thought about the toll exerted on her and how long she would remain in post. Yet, when the inevitable came, the party seemed completely unprepared and the surprise quickly precipitated its most significant crisis in decades.

Since Sturgeon's resignation, many (highly excitable) column inches have appeared about how Scotland is witnessing the 'end of an era', and whether the nationalists can recover from what veteran party President, Mike Russell, acknowledged was a 'tremendous mess' that the SNP has to clear up.² Yet, despite the largely unprecedented level of heat and noise generated by Sturgeon's resignation and the events that have unfolded in its aftermath, three fundamentals of the constitutional debate that has come to dominate Scottish politics remain unchanged. Two of these are well known: first that, as confirmed by the UK Supreme Court's decision in December 2022, there is no apparent legal route to a future referendum on Scottish independence, even if it becomes the 'settled will' of the Scottish people, other than a benevolent UK government agreeing to facilitate its own state's demise. Second is that Scottish public opinion is stuck close enough to 50:50 for the constitutional question to continue to loom over day-to-day governance, despite there being little prospect of a long-term resolution in sight.

Much has been written about how the combination of the independence and Brexit referendums has recast the demographics of constitutional preference. Social class, gender and income differences appear to have been evened out to some degree, whilst a 'tipping point' from Yes to No has emerged somewhere around age 55.³ The precise reasons

underpinning these trends remain unclear, but Brexit is clearly important and is likely to have had at least some role in challenging previous views on the stability of the UK status quo, not least given the Sturgeon government's narrative about the case for a second independence referendum having been based on the notion that Brexit means the UK settlement of 2014 no longer exists, and therefore that there has been a material change to Scotland's constitutional position thus justifying a further poll.⁴ However, the demographic drift that Yes campaigners had hoped would make independence inevitable has yet to materialise sufficiently to move the headline numbers.⁵

The third fundamental is much less discussed in recent years, yet possibly the most important of all, and has underpinned the independence debate since at least the discovery of North Sea oil: how resilient are the UK's existing structures and institutions of governance given the backdrop of consistent long-term economic decline, and the very high levels of territorial inequality arising from entrenched macroeconomic policies that privilege London and the South East above all else? Or in short, how sustainable is the UK as a coherent political economy given its deep-seated structural crises?

In this article, I explore the nature of the continuing disconnect between the fundamentals of the independence argument and the terms on which the constitutional debate has been played out, from the perspective of a long-term observer of—and occasional participant in—pro-independence politics. Focussing on the third fundamental argument about the extent to which the UK really is a coherent and sustainable political economy over the medium to long term given the economic realities facing it, I argue that as Scottish and UK politics move forward, such is the disconnection between the current politics of the constitutional debate and its socioeconomic foundations that both sides risk being

²Press Association, 'SNP "in tremendous mess" admits interim party chief Mike Russell', *The Herald*, 19 March 2023; <https://www.heraldsotland.com/news/national/23397221.snp-in-tremendous-mess-admits-interim-party-chief-mike-russell/>

³S. Ayres, 'Demographic differences and voting patterns in Scotland's independence referendum', House of Commons Library, 23 September 2014; <https://commonslibrary.parliament.uk/demographic-differences-and-voting-patterns-in-scotland-independence-referendum/>;

D. Fraser, 'Study examines referendum demographics', BBC Online, 18 September 2015; <https://www.bbc.co.uk/news/uk-scotland-glasgow-west-34283948>

⁴Scottish Government, 'Scotland's place in Europe', 20 December 2016; <https://www.gov.scot/publications/scotlands-place-europe/>

⁵S. Brown, 'A weaker economic case, but a stronger political one—how Yes could win a second referendum in Scotland', LSE British Policy and Politics Blog, 19 March 2017; <https://blogs.lse.ac.uk/politicsandpolicy/how-yes-could-win-a-second-referendum-in-scotland/>

unprepared for another strategic surprise, with unpredictable consequences.

Hastiness and superficiality

Commentary on constitutional politics in Scotland is exceptionally prone to both of Solzhenitsyn's psychic diseases, with an added dose of hyperbole for good measure. For example, according to some, the crisis in the SNP has left 'independence virtually dead for a generation' less than six months after a series of polls showed majority support for it.⁶ Similarly, narratives about the impregnability of the SNP, commonplace before Sturgeon's departure, neglected the slim majorities in many of the nationalists' Westminster seats and the experience of the 2017 UK general election in which the SNP lost twenty-one of the fifty-four seats won in the post-'indyref' euphoria two years earlier.

Things are made worse by the inexplicable failure of the UK 'quality' press to cover Scottish politics with any real depth or seriousness, *The Economist's* hackneyed approach perhaps being the most egregious example.⁷ Then there is the fact that what passes for Scotland's think tank ecosystem comprises a motley crew of (ex) management and public relations consultants, some of the very journalists who prefer anecdote and lazy stereotype to genuinely critical analysis, and a bunch of perpetually angry fringe bloggers, who together—a few honourable exceptions aside—often subtract more than they add to the quality of civic debate about the country's future.⁸

⁶T. Devine, 'Independence "dead for generation" amid SNP turmoil', *The National*, 29 April 2023; <https://www.thenational.scot/news/23490282>.

⁷'Skintland' magazine has another go at offending readers north of Border', *The Herald*, 2 September 2012; <https://www.heraldscotland.com/news/13071526.skintland-magazine-another-go-offending-readers-north-border/>

⁸... and much of which has murky finances too. See C. Ross, 'Gordon Brown's pro-UK think-tank among six criticised in "transparency audit"', *The Scotsman*, 3 May 2023; <https://www.scotsman.com/news/politics/gordon-browns-pro-uk-think-tank-among-six-criticised-in-transparency-audit-4128792>

There is little sign of things improving soon either, given the prospect of a Labour government at the next UK general election: if Labour wins convincingly and/or recovers to match the SNP in Scottish votes and seats, as seems increasingly possible, more predictable narratives about the death of independence will most likely drown out more astute voices that might point out that Scottish electoral politics has, in fact, been pretty volatile for the last ten to fifteen years: consider the shift in the twelve months between then SNP's poor 2010 general election performance, in which it could only manage six seats and 19.9 per cent of the vote, compared to Labour's forty-one seats/39.5 per cent, and its 2011 Scottish Parliament election victory in which the party defied the constraints of a proportional system to win the outright majority that enabled the 2014 indyref.

The disappointing, if not downright risible, quality of much media discourse on Scotland's constitutional future is important, because it trivialises many crucial questions and frames the debate such that important areas of analysis—with implications for both sides—are obscured. There are many examples of this across various policy domains that demonstrate how brittle the public debate about Union *vs* independence has become. Many of these relate to the relationship between the Scottish and UK governments, and a widespread inability to step back and observe their day-to-day interaction in terms of a functioning, if imperfect, multi-level governance system, rather than always and necessarily representing a constitutional bunfight. This was seen repeatedly during the acute phases of the Covid-19 response, when press questioning of the (former) First Minister at her regular press conferences consistently defaulted to 'why are you deviating from what the UK government is doing for England?' rather than any attempt to understand why interventions tailored to local conditions might be appropriate.

Another element of the misunderstanding of how devolution works in practice as a system of multilevel governance is the confusion over devolved/reserved boundaries and the politics of attaching blame to one set of ministers when policy formulation and outcomes are

<https://www.scotsman.com/news/politics/gordon-browns-pro-uk-think-tank-among-six-criticised-in-transparency-audit-4128792>

the result of interventions from both governments within their competencies, and—crucially—the interaction between the two. There are numerous examples of this, ranging from drugs policy, where the Scottish government has responsibility for public health and for justice in general, but the UK government retains control over drugs classification and (de)criminalisation, to railways, where Holyrood controls service provision and funds infrastructure investment, whilst Westminster retains ownership of the infrastructure and determines the regulatory structure for the industry on which its funding depends. All too often, meaningful debate about how policy outcomes are shaped by the current institutional settlement is crowded out by deliberate obfuscation or mischief making about who controls what. This might be slightly farcical when one SNP leadership candidate is teasing another about not running the trains on time in a previous job; it's quite a different issue when the objective is to take meaningful action on Scotland's painful record of drug-related deaths.⁹ In the round, the fog of Scottish political war as it has been practised makes consideration of deep-seated issues and challenges harder rather than easier...which creates the ideal conditions for surprises to emerge.

From the perspective of the pro-independence side at least, nowhere is the need to cut through the superficiality and generate a more substantive, less hasty public debate more important than over the political economy of modern Britain—and whether the UK or an independent Scotland offers the prospect of a more sustainable economic future, higher quality of life and greater capacity to meet critical challenges such as decarbonisation and coping with an ageing society.

There is reasonable consensus that the Yes side failed to get over the line in 2014 because it could not convince enough people that Scotland would be sufficiently economically resilient as an independent state. The few substantive polls that probe questions on the economy suggest that little has changed since. Surveys undertaken in autumn 2022 as the

⁹L. Brooks, 'Scottish government's drugs proposal is new wrangle over devolved powers', *The Guardian*, 7 July 2023; <https://www.theguardian.com/uk-news/2023/jul/07/scottish-governments-drugs-proposal-is-new-wrangle-over-devolved-powers>

Scottish government published its updated White Paper on the economy of an independent Scotland, suggest the gap between those who think the long-term economic outlook for Scotland would be positive or negative after independence remains similar to the headline figures for constitutional preference.¹⁰

Moving the dial on public attitudes to the economics of independence is therefore probably the most important task facing the SNP if it is to generate the consistent 60 per cent levels of support for Yes that the new First Minister has identified as being crucial to justify a sufficiently settled will for—and to win—any new referendum.¹¹ This may seem a like a mountain to climb, but here too there may be strategic surprises in store for which preparation might make all the difference.

Whose 'economic case for independence' is it anyway?

Perhaps the most significant failing of the SNP, and the wider Yes movement, has been to cede the narrative about what exactly the 'economic case for independence' is to its opponents. This means that two issues—the currency an independent Scotland would adopt and the fiscal starting point of the new state—have come to *be* the economic case for independence in the eyes of the media and hence in most public debate. Both of these issues are comfortable territory for No campaigners, and present difficulties for the pro-independence side—not because they are insoluble, but because they necessitate a break from enduring symbols of everyday life and there is no consensus position on either within the Yes movement itself (witness the enthusiasts seemingly more

¹⁰J. Curtice, 'Attitudes towards the economics of independence—an update', *What Scotland Thinks*, 17 October 2022; <https://www.whatscotlandthinks.org/2022/10/attitudes-towards-the-economics-of-independence-an-update/>

¹¹C. Matchett, 'Scottish independence: SNP members favour Humza Yousaf's plan of growing Yes support to 60 per cent ahead of indy convention, shows poll', *The Scotsman*, 16 June 2023; <https://www.scotsman.com/news/politics/scottish-independence-snp-members-favour-humza-yousafs-plan-of-growing-yes-support-to-60-per-cent-ahead-of-indy-convention-shows-poll-4187008>

interested in the design of banknotes than anything else). Both issues therefore require quite a lot of explaining...and hence losing, to borrow the famous quote attributed to Ronald Reagan, about how they would be managed successfully.¹² Neither is going to go away either, and before any second independence referendum the Yes side will need to have developed its case on currency and debt substantially beyond that offered in 2014.

Challenging though the twin issues of currency and fiscal position might be, the economic case for independence (or Union, for that matter) encompasses much more. The rise of the SNP as a political force began in the tumultuous period following the energy crisis and the discovery of North Sea oil, which made clear the fundamental nature of UK as a political economy that extracts—literally, in the case of oil and gas—resources in the periphery for investment in the metropolitan core. No less than Tom Nairn pointed out that the rise of Scottish nationalism in the 1970s was a ‘mobilisation against the unpalatable truth of grossly uneven development’.¹³ Perhaps this was unsurprising given the famous rally cry that ‘It’s Scotland’s oil!’ required little, if any, explaining.

Quite how and why discourse about the political economy of the UK and the distribution of resources gave way to a much more narrow focus on currency and debt as Scottish constitutional politics evolved is unclear, but the key to recasting the economic case for independence and generating consistent majority support for Yes to create the conditions for a new referendum would appear to be to flip back to the *status quo ante* and move public debate onto the territory—literally and

metaphorically—of spatial economic inequality and what can be done about it.

In short, recasting the ‘economic case for independence’ to focus on the economic sustainability of the UK is where the potential for a possibly decisive strategic surprise in Scottish constitutional politics resides. And despite the political conditions created by Sturgeon’s resignation and the events that followed, the potential surprise is that rather than Scottish independence being dead, it might be that it is the economic case for the Union that is on life support.

Killing with kindness all over again

The Sustainable Growth Commission (SGC), set up by the former First Minister to explore key issues about the future of the Scottish economy under independence, published its report in May 2018.¹⁴ Predictably, the noise that followed focussed almost exclusively on its analysis and recommendations on planning for fiscal sustainability in the transition years and retaining the pound sterling for the necessary length of time to ensure macroeconomic stability. Yet, these were the recommendations from parts B and C of the report respectively. Part A, ‘the section on Scotland’s economic performance and potential ... [which] has 30 of the report’s 50 recommendations, covering the strategic and institutional framework necessary to raise the performance of the Scottish economy and a series of policy recommendations around the growth generating themes of population, participation and productivity’ was almost completely ignored.¹⁵

Part A of the SGC report was essentially a restatement of what Nairn had identified forty years earlier and which over time has become

¹²The currency debate essentially boils down to how long a newly independent Scotland would take to build the institutions and borrowing history required to decouple a Scots pound from sterling; on public spending, the nub is what rate the Scottish government would need to pay to borrow sufficiently to manage the transition to a deficit sustainable over the medium term.

¹³A. Ramsay, ‘Tom Nairn, 1932–2023: “Britain will break up in the next 5 years”’, *Open Democracy*, 11 December 2020; <https://www.opendemocracy.net/en/opendemocracyuk/its-time-to-break-up-britain/>

¹⁴Scottish Government, ‘Summary: Sustainable Growth Commission’, 25 May 2018; <https://www.gov.scot/binaries/content/documents/govscot/publications/foi-eir-release/2018/09/foi-18-02282/documents/foi-18-02282—summary-report/foi-18-02282—summary-report/govscot%3Adocument/FOI-18-02282%2B-%2Bsummary%2Breport.pdf>

¹⁵Biggar Economics, ‘Sustainable Growth Commission proposals adopted by Scotland’s party of government’, 30 April 2019; <https://biggareconomics.co.uk/sustainable-growth-commission-proposals-adopted-by-scotlands-party-of-government>

a relatively mainstream argument. Put simply, in economic terms, the UK has been an extractive Union for centuries, its political economy structured around an extreme core-periphery model that mobilises natural resources and human capital from the periphery to sustain high standards of living, especially for the elite, in the metropolitan core. In the modern era, with a highly financialised economy and the notion of economic competition between places paramount, this means that London and the wider South East is elevated in policy terms to Britain's 'world class region' that must be supported as fully as possible in terms of R&D spending, infrastructure investment and so on.¹⁶ For other economic regions in the UK—presumably consigned not to be world class—the gruel can be thin indeed: consider that whilst London enjoyed almost £20 billion of expenditure on the Elizabeth line alone, Leeds remains Europe's largest city without a metro.

In terms of the Scottish debate on economic inequality, the standard unionist response is to line up behind Gordon Brown's favourite rallying call about the 'pooling and sharing' made possible by the scale of the UK Treasury and the distribution of public expenditure via the Barnett Formula. An analysis of the evolution of the politics of Barnett is beyond the scope of this article, but what is now clear is that its continuance has become the contemporary means of 'killing home rule with kindness'.¹⁷ Here again, the Yes side has been strangely flat-footed in articulating a response. The system of fiscal transfers created by Barnett improves Scotland's relative public spending position within the UK compared to the English regions, but there is no

guarantee that this will actually improve economic performance (indeed there is some research that suggests 'Intergovernmental transfers... are associated with slower growth').¹⁸ So, whilst there might be some pooling of spending, there has been little or no sharing of growth, to the extent that 'the UK is one of the most regionally unbalanced countries in the industrialized world'.¹⁹ The question 'is Scotland as rich as it should be given its natural and human resources?' is rarely heard.

Britain is dead...?

Growing territorial economic inequality is the heart of where the next—perhaps crucial—strategic surprise in Scottish constitutional politics might be. In 2014 as now, the 'economic case for independence' has been framed *explicitly* by the notion that an independent Scotland might be (substantially) poorer than the UK, but (just as importantly) *implicitly* by the narrative that the UK is a rich and prosperous country and therefore a safe bet. But this bet might be off if public perception decides that Britain isn't quite so rich and secure after all. And perception is important: consider how the public's understanding of Britain's economic position is influenced by the many commentators—who should know better—that have long casually claimed that the 'UK is the fifth *richest* economy in the world' when what they really mean is that it is the fifth (or sixth, or seventh) *largest*. By many measures, Britain—despite attributes others would love to have, including its history, soft power, accumulated capital and the English language—has been in consistent decline over the long term such that it has fallen out of the world's top decile on economic performance per

¹⁶T. Herrschel and P. Newman, *Governance of Europe's City Regions: Planning, Policy and Politics*, Abingdon, Routledge, 2003.

¹⁷I. Mclean, 'Financing the Union: Goschen, Barnett, and beyond', in William L. Miller, ed., *Anglo-Scottish Relations, from 1900 to Devolution and Beyond, Proceedings of the British Academy*, London, 2005, online edn., 31 January 2012; <https://academic.oup.com/british-academy-scholarship-online/book/21448/chapter-abstract/181222209?redirectedFrom=fulltext>

¹⁸J. Kim and S. Dougherty, 'Fiscal decentralisation and inclusive growth', *OECD Fiscal Federalism Series*, 12 July 2018; <http://www.oecd.org/tax/federalism/fiscal-decentralisation-and-inclusive-growth.pdf>

¹⁹P. McCann, 'Perceptions of regional inequality and the geography of discontent: insights from the UK', *Regional Studies*, vol. 54, no. 2, 2019, pp. 256–267; <https://www.tandfonline.com/doi/full/10.1080/00343404.2019.1619928>

capita, and is now possibly outside the top thirty.²⁰

Perceptions, of course, are shaped by lived experiences, and here the outlook for the No side is arguably even worse. A senior government acquaintance of mine once recounted trying to explain the annual Government Expenditure & Revenue Scotland (GERS) figures to a group of newspaper journalists, in the hope of securing some slightly more enlightened coverage than the norm.²¹ Whilst Scotland might have higher public spending than the English regions thanks to Barnett, it is often fairly close to the UK average—and therefore stronger than other places outside London and the South East—on a range of economic metrics, including gross value added (GVA) per capita, productivity and so on. Setting out Scotland's performance against spending and its notional fiscal deficit is one thing; doing similarly for the English regions, Northern Ireland and Wales is even more stark. Talking through the scale of regional inequality laid bare by subnational statistics, I was told there were gasps in the room when the penny dropped amongst the assembled posse about just how poor some regions of the UK already are. But these gasps are, of course, nothing compared to those made by ordinary people faced with food inflation of almost 20 per cent in the middle of a cost of living crisis in a UK toiling with many of the acute problems that were supposed to be the outcome awaiting Scotland if it voted Yes in 2014.

Whilst arguments that some of the UK's economic regions might be poorer than the 2004 EU accession countries have been made for some time, to hear the Leader of the Opposition make a major speech agreeing that the UK as a whole might be less well off than Poland by 2030—a country that suffered war-time devastation, almost fifty years of communism and a period of martial law within in living memory—signals the gravity of the situation.²² Spending to achieve 'levelling up' has

always a pipe dream to anybody capable of the simple arithmetic necessary to understand the scale of the economic chasm between the core and periphery of the contemporary UK. It has been replaced in the policy prescriptions of both the current Conservative government—and its increasingly likely Labour successor—with renewed fiscal tightening and further deregulation of the financial services sector, in the hope of keeping the feelgood factor in London alive, and generating a bit more revenue to keep pooling and sharing going a while longer. The can will be kicked down the road one more time.

The importance of what might, for auld lang syne, be termed 'the state we're in' for the independence debate is that Scotland is caught in a moment of national cognitive dissonance about the condition the UK as a whole finds itself in, and especially its deteriorating economic outlook. Mainstream media coverage in Scotland of the potential for constitutional change is increasingly dominated by how things have got worse for the Yes side, be it owing to Brexit and the newly pertinent (and admittedly difficult) issues of trade and borders, coupled with the fall-out from Sturgeon's resignation and the undoubted tiredness of an administration after sixteen years in office. But there is a deafening silence from the very same Scottish media about Britain's parlous economic state and what this means for how the constitutional debate might unfold. So, whilst Scottish commentary seems largely to have sheepishly followed the editor of *The Spectator's* tweet that Sturgeon's resignation is 'the best time for the Union since 2007'—posted in the middle of an unprecedented fresh food shortage no less—other analyses of the state of the UK set out that 'the cumulative effects of decline are now blatant, yet there is still widespread denial among those who govern', and that the economic model of Britain 'is dead'.²³

A conscious crisis?

In 2022, Philip McCann, the doyen of work on the worsening state of spatial economic

²⁰The World Bank, Data, 'GDP per capita (current US \$)', n.d.; https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?most_recent_value_desc=true

²¹Scottish Government, 'Government expenditure and revenue Scotland 2022–23', 16 August 2023; <https://www.gov.scot/publications/government-expenditure-revenue-scotland-2022-23/>

²²A. Forrest, 'UK on course to be "poorer than Poland" by 2030, claims Labour', *The Independent*,

26 February 2023; <https://www.independent.co.uk/news/uk/politics/starmer-labour-uk-poorer-poland-b2289979.html>

²³S. McIlhagga, 'Britain is dead', *Palladium Magazine*, 27 April 2023; <https://www.palladiummag.com/2023/04/27/britain-is-dead/>

inequality in the UK, wrote in polite understatement that ‘the UK’s endemic regional-national productivity problems cannot be addressed by the UK’s current institutional and governance set-up’.²⁴ McCann and colleagues’ most recent work, analysing private sector property investment in the UK economy, has demonstrated that the lasting impact of the 2008 financial crisis was to refocus development in London to the extent that ‘other UK regions shifted rapidly into junk bond territory’.²⁵ Thus, in 2023 the UK is faced with an increasingly negative economic outlook for the country as a whole, with productivity growth worse than any time since the eighteenth century, incomes stagnant for more than a decade, an acute cost of living crisis and a macro-outlook so bad that it will be overtaken by a succession of central European countries in terms of GVA per capita within a couple of decades.²⁶ At the same time, economic inequality between regions is growing rather than shrinking, which means that some regions are most likely *already* poorer than former Eastern Bloc countries.

There are signs that UK’s deepening relative economic decline and the spatial implications of how the economy is structured are finally entering the mainstream of political debate. Starmer’s five missions for the UK acknowledge the

²⁴P. McCann, ‘Levelling up: the need for an institutionally coordinated approach to national and regional productivity’, Productivity Insights Paper, no. 011, The Productivity Institute, 4 July 2022; <https://www.productivity.ac.uk/research/levelling-up-the-need-for-an-institutionally-coordinated-approach-to-national-and-regional-productivity/>

²⁵M. Daams, P. McCann, P. Veneri and R. Barkham, ‘Capital shocks and UK regional divergence’, Working Paper, no. 035, The Productivity Institute, 19 July 2023; <https://www.productivity.ac.uk/research/capital-shocks-and-uk-regional-divergence/>

²⁶R. Partington, ‘UK productivity slowdown worst since Industrial Revolution—study’, *The Guardian*, 3 February 2020; <https://www.theguardian.com/business/2020/feb/03/uk-productivity-slowdown-worst-since-industrial-revolution-study>; S. Lampier, ‘Stagnant UK living standards lay bare the challenge for Jeremy Hunt’, *Financial Times*, 17 March 2023; <https://www.ft.com/content/85971473-d76a-48fb-ab03-efcad0829044>; ‘Britain’s economic trajectory will soon see it overtaken by Poland, Starmer to warn’, Sky News online, 27 February 2023; <https://news.sky.com/story/britains-economic-trajectory-will-soon-see-it-overtaken-by-poland-labour-to-warn-12821152>

predicament the country is in, and Sir Keir himself has pointed to Britain being overtaken by Poland, Hungary and Romania, amongst others, as a sign that something big needs to be done (which of course generated the usual Pavlovian response of ‘talking Britain down’ whenever anyone sets out the reality of the UK’s position).²⁷ The question, though, is what exactly *can* be done. The last time Britain faced this bad a strategic economic outlook, it saved itself by joining the EEC and discovering North Sea oil, the ironies therein being somewhat obvious given current circumstances.

It may, of course, turn out that a UK Labour government elected in 2024 will change the economic trajectory of Britain, especially if some kind of *volte face* on closer alignment with EU is made that makes a meaningful difference to growth. But, such are the medium- and long-term trends on productivity, capital investment and the hard-wired institutional opposition to genuinely meaningful structural change in how the political economy of the UK is governed, that this increasingly appears to be a long shot. Even Gordon Brown’s vaunted *New Britain* report, whilst acknowledging a country ‘in crisis’ that is ‘falling behind’ because it is ‘unbalanced’ and ‘unfair’, avoids answering the difficult questions about what a tolerable level of difference in economic prosperity between regions actually is,²⁸ preferring rhetoric about ‘shared values’ and statutory declarations of ‘solidarity’ to explaining how the enormous resource reallocation that would be necessary to actually close the wealth gap between London and the South East and elsewhere would be achieved.

The next phase of the constitutional debate in Scotland will, therefore, not only be played out against the backdrop of a UK in prolonged economic crisis, but in circumstances where the existence and depth of this crisis will actually be openly acknowledged in wider UK electoral politics. This has echoes of the context for the devolution debates in the aftermath of the mid 1970s and early 1990s recessions, but

²⁷F. Islam and L. Hooker, ‘Sir Keir Starmer says he’s not talking down UK economy’, BBC online, 27 February 2023; <https://www.bbc.co.uk/news/business-64780112>

²⁸G. Brown, *Report of the Commission on the UK’s Future*, The Labour Party, 6 December 2022; <https://labour.org.uk/page/a-new-britain/>

is profoundly different from the circumstances in the run-up to the 2014 independence referendum, in which the UK government was able to shore up a narrative that Britain had somehow done better than other countries since the 2008 crash, especially small independent ones like Iceland and Ireland that had been highly exposed via their banking sectors.²⁹

Which surprise is coming?

Surprises are, well, surprises, which means that they can come at any time and make unlikely outcomes seem likely in retrospect. This said, it is hard to see what kind of surprise in plain sight might disrupt the first two fundamentals of the Scottish constitutional debate in the short to medium term. A more likely upside scenario for Yes is that a combination of ongoing frustration about Scotland's lack of legal agency within the UK, coupled with slow, but steady, demographic drift, will alter the balance of opinion over several years. Ex senior civil servant, Ciaran Martin, who was at the centre of the UK side in intergovernmental negotiations before 2014, recently wrote to me in correspondence about possible constitutional trajectories, that:

...now it's formally clear it's for the UK government to consent [to a new referendum] I think London has learned the lesson of 2014—don't allow Yes to campaign its way to 51 per cent. This is not actually unhelpful strategically to Yes over the long term [given the] central assumption is that if young people's views don't change, in about 10 years' time it'll be impossible to resist a referendum especially once you get to 2034. 20 years is a generation.³⁰

Labour's strategy for an incoming UK government appears to continue to say no to any prospect of a new indyref (albeit that Sir John

Curtice, for one, regards this of limited utility), tinker with the devolution settlement, add a few new powers to demonstrate commitment to it, and hope that it does competently enough in administration to 'reset' opinion about Britain amongst current Yes supporters.³¹ This might turn out to be possible to some extent, especially if the party's position on Europe softens significantly—either through choice or economic necessity—such that meaningful realignment with EU institutions, or even rejoining the Single Market, were to come about.³² But, if better economic performance does not manifest itself quickly—and Labour will have at most twenty-four months before the next Scottish Parliament election to begin to deal with the acute elements of its inheritance, including high inflation and interest rates, deepening mortgage pain, and so on—then the debate might turn out to be quite different.

Once again, the work of Philip McCann on interregional inequality is instructive when applied to the Scottish political context. In 2019, he wrote that 'major differences in local productivity are a primary source of the geography of discontent and they are also a challenge to a country's institutional and governance structures.'³³ This is exactly where the potential for a strategic surprise to the UK side lies, but only if the Yes side can mobilise discontent such that it becomes renewed support for constitutional change. For some time—at least from a pro-independence perspective—economic arguments for the Union have been increasingly focussed on the costs that would be incurred by leaving, and not that being part of the Union maximises Scotland's prosperity and wellbeing. This line has held so long as public opinion has

²⁹In the run up to the SNP's first election victory in 2007, Alex Salmond developed the narrative of an 'Arc of Prosperity' around Europe's Atlantic Fringe as a device to promote expectations that Scotland's economy should perform as well as Iceland, Ireland and Norway, amongst others. Timing is everything in politics, and this narrative quickly became rather troublesome, to say the least, following the 2008 crash and media attention on banking bailouts in Iceland and Ireland.

³⁰Author's correspondence with Ciaran Martin, 18 February 2023.

³¹K. Andrews, 'Scots back independence for fourth poll in row', *Times*, 12 December 2022; <https://www.thetimes.co.uk/article/scots-back-independence-for-fourth-poll-in-row-616rsc61m>

³²Closer alignment of the UK with the EU would, of course, make the process of Scottish independence more straightforward. See K. Hughes, ed., 'An independent Scotland in the EU: issues for accession', Scottish Centre on European Relations, March 2020; <https://www.centreonconstitutionalchange.ac.uk/sites/default/files/2020-03/An%20Independent%20Scotland%20in%20the%20EU.pdf>

³³McCann, 'Perceptions of regional inequality'.

considered the UK to be sufficiently well-off that the perceived risks of independence are not worth taking (indeed, this is a classic example of the change management adage that convincing people B is better than A is the easy part; convincing them that moving from A to B is worth the costs of doing so is a wholly different matter). But then, 'just where the tipping point between gradual decline and sudden crisis ultimately falls is unclear'.³⁴ If a strategic surprise occurs such that public opinion in Scotland changes to the extent that staying in the UK does not represent the safer option economically, then the terrain on which a referendum would be fought would be utterly transformed.

Butterfly wings

Scotland's leading expert on the history and development of the SNP, James Mitchell of the University of Edinburgh, has become increasingly critical about the party's inability to govern rather than campaign, and on how its political narratives had become increasingly dependent on the notion of 'grievance' under Sturgeon.³⁵ Mitchell's critique on the shortcomings of the SNP as a domestic administration is extremely astute and it is useful to develop his analysis further to think about the party in campaign mode. Here, again, the SNP has ceded ground to its opponents, because the overuse of grievance as a rhetorical device in government has diluted its impact as a device for campaigning on the constitution. The politics of discontent, driven by (staggering levels of) real inequality between real places and in real lives is a well understood phenomenon and an entirely legitimate way to go about making the case for democratic change. But, through overuse, the Yes side has made it possible for No to

recast discontent over the scale of inequality in the UK as grievance in order to avoid talking about the root problem.

The critical question for the Yes side is, therefore: what event might trigger a strategic surprise in which the perilous economic state of the UK comes to the forefront such that it disrupts the constitutional debate in Scotland sufficiently for a majority to be aggrieved or discontented enough to vote for independence? Many people expected Brexit to be such a trigger, and although it has clearly had an important impact, it has been far from decisive. 'It's Scotland's oil!' 2.0 following the UK government's new wave of North Sea exploration licences seems unlikely, because the Yes voter coalition and narrative about an independent Scotland's place in the world are firmly rooted in the need to achieve decarbonisation and mitigate climate change. A narrative about Scotland's renewables wealth being exported like that of oil in the 1970s could take hold, and here Labour, in particular, needs to be careful that its plan for 'Great British Energy' does not backfire. Comparisons with successful neighbouring countries seem to have lost their salience, at least for now, despite Ireland following Norway's model in creating a sovereign wealth fund. If Northern Ireland's economy does substantially better, thanks to the Windsor Agreement, then parity with NI and/or closer alignment with the EU might come into play; should the UK be forced back into the Single Market out of economic necessity, then the narrative about the risk/reward equation of independence will instantly change. Possible, but less likely in the medium term, are concrete moves for the UK to rejoin the European Union, or a vote to create a united Ireland. If either of these did occur, then there would be a very substantial shock to the independence debate.

All these potential surprises are in plain sight and if one or more of them comes to fruition then the constitutional debate could shift very rapidly indeed. Then again, the butterfly's wings might flap, generating a surprise than none of us has thought about at all.

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³⁴McIlhagga, 'Britain is dead'. Although the author goes on to note that perhaps 'the lesson of Britain is that the long-expected crisis that will act as a moment of reset never arrives.'

³⁵J. Mitchell, 'SNP must ditch politics of grievance and govern, not campaign', *Times*, 28 March 2023; <https://www.thetimes.co.uk/article/snp-must-ditch-politics-of-grievance-and-govern-not-campaign-lfswcmf65>