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THIS PAPER IS FOR DECISION

SC(22)55

SCOTTISH CABINET

PROSPECTUS FOR AN INDEPENDENT SCOTLAND: PAPER 1

PAPER BY THE CABINET SECRETARY FOR THE CONSTITUTION, EXTERNAL
AFFAIRS AND CULTURE

Purpose

1. This paper invites Cabinet to clear the first publication in the “New Scotland” series that will form the prospectus for an independent Scotland - “Wealthier, Happier, Fairer: Independence in the Modern World. Why Not Scotland?” (attached separately as **Annex D**).

Timing

2. This paper is scheduled to be discussed by Cabinet on 31 March. It is proposed that the decision on timing of publication of the paper is delegated to the First Minister and me.

Wealthier, Happier, Fairer: Independence in the Modern World. Why Not Scotland?

3. On 8 March 2022, Cabinet agreed that the the 2021/22 Programme for Government (PfG) commitment to produce a detailed prospectus for an independent Scotland should be delivered through a series of publications that would build the case for an independent Scotland (*SC(22)10th Conclusions refer*). “New Scotland: Independence in the Modern World. Why Not Scotland?” is a comparative, scene-setting publication rather than a policy proposition paper.

4. This paper is the first in the prospectus series. It provides a comparative analysis of the performance of the UK across a range of economic and social indicators relative to a group of nine countries in north-west Europe. These are relatively small nations in close geographical proximity to Scotland and they provide relevant examples for an independent Scotland to learn from and possibly to emulate. The paper highlights the better relative long-term performance of these comparator nations and draws attention to the potential of, and opportunities available to, an independent Scotland. A summary is at **Annex B**.

5. The paper has also been subject to a process of quality assurance in relation to data and analysis, financial, legal and propriety considerations. The paper makes no specific policy commitments and has no direct public spending implications. Its analytical content has been signed off by the Chief Economist, Chief Statistician and

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Chief Social researcher. As detailed at **Annex A**, paragraph 3, LPP [REDACTED] This assurance process has ensured that the paper meets the standards expected of a Government publication.

Contribution to the Government's Purpose and National Outcomes

6. The Scottish Government believes that the Purpose and National Outcomes can be best met with the full powers of independence. The prospectus series will set out the opportunities and practical implications of independence. This paper illustrates the opportunities available to an independent Scotland.

Finance

7. The proposed paper is analytical in nature and makes no forward commitments to new policies that involve additional spend. As noted above, all papers that form part of the prospectus will be fully assessed from a budget and spending perspective.

8. There will be minor costs attached to publishing hard-copy versions of the paper and associated communications activities will be covered by existing budgets.

Parliamentary Handling

9. Early consideration will be given, along with the First Minister, Deputy First Minister and Minister for Parliamentary Business, on engagement with Parliament around the publication.

Decisions

10. **Cabinet is asked to:**

(a) **clear the prospectus paper for publication, subject to any final refinement the First Minister or I make prior to publication; and**

(b) **agree to delegate the decision on the publication date of the paper to the First Minister and me.**

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ANNEX A

PROSPECTUS FOR AN INDEPENDENT SCOTLAND: PROSPECTUS PAPER 1

KEY ADDITIONAL INFORMATION

Factual Information and Analysis

1. The paper compares the performance of the UK across a range of economic and social indicators relative to that of a comparator group of countries in north-west Europe. The comparator group comprises relatively small nations in close geographical proximity to Scotland and they provide relevant examples for an independent Scotland to learn from and possibly emulate.

Legal Considerations

2. As set out in Cabinet Paper SC(22)35, the Scottish Ministers can lawfully undertake the preparation of a prospectus for an independent Scotland.

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Financial Implications

4. The proposed paper is analytical in nature and makes no forward commitments to new policies that involve additional spend. As noted above, all papers that form part of the prospectus will be fully assessed from a budget and spending perspective.

5. There will be minor costs attached to publishing hard-copy versions of the paper and associated communications activities will be covered by existing budgets.

Relationship with UK Policies and Bodies

6. The paper includes no new policy proposals and therefore there are no issues of disparity or alignment with policies in other parts of the UK. The paper does, however, provide a clear critique of the UK's economic and social performance relative to the comparator countries and seeks to draw attention to possible policy lessons from the better performing comparator countries.

EU or Wider International Implications

7. The paper has no specific EU or wider international implications. Officials in DEXA including, where appropriate, our international offices will highlight the publication to the governments of the comparator countries used in the paper. The communications plan for the paper's launch will cover international engagement.

Public Sector Equality Duty

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Presentation

9. The Communications Directorate is developing an overarching cross-government communications framework and strategy for this programme. That strategy will identify audiences, the role for Scottish Government Communications and the most relevant channels to provide public information

10. An integrated communications plan is being developed in preparation for publication of this paper for approval by Ministers. This will cover digital communications, news handling, international engagement, internal communications, as well as stakeholder engagement by officials and relevant Cabinet Secretaries prior to and following publication. Materials will be provided to all Ministers to support their discussions around the paper.

Bute House Agreement Implications

11. The Bute House Agreement commits the Scottish Government and the Green Group to “work together to make the case that Scotland should be an independent country within the European Union, recognising each party’s right and duty to set out its own arguments for, and visions of, independence”. As well as this general position, a number of matters excluded from the Agreement are of relevance to the prospectus for an independent Scotland, including economic principles relating to sustainable growth and inclusive growth, international relations, and membership of NATO following independence.

12. A draft of the paper was shared with Green Special Advisers at an earlier stage, and a discussion took place between officials and the nominated representative of the Green Group for engagement on the independence prospectus. Green Ministers have provided views through the pre-Cabinet consideration process and are expected to be regular attendees at the Independence Ministerial Group.

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ANNEX B

PROSPECTUS FOR AN INDEPENDENT SCOTLAND: PROSPECTUS PAPER 1

INVOLVEMENT DURING PRE-CABINET CONSIDERATION

PORTFOLIO INTERESTS	ISSUES RAISED	HOW RESOLVED
First Minister	None	N/A
Deputy First Minister and Covid Recovery	None	N/A
Education and Skills	None	N/A
Finance and the Economy	Request that all papers are brought to Cabinet for approval.	Agreed
Health and Social Care	None	N/A
Justice and Veterans	None	N/A
Net Zero, Energy and Transport	<p>Paper 1 should draw out the desirability of the transition to Net Zero and that such a transition is compatible with economic and social progress.</p> <p>A strengthened explicit reference is required in Paper 1 on Scotland's natural resources as assets.</p>	<p>Strengthened text at final para, pg 15 and para 1, pg 18.</p> <p>Additional text added at bullet 3, page 17.</p>
Rural Affairs and Islands	None	N/A
Social Justice, Housing and Local Government	None	N/A
Parliamentary Business	Request for proactive consideration of Parliamentary handling on the launch.	Additional text inserted in the Cabinet paper committing to early engagement with FM, DFM and Minister for Parliamentary Business.
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Bute House Agreement Implications	Requests that Paper 1 does not place undue or	Removed references to the Sustainable Growth

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PORTFOLIO INTERESTS	ISSUES RAISED	HOW RESOLVED
	<p>unqualified emphasis on growth and GDP.</p> <p>Request that the paper considers issues around the progressivity of the tax system.</p> <p>A proposal for re-ordering of sections so that Social Security and Labour Market sections feature earlier in the document.</p> <p>A proposal to add a section on land ownership in the UK and comparator countries.</p>	<p>Commission, other than in three specific footnotes.</p> <p>Changed references from “growth models” to “economic and social models”.</p> <p>Inserted a reference on page 13, referencing NSET and NPF, recognising that GDP alone is an insufficient measure of societal performance.</p> <p>It is proposed that this question is addressed more fully later in the prospectus series.</p> <p>It is proposed to maintain the current ordering, but ensure that communication of the paper gives due weight to all topics covered.</p> <p>Wording adjusted to clarify that this section covers enterprise ownership. It is proposed to deal with land ownership in a land policy paper later in the prospectus series.</p>

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ANNEX C

PROSPECTUS FOR AN INDEPENDENT SCOTLAND: FIRST PUBLICATION

PROSPECTUS PAPER 1: “WEALTHIER, HAPPIER, FAIRER: INDEPENDENCE IN
THE MODERN WORLD. WHY NOT SCOTLAND?”

SUMMARY

Purpose

The paper:

- ◆ Sets out a comprehensive analysis comparing the UK's performance across a range of economic and social indicators to that of Scotland's neighbours in north west European . The comparator nations (Norway, Denmark, Sweden, Finland, the Netherlands, Austria, Belgium, Switzerland, Ireland and Iceland) out-perform the UK on a range of measures;
- ◆ Discusses factors explaining both the relative success of the comparator nations and the under-performance of the UK model , and set out potential lessons for an independent Scotland.

Evidence

The paper presents 10 key facts:

1. The comparator countries are all **wealthier** – some significantly wealthier - than the UK;
2. The comparator countries have all **maintained the wealth gap with the UK** over time;
3. **Income inequality is lower** in all the comparator countries;
4. **Poverty rates are lower** in all the comparator countries;
5. There are **fewer children and pensioners living in poverty** in all the comparator countries;
6. Most of the comparator countries have **higher social mobility**;
7. Most of the comparator countries have a **smaller gender pay gap**;
8. The comparator countries all have **higher productivity** – often significantly higher – than the UK;
9. Gross **expenditure on research and development is higher** in most of the comparator countries; and
10. **Business investment is higher** in all the comparator countries.

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Further evidence is then presented across four main areas: the **macroeconomy** (GDP per head, employment rates, debt and deficit as % of GDP etc.); **business dynamism** (productivity, innovation, R&D spend; business investment etc.); **social solidarity** (income inequality, poverty, social mobility, quality of life etc.) and the **labour market** (proportion of low/high wage workers, wages etc.).

Discussion

The paper then:

- ◆ *Assesses common factors contributing to the relative success of the comparator nations:* social security regimes; labour market policies; quality of business location; social partnership and ownership and governance;
- ◆ *Discusses factors helping to explain the UK's relative poor outcomes:* short-termism; industrial policy; deregulation; labour market; de-institutionalisation;
- ◆ *Highlights some specific approaches that are characteristic of the comparator country models* e.g. Sweden's Job Security Councils; Danish Disruption Council; Danish Industrial Foundations.

Conclusions

- ◆ An independent Scotland could not be transformed to match the success of other similar sized north-west European countries overnight;
- ◆ But what is clear from the evidence presented in this paper is that dependency on decision-making by UK Governments has led to outcomes that fail to match Scotland's potential, and with the damage of Brexit, will in fact mean Scotland finding it ever harder to achieve that potential both in the short and long-term;
- ◆ No two national models are the same. A key lesson from the experiences of the countries considered above is that models evolve to reflect national circumstances, specific challenges, cultures, traditions and institutional legacies;
- ◆ Countries of a similar size are achieving better outcomes than Scotland is able to achieve as part of the UK. These countries serve as working examples of the possibilities for and options available to an independent Scotland;
- ◆ The evidence also suggests that the full powers of independence are necessary to build a successful model in which deep social solidarity and economic dynamism become mutually reinforcing;
- ◆ There will of course be a range of views about precisely how and whether progress in Scotland with those full powers can be achieved. Independence by itself will not guarantee improved performance: that will be determined by the quality of decision-making. The *New Scotland* series will set out the Scottish Government's proposals but we welcome contributions from across Scotland and look forward to a national debate about how as an independent country we can create a wealthier, happier and fairer Scotland.