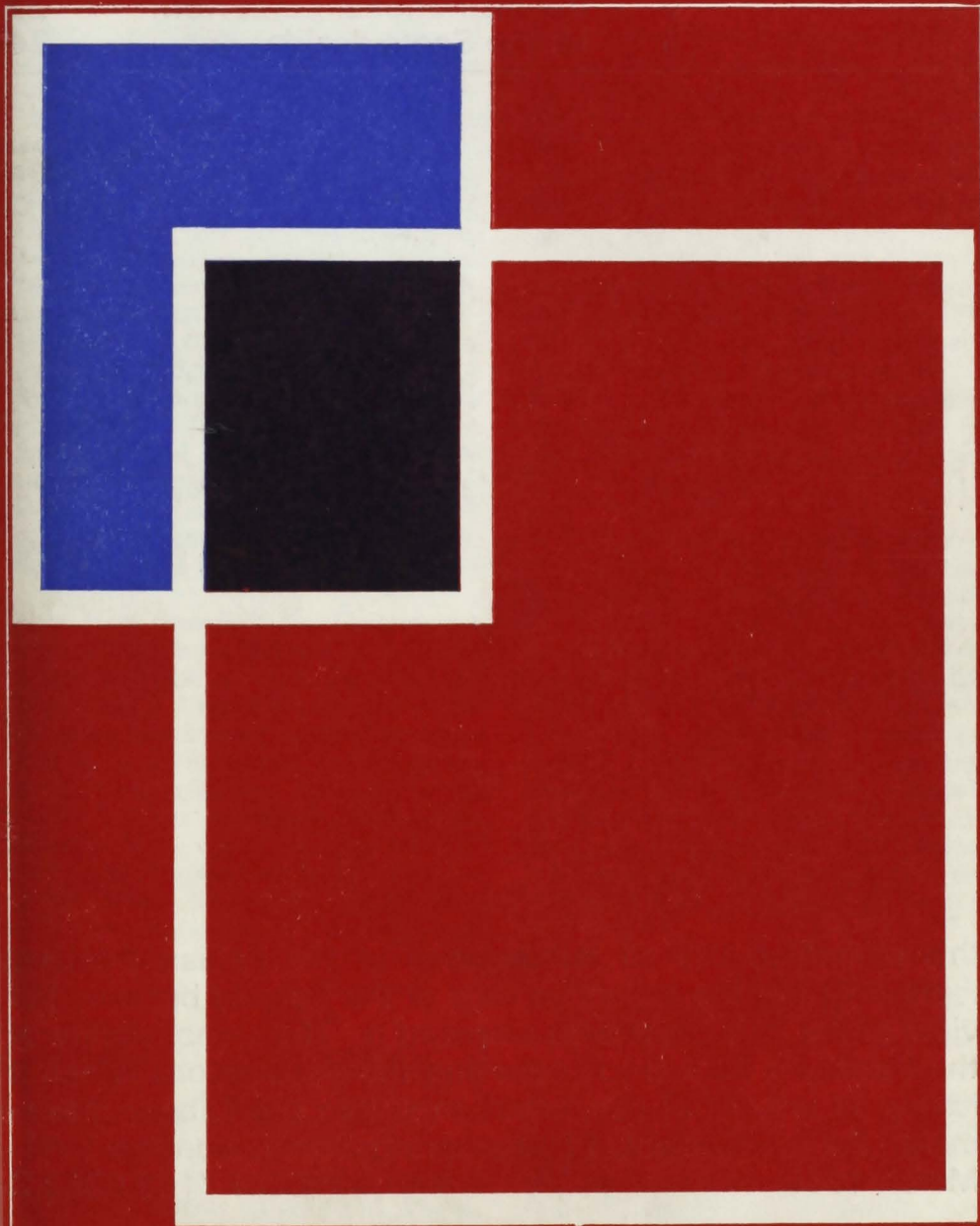


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# Scotland: the third choice

Andrew Hargrave  
fabian tract 392

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# fabian tract 392

## Scotland : the third choice

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# 1. the wrong debate

The Government, most Scottish and Welsh Labour MP's and the majority of Labour Party activists seem completely baffled by the rise of nationalism on the Celtic fringes. They have been variously interpreting it as a protest against unpopular policies, a Tartan or Cymric version of the Tory electoral upsurge in England, a parochial, emotional, chip-on-the-shoulder reaction to "foreign" (English, American, and so on) habits, ideas, firms and managers, a romantic withdrawal into the past. On the Government side, only Mrs. Judith Hart, the Paymaster-General, has attempted a half-way serious, below the surface analysis of the phenomenon. She ascribed it partly to disillusionment about the slowness of economic progress, and partly to a feeling of remoteness from the centres of decision. "In Scotland," she said, "awareness of national identity goes along with awareness of non-involvement; the two reinforce each other and create a momentum which is peculiar to Scotland—and to Wales."

Mrs. Hart described the Government task as "finding a method of fulfilling nationality within a more vigorous democracy." Unfortunately she — and the Government—are leaving the solution to the Constitutional Commission: in my view, a holding operation while minor forms of devolution, such as the Scottish Transport Group, the Scottish and Welsh Tourist Boards, and the proposed Select Committee on Scottish Affairs are supposed to hold the home rulers at bay.

## the work of commissions

For what is ahead of us: a long, leisurely process of framing terms of reference; of selecting and appointing members for the Commission and for its five sub-panels for Scotland, Wales,

the Isle of Man, the Channel Islands and Northern Ireland; of hearings and written evidence; of the compilation and publication (suitably delayed by "printing difficulties") of a massive White Paper?

Then, somewhere in the late 1970s (if we are allowed that time which I doubt), the legislative process will begin after the Commission's recommendations have been chewed over, digested and emasculated by both government and opposition, not to speak of the Civil Service. And if this sounds a bit cynical, let us reflect that the last such Commission, a Royal one but on Scotland alone, took five years from its inception in 1951 to implement the only significant, though minor recommendation for devolution: the transfer of responsibility for highways from the Ministry of Transport in London to the Scottish Office in Edinburgh.

Today, we have not only five parts of the UK to probe, of different histories, backgrounds and complexities, but the work of two other Commissions, Royal ones, to take into account, on the reform of local government in England and Wales as well as in Scotland. It must be clearly the Government's, and the Labour Party's, hope that in the next decade or so (the time needed to put into practice whatever recommendations all these Commissions produce) passions will cool and action may be kept to the minimum interference with the status-quo.

In some ways, one can appreciate the Government's attitude. Beset by economic difficulties, buffeted by opposition (partly by its own supporters) to devaluation, budgets and mini-budgets, the prices and incomes policy, industrial relations, East of Suez, Rhodesia and the rest, it certainly has problems besides the upsurge of nationalism. But,



as Mrs. Hart rightly pointed out, it is not a new problem.

### **beginning of the tide**

In Scotland, in recent times, it may be said to have begun with a by-election in the Bridgeton division of Glasgow, in November 1961. In a Labour stronghold like Hamilton, where six years later the Nationalists achieved their major triumph to date by capturing the seat, the Nationalist candidate, Mr. Iain Macdonald, came a close third. Then, in July 1962, Mr. William Wolfe created a minor sensation by coming second in a by-election in another Labour stronghold, West Lothian, causing the Tory candidate to lose his deposit. In the 1964 general election, he repeated this feat while in 1966, the Nationalists amassed a respectable 128,000 votes, double the 1964 vote and 5 per cent of the total Scottish poll. Since then the progression has been geometrical rather than arithmetical: but there can be no doubt that Scottish Nationalist upsurge in terms of both electoral and mass support covers at least three Tory years, a process which was accentuated by a similar failure by Labour to quell Nationalist sentiments.

It is instructive to note the measure of this upsurge: in the municipal elections of May 1968, the Nationalists emerged as the largest single party in terms of votes. With less than 20 per cent of the total Scottish electorate involved they improved by about 50 per cent on their 1966 general election performance in the absolute number of votes. In the following month, they won 18 seats out of a total of 21 on the newly-created council at Cumbernauld new town.

Their success pattern has been uneven, with Glasgow, Edinburgh and some smaller towns in the industrial belt as

the peaks. As the Labour vote is by far the most susceptible to capture by the SNP, strong local Labour organisations, such as exist at Dalkeith or Rutherglen, have saved seats which might otherwise have fallen. Nevertheless even where the SNP failed to win seats, the vote has been respectable compared with the derisory performances of the 1950s.

The rise of the SNP is against a background of tremendous enthusiasm, steeply increasing membership (it is said to be over 120,000 compared with only about 2,000 at the beginning of the decade which would make it the largest single party membership in Scotland) and hard work on the doorstep, on the platforms and in the correspondence columns of the press. Against this, the majority of candidates—and councillors—are inexperienced; the performance of Mrs. Winnie Ewing, the "Victor of Hamilton", has been undistinguished in purely House of Commons terms; and there has been a lack of coherent policies, principles and programmes. The latter may in time be remedied by the policy committees now at work: the fact is that, apart from independence and "put Scotland first", the appeal of the SNP has so far rested more on disenchantment with the major parties and Westminster politics in general than on positive proposals for economic, social and cultural advance.

Moreover, there are strong grounds for believing that a large proportion of SNP supporters want no independent Scotland. An investigation carried out by a Strathclyde University team in Glasgow (where in the May 1968 elections SNP candidates won 13 out of the 37 seats and polled 36 per cent of the total vote) showed that even of SNP supporters only 56 per cent chose independence. (Compared with 21 per cent for all voters).

On the other hand, there was massive



support for limited home rule, within the United Kingdom framework. Almost half the Labour supporters, about a third of both Tory and SNP voters and two out of five of the uncommitted opted for such a solution. If one adds that just over a quarter who preferred "greater local and regional freedom" and notes that only one in seven of the total sample, a fifth of the Tory voters and less than a fifth of the Labour voters chose the status-quo, on the basis of this and other sample polls, the case for devolution seems overwhelming.

The curious aspect of this surge towards greater local autonomy is that it happens at a time when, despite a slowing down in the rate of economic progress, the Government has been making genuine efforts towards reducing the prosperity gap between the two nations; when public investment is maintained at a high level in spite of severe cuts in other sectors; when unemployment, though unpleasantly high by post-war standards, is nevertheless being kept in check in Scotland, at any rate; when, as subsequent facts and figures will prove, the maintenance of standard of living and work in progress depends on continuing aid from central funds; when, as events have shown only too clearly even big, influential and rich countries like Britain and France can be "blown off course" by international events; when all economic trends point to interdependence, the advantages of mass markets and "economies of scale" in production, research and planning.

### a national identity

Why then one may ask should so many Scotsmen—and Welshmen—choose to ignore these facts and turn instead to nationalism and the Nationalists? Moreover why should local resentment, which is just as strong in places like

Tyneside and Cornwall, be reflected in growing public support for a Nationalist party rather than the Tories, the official opposition and the only other party in Britain capable of forming an alternative Government?

The first reason could well be what Mrs. Hart described as the "national identity." In Scotland, pre-Act of Union history is still strongly emphasised in most schools; differences in the educational system, in law or local government are jealously guarded. In Wales where such differences are less evident or non-existent, the language plays an important part in retaining "national identity." In both countries, there is a cultural heritage carefully fostered by poets and politicians.

Secondly, voting Tory is still anathema to the traditionally radical electors of Scotland and Wales. The reason why Mr. Edward Heath's proposal for a Scottish Assembly has cut so little ice in Scotland, even among Scottish Tories, is due partly to the bitter hostility of the big majority of voters recalling arrogant landlords, cruel bosses and snobbish "ladies of the manor" and partly to the resistance of grassroots Tories to anything smacking of "appeasing the Nationalists."

Thirdly, the Scottish voter may feel that he can indulge in voting Nationalist without the latter being ever called upon to convert the propaganda for independence into actual moves to prepare for it. It may seem to him the most effective way of forcing the major parties into abandoning the status-quo posture on devolution.

For the moment, the main debate is still on the stark alternatives of virtual status-quo or independence. Apart from a few individuals, *The Scotsman* newspaper and the Scottish TUC (which has



a top-level committee working on a blueprint for devolution) as well as the Scottish Nationalist, Liberal and Communist parties, no serious attempt has been made to present a balance sheet of political and economic facts of life. The individual Scot has little chance of deciding on the form of local autonomy best serving his interests, free from red herrings, emotional prejudice or irrational fear.

### one-sided picture

The upholders of the status-quo, Labour or Tory, have been vying with the Nationalists in presenting a one-sided picture. The wrong questions are being asked simply because facts, figures and statistics are bandied about in the wrong context, in a highly charged emotional atmosphere. After years of discussion and debate, there is still no coherent programme which would enable the people to participate in a meaningful way in the democratic processes of decision making. The fourth and perhaps most important reason for voting Nationalist is that only so can the voter express his impatience and disgust at the lack of choice.

For there is a third choice: this is my reason for writing this pamphlet. If the case is presented against a largely economic background, it is because jobs, scope and opportunities—or their absence—have been the central theme of Scottish politics for half a century. Whatever administrative changes are suggested, these must be justified by the promise of long-term economic and social progress.

If this pamphlet deals with the question from the narrow Scottish point of view, it is simply because of convenience and experience. Having lived and worked in Scotland for nearly 17 years as an

observer as well as a political participant, I feel qualified to comment as I would not in regard to Wales and the other subjects of Mr. Callaghan's Constitutional Commission. Not that those other places are unimportant or that their specific problems are not relevant to the argument; on the contrary, the solution of Scotland's problems must be related to needs, aspirations and ideas of each of the other places.

For this reason, too, I believe that a Scottish model of political, administrative and economic devolution would serve as a useful guide to devolution elsewhere. It is the country where the movement for autonomy has gained most ground, which already has a measure of devolution as well as national identity; and where the challenge and opportunity of creating better institutions would have the most profound effect on improving the quality of life and work, of democratic participation and co-operation not only in Scotland but in the United Kingdom as a whole.



## 2. the economic balance sheet

One source of Scottish Nationalist—and until recently, Labour—strength in Scotland has been persistent above-average unemployment. Between the wars, Scottish unemployment never fell below 10 per cent and stayed well over 20 per cent for the first half of the 1930s. This was recognised even in the first feeble attempts at regional development, starting with the Distressed Areas Act of 1934 and subsequently the setting up of the first industrial estates, one of which was at Hillington, Glasgow.

The Distribution of Industry Act of 1945 enacted by the war-time Coalition Government was the first deliberate measure in Britain to try to correct the imbalance between the have and have-not areas. Scotland benefited from the availability of cheap Government factories and of labour in the first post-war years when both were scarce. But in the barren 1950s regional policy faded. Year by year, Scotland, with just under 10 per cent of Great Britain's population, was with three exceptions getting less than its share of new factory buildings. (Even in those three years, 1952, 1953 and 1959, it was only slightly above average). Its share in manufacturing investment was also well below UK level. The result, as Gavin McCrone pointed out in *Scotland's economic progress 1954-60*, the gap further widened between Scotland and some other development areas, notably Tyneside, on the one hand and the "prosperity belt" in the South on the other. In Mr. McCrone's estimate Scotland's gross domestic product grew by a mere nine per cent between 1954 and 1960, half the UK rate which itself was slow compared with other Western European countries and Japan.

The 1958-59 economic crisis found Scotland ill-prepared to absorb an indiscriminating squeeze and unemployment soared to well over 100,000, over

five per cent of the working population. Before the country could fully recover, it was hit by the Selwyn Lloyd block-buster which led to a peak unemployment figure of 136,000 in February, 1963. It followed the publication of the Toothill Report, the first thoroughgoing analysis of Scotland's economic structure, and of its vulnerability owing to the preponderance of contracting traditional industries. The Maudling Budget of 1963, with its strengthening of the 1960 Local Employment Act, including fixed building grants and free tax depreciation, came too late to stop the crumbling of Tory support in Scotland. Between 1959 and 1966, the party lost 16 seats, four to the Liberals, the rest to Labour. (It has since regained one Glasgow seat, Pollok, though polling less than 40 per cent of the total vote).

Nevertheless, the Maudling Budget coming as a forerunner of yet another shortlived boom in the post-war stop-go story, did get things moving. Already 1962 had created a post-war record in completed industrial building, of 5.2 million square feet of factory space, again surpassed in 1966 (6.4 million square feet) and 1967 (5.8 million square feet). Approvals for new space exceeded 10 million square feet in both 1965 and also, encouragingly, in 1967 which indicates that new industry is still coming in and the expansion of existing growth industries is progressing at a reasonable rate. The signs are that 1968 will turn out to be a satisfactory year, though not on the 1966 scale when a new firm was setting up in Scotland almost every week.

### narrowing wage gap

New industrial growth, including the expansion in the vital engineering and electrical industries, has led to a significant narrowing of the wage gap



between Scottish workers and those in the more prosperous areas.

In 1963, average earnings of manual workers in manufacturing and certain other industries in Scotland were 92.1 per cent of the UK level and 87.3 per cent of the workers' in South-East England. They were last in the "prosperity league" for Great Britain. By 1967, Scottish earnings had risen to 97.2 per cent of the UK average and 92.4 per cent of those in South-East England. In the "league" Scotland overtook three English regions—East Anglia, Yorkshire and Humberside and the South-West. In a couple of industries, including engineering, Scottish earnings actually rose above the UK average.

Hourly earnings increased at a slightly slower rate because of the greater amount of overtime worked in Scotland. The increase relative to the UK was from 92.7 per cent to 96.3 per cent between 1963 and 1967.

As unemployment grew in Britain to its highest post-war levels following Mr. Wilson's July 1966 measures, devaluation and the economy cuts, Scottish unemployment — unlike in previous "squeezes"—managed to stay under the dreaded 100,000 mark. It rose to 95,300 in January, 1968, and has been, seasonally adjusted, on the decline last summer. In January of this year it was just under 90,000, or 5,700 fewer than in the same month in the previous year. Relative to Great Britain as a whole, the proportion of Scottish unemployed fell from twice the average common in the 1950s and most of the 1960s, to just one and a half times the average.

It must be noted, however, that one reason for the relatively modest unemployment figures has been the steep rise in emigration. In the 1950s the average was 25,400 per year net. The

table below shows the figures for the 1960s.

NET EMIGRATION FROM SCOTLAND		000s
1960-61		34.6
1961-62		29.5
1962-63		34.0
1963-64		40.6
1964-65		43.0
1965-66		47.0
1966-67		45.0
1967-68		33.0

The pattern of emigration has reverted to that familiar in the 1920s, with the majority going overseas—young, enterprising, trained people with their families. It is believed that the decline in 1967-68 was due more to restriction of emigration to Canada and the United States and to the growing scarcity of jobs in the South than to the progress of the Scottish economy and a growing faith in its future.

### "imported" growth

For it is also a fact that much of Scottish economic growth has been "imported." A few years ago the Scottish Council (Development and Industry) claimed that four-fifths of the new investment originated in Scotland. This certainly does not seem to be true today.

The Council's own survey into outside investment in Scotland during the years 1963 to 1966 revealed that while companies of North American (all but one US), European or UK origin accounted for about one-seventh of the total manufacturing labour force, they increased both output and investment by about one-third in that period.

The North American companies, employing just over 60,000 people (about



8½ per cent of the manufacturing labour force) increased employment by 30 per cent, investment by 113 per cent, output by 89 per cent and exports by 73 per cent. In 1966, these companies were responsible for almost a quarter of all Scottish exports and contributed materially to Scotland's above-average export performance. (£575 per manufacturing employee compared with £505 UK average, according to the Council). Between 1963 and 1966, while manufacturing employment in Scotland stagnated, the "foreign firms," American, English and others, increased their labour forces by ten per cent.

While these companies increased their output by a third, the total Scottish manufacturing output rose by only 13 per cent; and their estimated output of £473 million for 1966 should be seen in the light of *The Scotsman's* estimate of £1,010 million for the whole of Scottish manufacturing industry, for the same year. Both estimates must be approximate; even so they give an idea of the significant role these firms play in the Scottish economy.

The foreign-based firms occupy key positions in the important growth industries such as electronics, office machinery, earth-moving equipment, motor vehicles, chemicals and oil refining. Moreover, apart from the influx of such firms, control of industry is progressively passing out of Scottish hands through mergers, take-overs, closures and nationalisation—as emphasised recently by the council's executive vice-president, Mr. W. S. Robertson, and its president Lord Polwarth who, as governor of the Bank of Scotland and chairman of General Accident, is in a particularly sensitive position to judge.

Such statistics as are available confirm this view. *The Scotsman* has identified 618 privately-owned firms employing

200 people or over of which only 292 (47 per cent) had their headquarters in Scotland compared with 253 (41 per cent) from England and Wales and 73 (12 per cent) from overseas. This last one must be an under-estimate as the Scottish Council's survey of overseas investment published in January 1967 identified 85 companies from North America alone: it must be close to 100 by now.

According to my own researches covering 369 firms employing 250 people or over, 179 were controlled from Scottish headquarters, or 47 per cent—exactly the same as *The Scotsman's* estimate. Analysing the figures further, of the 102 companies employing 1,000 people or more, exactly half had Scottish headquarters; but only 11 out of the 32 companies (34 per cent) with 2,500 people or more; and only six out of 15 companies with labour force of 4,000 or over (40 per cent). Of those six, three—Upper Clyde Shipbuilders, Scott-Lithgow and Belmos-Peebles—achieved the 4,000-plus status through mergers.

It must also be noted that several companies with headquarters in Scotland are controlled by holding companies from the outside. In other words, Mr. George Middleton, former secretary of the Scottish TUC and now vice-chairman of the Scottish Economic Planning Council, was right in asserting that no such thing as a Scottish economy existed. It also explains the recent decision of the Scottish Council to intervene and try to promote mergers within Scotland.

### no philanthropists

These facts would seem to indicate Scotland's utter dependence on outside enterprise. However, there is another



side to this particular coin. Americans are no philanthropists. They are in Scotland to have customs-free access to markets, such as EFTA; enjoy what is left of the Sterling Area benefits as well as the advantages of operating in a development area with its wide range of incentives, ports and airports; use US methods of production and pay less than half the US wages: in other words, to make bigger sales and bigger profits.

As for English firms, they, too, enjoy the development area incentives, away from the congestion of headquarters factories and, in some cases, from built-in traditions and labour antagonisms. (It is one of the myths of our time that the Clyde is Red; for instance, the Clyde docks continued working while those on the Thames and Mersey were locked in bitter struggle).

Moreover, while giving the "outsiders" every possible credit for diversifying and modernising Scotland's industrial structure, the fact remains that the vast majority of the companies and units operating there are branch factories, generally production units with no research, design, development, marketing or promotional sections. Complete units such as Ferranti, Elliott Automation or more recently British Leyland (trucks and tractors) are rare.

This means that many "creative" Scots—scientists, technologists, salesmen and publicity men—have to go elsewhere to find outlets and rewards for their talents. It means that few blueprints for products originate in Scotland; and it can also mean the danger of units engaged on "tail-end" products closing down—such as the Remington Rand works in Glasgow which was limited to making manual typewriters. There is an absence of that stimulating atmosphere which accompanies the birth of ideas, processes and new gadgets.

Now let us turn to that other balance sheet in an attempt to clarify the scale of Scotland's economic "dependence" on the UK Exchequer. The table opposite published in the Scottish Office's quarterly report in November 1968, provides so far the most comprehensive and up to date analysis of "identifiable" public expenditure, including Central Government expenditure, as it relates to Scotland.

Total Great Britain public expenditure in 1967-68 was £14,580 million. The items relating to the Scottish Office's analysis formed about £11,110 million of this total, or 76.3 per cent. Had Scotland received its share purely on the population basis of 9.7 per cent, it would have been about £240 million less than the £1,319.4 million actually spent there: the difference between an 11.9 per cent and 9.7 per cent share.

A certain proportion of this excess share was in fact borne by ratepayers in Scotland in the form of subsidising housing, transport and other "losers." To measure the Exchequer contribution to maintaining industrial development, social services, education, transport, and so on, in Scotland, one has to turn to the Central Government section of the table.

The items listed there account for £8,340 million out of a total of £10,878 million Central Government expenditure in Great Britain for the year 1967-68, or 76.7 per cent. The bulk of the balance comprises defence expenditure which was £2,429 million of which Scotland, according to the Scottish Office report, received seven per cent, or around £170 million. If one deducts the £316 million spent overseas (13 per cent of total) it would appear that Scotland received about eight per cent of the total spent on defence contracts, military bases, wages for civilian and service personnel, and so on.



**IDENTIFIABLE PUBLIC EXPENDITURE AND CENTRAL GOVERNMENT EXPENDITURE IN SCOTLAND 1967-68**

	identifiable public expenditure		Central Government expenditure * per capita							
	£m	% of GB	Scotland		Scotland			England and Wales		
			£m	% of GB	£	s	d	£	s	d
roads (incl. lighting)	63.2	12.0	38.4	13.3	7	8	1	5	3	2
airports and ports	8.2	16.5	2.5	10.8	0	8	6	0	9	8
promotion of local employment	12.7	36.3	12.7	36.3	2	9	0	0	9	3
investment grants	43.2	14.4	45.0	14.3	8	13	6	5	11	2
SET: additional sum in premium payments	10.7	8.2	10.7	8.2	2	1	3	2	9	5
regional employment premiums	13.0	37.5	13.0	37.5	2	10	1	0	9	0
research councils	7.0	9.2	7.0	9.2	1	7	0	1	8	8
agricultural support	46.4	17.9	46.4	17.9	8	18	11	4	8	2
agricultural services	5.4	7.2	5.5	7.5	1	1	2	1	8	0
fisheries	2.3	65.7	2.4	66.7	0	9	3	0	0	6
forestry	14.5	42.3	14.5	42.3	2	15	11	0	8	2
housing	196.9	18.7	27.6	20.4	5	6	5	2	4	7
environmental services	83.0	10.9	5.4	14.6	1	0	10	0	13	11
libraries, museums, arts	4.2	6.1	1.4	9.7	0	5	5	0	5	4
police	24.8	8.8	11.2	8.8	2	3	2	2	8	3
prisons	3.8	10.1	3.8	10.1	0	14	8	0	14	0
other law and order (incl. fire service)	11.4	8.3	4.8	8.6	0	18	6	1	1	0
education †	186.4	11.2	22.7	27.5	4	7	6	1	4	8
universities	41.8	14.3	41.7	17.1	8	0	9	4	3	4
health and welfare	172.5	10.7	154.8	11.3	29	16	10	25	4	7
children's services (incl. family allowances)	40.4	10.5	26.4	11.6	5	1	10	4	3	5
social security ‡	272.7	10.0	272.7	10.0	52	11	6	50	19	8
civil defence	2.6	12.4	2.0	11.0	0	7	9	0	6	8
financial admin. and common services	25.2	10.5	22.1	10.0	4	5	3	4	2	0
other services ¶	27.1	10.5	23.6	10.6	4	11	0	4	2	2
non-specific grants to local authorities	—	—	157.1	11.7	30	5	9	27	18	6
<b>total</b>	<b>1319.4</b>	<b>11.9</b>	<b>975.4</b>	<b>11.7</b>	<b>188</b>	<b>1</b>	<b>0</b>	<b>151</b>	<b>15</b>	<b>11</b>

\* includes transfers to other spending authorities other than Consolidated Fund Loans to local authorities such as investment grants to nationalised industries and public corporations whose expenditure is not included in the first column.

† includes in Scotland an element of student grants which in England and Wales is included under non-specific grants to local authorities, excludes universities.

‡ includes amounts met by employers' and employees' contributions.

¶ excludes certain items which cannot be specifically attributed to Scotland.



On the identifiable Central Government account, the Scottish Office table shows an advantage of £36 5s 1d per head for the Scots. In money terms, the difference between the 11.7 per cent share of the £8,340 million and the population share of 9.7 per cent is about £166 million. On the other hand, if one applies the same procedure to internal defence expenditure, Scotland's share—at eight per cent—amounts to about £20 million less than it would on a population basis. On Central Government expenditure therefore Scotland appears to be £166 million minus £20 million equals £146 million to the good. The bulk of this excess owes little to Exchequer "charity" but to British policies such as the welfare state, regional development and the support for primary industries; and also to geographical facts.

The slightly higher share of the cost of welfare services reflect the higher Scottish unemployment and birth rates; the bigger housing subsidies the fact that four-fifths of new housing in Scotland is local authority built. (One would like to know the advantages to English taxpayers of rebates on mortgages). The fact that the Scottish development area population amounts to 44 per cent of the total development area population of the UK explains the 38 per cent overall share of financial aid under the Local Employment Acts.

Scotland has roughly one-third of the total agricultural area in the UK and nearly 18 per cent of the land under crop which was almost exactly the share it received under agricultural support. It also has over 40 per cent of forestry acreage and above-average share of fishing and contributes almost a quarter more to the UK output in primary industries than the average. With one-third of the total land area, Scotland has 21 per cent of Great Britain's trunk road mileage and 16 per

cent of classified road mileage—so the 12 per cent share of total road expenditure does not seem excessive. A large country with a string of inhabited islands needs more airports and ports: hence the 16.5 per cent share in expenditure, though only 10.8 per cent from Central Government funds.

On the basis of the figures, one is able to list with reasonable accuracy the expenditure side of Scotland's own "Budget." The income side, however, is a much more difficult operation owing to two main factors: the free flow of goods within the United Kingdom which makes the correct apportioning of Customs and Excise revenue (including purchase tax) almost impossible; and the fact that a sizeable proportion of taxes are in fact paid outside Scotland by companies operating in Scotland. These include all corporation and other taxes paid by the "foreign" companies, subsidiaries and branches. Also some employees of companies from other parts of the United Kingdom working in Scotland as salesmen, Service personnel, journalists and so on, pay their taxes outside Scotland.

Taxes collected in Scotland, at £355.5 million (according to the *Digest of Scottish Statistics*) amounted to only 6.18 per cent of the total Inland Revenue in Great Britain in 1967-68. To arrive at some sort of estimate for the total contributed by enterprise and people in Scotland, one would obviously have to assess the taxes paid by those "foreign" companies and employees.

### a Scottish budget

*The Scotsman* made a brave attempt at such an assessment in the survey referred to above. Mr. Jack Diamond, Chief Secretary to the Treasury, responded by promising, in a letter to



Mr. Ian MacArthur, Tory MP for Perth and East Perthshire in October 1968, that his department would try to compile a "Scottish Budget" on the same basis (a partial estimate has now been published). Both Mr. Diamond and *The Scotsman* admitted that the task bristles with difficulties.

I had a go myself at such a Budget, in an article in *The Financial Times* on 14 November 1968. On the income side, I credited Scotland with 10 per cent of Customs and Excise revenue—slightly higher than its population share. This was because of its higher per capita expenditure on spirits and tobacco and exports which should more than offset the lower proportion of purchase tax contribution on other goods. I made up the difference between the taxes collected in Scotland and the assumed total by taking as the basis for the latter the

average gross earnings of persons in civil employment for 1966-67 as published in the Abstract of Regional Statistics, 1968: this gave the Scottish ratio as 9.29 per cent of the Great Britain total. (Although it takes only personal earnings into account, this seems the least unsatisfactory way of coming to an assessment). The difference between 6.18 per cent of Great Britain revenue (taxes collected in Scotland) and 9.29 per cent is 3.11 per cent, or £179 million in money terms. With these qualifications, the balance sheet is set out in the table below.

The balance sheet shows a £126 million deficit which compares with the £146 million surplus Scotland enjoyed on central Government expenditure. But this does not, of course, tell the whole story, even if the figures were completely accurate—which is unlikely in view of

#### SCOTTISH BUDGET 1966-67

income	£m	expenditure	£m
<i>taxes collected in Scotland:</i>		contribution to consolidated	
income tax	238.5	fund (net) *	66.0
profits tax	3.0	contribution to defence *	235.0
death duties	35.5	contribution to Commonwealth	
stamp duties	6.0	and Foreign Services *	30.0
corporation tax	71.3	financial admin. and common	
capital gains tax	1.2	services	22.0
<i>other revenue in Scotland:</i>		law and home affairs	20.0
motor vehicle licences	22.0	promotion of industry	81.0
SET	31.5	transport	41.0
broadcast licences	8.0	agric., forestry, fishing	69.0
<i>other income</i>		local government grants	157.0
taxes collected outside Scotland	179.0	housing	28.0
share of Customs and Excise	370.0	social services †	268.0
share of Government income		education and science	71.0
on interests and dividends *	8.0	other services (incl. civil de-	
share of other Government		fence, environmental service,	
income *	23.0	museums, arts, libraries)	35.0
grand total	997.0	grand total	1,123.0

\* Calculated on a 9.7 per cent population basis.

† This includes an £87 million Exchequer contribution to the National Insurance Fund to supplement contributions by employers and employees: Mr. Diamond's estimate.



the large assumptions that had to be made on the income side.

For example, investment by nationalised industries is outside the budget. In 1967-68, this was £1,644 million for Great Britain as a whole. Scotland received £132.2 million, or about 8 per cent; had the investment been allocated on a population basis, Scotland should have got about £27 million more.

The share of internal defence expenditure (8 per cent) masks an almost certainly lower share of technological research and development contracts, with their vital spin-off effect. Figures given by the appropriate Ministries in Parliamentary replies show that over the five years to 1966-67, Scotland had a 6 per cent share of defence contracts and, in 1966-67, only 4½ per cent of the Ministry of Technology's expenditure.

Even the "gift horses" are not all un-mixed blessings. For example, Scotland is getting over £50 million a year in Regional Employment Premiums and SET discriminatory refunds. While this is certainly an incentive to incoming industry, it is also a disincentive to existing industry to invest in new plant and machinery; and also acts as a brake on the redeployment of labour. Equally, the indiscriminate use of incentives encourages the influx of labour, not research and development-intensive industries that are needed to maintain the momentum of self-generated growth.

Again, SET and certain aspects of the Transport Act bear particularly heavily on the Scottish Highlands where only 10 per cent of the total population is employed in industry. Industrial re-training is one of the major factors in the diversification process and in the attraction of new industry: although Scotland has one-sixth of all the places at British Government centres training

adults, the total figure (1,300 places) is puny compared with even Northern Ireland.

In any case, all the Government measures seem to have achieved no more than partly offset the continued job losses in such basic industries as coal mining, the railways, shipbuilding and marine engineering and agriculture. More than 100,000 jobs were lost in the first three alone between 1959 and 1967 compared with the total of 130,000 or so which, according to the Board of Trade, were or are likely to result from the projects approved for Scotland in the same period.

### population fall

Between 1964 and 1967, the years of high emigration, the working population in Scotland actually fell by 28,000—the male working population by 38,000 while there were 10,000 more jobs for women. One might say that the drain—and unemployment—might have been much higher but for the Government incentives, public expenditure and the conscious measures to shelter Scotland as well as other development areas to some extent from the effects of the economic crises. One might argue, with Professor Kenneth Alexander, that the success of the Government's regional policy hinges on being centrally administered; and that "competitive bidding" by the regions would be "both wasteful and self-defeating."

One might argue, like Mr. William Ross, Secretary of State for Scotland, Mr. George Thomas, the Welsh Secretary, and the majority of Labour and Tory MPs from the Celtic countries, that one should leave it all to them: that one should not look gift horses in the mouth, especially as it would "remind" English taxpayers of the "bonanzas" handed to



those countries at their expense. Let Mr. Ross and Mr. Thomas and their successors fight, as their predecessors did, for an increased share of the bonanzas rather than leave the determination of domestic priorities to elected legislative bodies.

This argument, however, ignores at least three aspects of the devolution problem. One is the overall need to bring less fortunate areas up to the prosperity level of the average, not only for social reasons but so as to enable them to make a more effective contribution to the general welfare and prosperity of the whole of the United Kingdom and to the wider world. The second is to deploy available resources more efficiently—which in turn suggests the need for more refined use of incentives. And, thirdly, the political issue of allowing people a greater say in determining the very priorities which affect their daily lives, their environment, their own future and those of their children.

Nationalism, in the parochial, inward looking, foreign-hating sense should play no part in the solutions of this three-pronged problem. It is, however, a fact: and so are the existing Scottish institutions, from the schools, universities and law courts to St. Andrew's House and St. Andrew's Day. The aim must be to reconcile the reality of Scottish nationhood and institutions with efficient, fair and democratic Government for Scotland and for the United Kingdom as a whole.



### 3. devolution in practice

Administrative devolution in the United Kingdom, the first since the Treaty of Union, began in 1885 with the appointment of the first Secretary of State for Scotland. Since then, he has been joined by a Minister of State and three joint under-secretaries. Apart from being a member of the Cabinet and responsible for joint decisions, he is also responsible for the Scottish equivalent of English departments headed by the Minister of Agriculture and Fisheries, Secretary for Education and Science, Minister for Housing and Local Government, Minister of Health and Social Services, the Attorney General and the Solicitor General, the Home Secretary and for some of the functions covered by the Ministries of Transport and Power and the Department of Economic Affairs.

Sums for these departments and functions come out of the Treasury vote for the United Kingdom as a whole, though they are administered by a civil service in Edinburgh and its small London outpost, about 7,500 strong. The under-secretaries each have a number of departments to oversee, not always complementary. For instance, Mr. Norman Buchan is responsible for agriculture and fisheries as well as for law and public order.

This civil service, although administering solely Scottish affairs, is nevertheless responsible, through the Secretary of State, to the United Kingdom Parliament as a whole, consisting of 569 non-Scottish and 71 Scottish MPs, a ratio of eight to one. Some legislation affecting purely Scotland may be handled for Second and Third Reading by the Scottish Grand Committee. It comprises the 71 MPs plus a number of English ones to reflect the normal party composition of the House of Commons. This in practice means English Tory MPs as Scotland has been returning a proportionately much larger comple-

ment of Labour MPs than has the United Kingdom as a whole.

According to Mr. David Steel, Liberal MP for Roxburgh, Selkirk and Peebles, the Grand Committee, which has no powers to initiate or pass legislation, handles between two and five Bills a year. In three years, he wrote in his pamphlet *Out of control*, not a single vote had been taken in the committee which had had between six and eight sittings averaging 2½ hours each in the sessions from 1960 to 1966. These meetings, said Mr. Steel, "cannot possibly cover every aspect of Scottish policy with the result that important topics have to be left out."

Important legislation affecting Scotland, such as transport, employment and productivity, location and attraction of industry and, above all, the financing of all these functions is outside the scope of the Grand Committee. Mr. Steel, who like other Liberals, believes in a Scottish Parliament responsible for all domestic affairs within a Federal Britain as the long-term answer, suggests a number of interim solutions for reform, including a Scottish Select Committee, more meetings of the Grand Committee, including sittings in Edinburgh, and a limitation of its membership to Scottish MPs.

The question of Parliamentary control of public expenditure is analysed by Mr. Dick Douglas, Labour candidate for Stirling and Clackmannan, in a Dundee Fabian Society pamphlet. He claims that Scotland's allocations in any particular department generally follow the pattern of overall UK allocations, in spite of the departmental responsibility residing in the Scottish Office. "The division of public expenditure is one of governmental functions, not necessarily of regional needs," argues Mr. Douglas. "If the two coincide, it is more by



accident than by design." He wants to involve the future top-tier local authorities in decisions on public expenditure according to specific Scottish priorities. He would have leading members of the authorities elevated to life peerage and so embellished join Scottish MPs in forming a Scottish Estimates and Public Accounts Committee, meeting in Scotland and able to question civil servants. The obvious snag in both these solutions is that it would place a substantial extra burden on the shoulders of Scottish MPs, in terms of examining legislation and having to divide their time between Westminster and Edinburgh.

This disability might to some extent be removed by the Conservative proposal for a Scottish Assembly, hitherto largely undefined and subject to an examination by the Tories' own constitutional committee under Sir Alec Douglas-Home. The assembly, according to Mr. Edward Heath's "Perth Declaration" of May 1968 would be largely or in part elected, handle purely Scottish legislation "at certain stages" in Scotland, form a link with the Secretary of State and Parliament and act as co-ordinator for the top-tier local authorities, particularly in the field of finance.

### only a sub-committee

As I see it, such an Assembly would be limited to the role of a sub-committee of the Scottish Grand Committee and also an arbiter between the conflicting claims of local authorities. It would be a sounding board, but one without real power and, as such, of little consequence in the reform of Parliament and Government. Nevertheless, credit must go to the Tories for at least thinking aloud in these matters while the Government slept and eventually came up with their long-term Constitutional Commission.

A federal or near-federal solution is part of the policy of both the Liberal and Communist parties. According to the Liberal solution as outlined in the pamphlet *Scottish Self Government*, Scotland would raise its own taxation and pay a share of UK expenditure on foreign, defence and Commonwealth affairs which should be the main concern of a Federal Parliament. The Communist Party, in its submission to the previous Royal Commission in 1953 and recently reiterated, would exclude foreign trade, too, from the scope of a Scottish Parliament.

The federal solution is rejected by the Nationalists. In a recent memorandum, Mr. George Leslie, the executive vice-chairman in charge of policy and leader of the SNP group in Glasgow City Council, argues that no solution which leaves responsibility for external and defence matters could be acceptable to Scotland. In the economic field, he says, the problems of dividing responsibility between a domestic and federal parliament "are almost insuperable." If a domestic Parliament were to have any real control over the economic rehabilitation of Scotland, he says, it would have to have a distinctive policy with regard to taxation, inflation/deflation and currency; this, says Mr. Leslie, would lead to conflict between the different levels of Government.

The memorandum outlines some of the major policies of an independent Scottish Government. It would limit defence expenditure to about four per cent of the gross domestic product (the figure of a maximum of £100 million a year was adopted at the SNPs 1968 conference); switch from grants and loans to manufacturers to building up the infrastructure and tax incentives; provide for a minimum wage of £15 a week (at 1967 prices); set up a land use survey and a land bank to finance



agricultural and forestry expansion; develop tourism; and maintain UK welfare services and increased retirement pensions at least at their present levels.

Not mentioned by Mr. Leslie, but frequently heard from SNP platforms is the housing target of 70,000 a year, which is 20,000 more than the Labour Party's, itself unlikely to be achieved in the foreseeable future.

The memorandum mentions the possibility of an independent Scotland joining international organisations such as the United Nations or the European Economic Community. There is a hint of a UK "Common Market": "With intelligent co-operation from our neighbouring countries (presumably including England), there would be no need for passport and customs regulations."

### transfer of power

The SNP conference also adopted a resolution on the "transfer of power" from Westminster to a Scottish Parliament. Accordingly, if SNP candidates won a majority of the 71 Scottish seats in the next general election, they and MPs from other parties would form the first Scottish Parliament and negotiate for sovereignty.

It seems unlikely, though not impossible, that the SNP would in fact win the majority of Scottish seats in the next election; and even less likely in the case of the "Federalist" parties. Nevertheless, the policies they advocate in regard to changes in the constitutional arrangements within the United Kingdom are legitimate grounds on which to be judged by the electorate. Apart from such intrinsic merits as they may have, these policies are worth careful examination from the political point of view.

For the electorate is also entitled to draw its own conclusions if a party or parties fail to deal with the problem of devolution, constitutional reform and efficient and democratic administration.

Even within a UK Common Market, with no customs barriers or passports, an independent Scottish Government would soon have to think of imposing them. For it might immediately be faced with a flight of both population and money, placing severe strains on the economy.

The tentative Scottish Budget presented earlier made no provision for losses in the Scottish segments of nationalised industries. For example, the Scottish coalfield, apart from small operating profits in the years 1963-64 and 1964-65, has been a loser all along. More recently, these losses were relatively small, only £2.1 million in 1967-68, but only because of the large-scale closure of uneconomic pits, improvements in productivity and consequent fast run-down in the mining labour force. The SNP were among the most vocal objectors to this policy: would they as the governing party, keep uneconomic pits open and incur bigger losses? And if so, at whose expense?

The argument has been advanced—and not only by the Nationalists — that Scottish coal is not being given a chance: with better marketing, research and outlets (including chemicals-from-coal), its profitability could be dramatically improved, even at a higher level of production. (There has been a roughly 50 per cent fall in output in the past ten years). In the context of the anticipated fuel pattern of the next 15 to 20 years, this seems a questionable proposition: but even if it were not, it would entail resource development on a very large scale in terms of both money and brain power, not likely to be found



from a small country's own resources.

Or, to give another example, in November 1968, the Government announced a £10 million subsidy of Scottish rail services as part of an overall £62 million subsidy. It covers most of the internal services, including commuter services. Of course, the losses suffered by these services fade into insignificance compared with those incurred in the London commuter belt. It is but a fraction of the price Britain has to pay for crowding most of her human and material assets into the small South-Eastern corner, and there is every reason to question the wisdom of subsidising over-centralisation. All the same, an independent Scottish Government would have to bear the social cost of its railway system, just as it would have to pay for uneconomic Highland air services and steamers if these were to be maintained to support remote communities.

And, speaking of the Highlands, funds would have to be found to finance the activities of the Highlands and Islands Development Board. These are now running at a rate of about £1½ million a year in grants, subsidies and loans, relatively small amounts in terms of the benefits reaped — new industries, the revival of fishing fleets and dying communities, modern hotels and, not least, the planning of a long-term, overall strategy for the regeneration of the Highlands. But the realisation of that strategy, including the creation of a major industrial growth area in the Moray Firth, with new towns, harbours, roads and so on, must depend on major financial help from outside Scotland, such as the £29 million Government loan for British Aluminium helping to finance the Invergordon smelter. It is true that the smelter fits in with UK plans for reducing aluminium imports: but would the choice have been Inver-

gordon if it were located in an independent Scotland?

## major projects

Then there are the other major projects awaiting decision, including the £28 million plan to reclaim 5,600 acres of Clyde foreshore, the £300 million integrated iron and steel works and ore terminal planned by Colvilles. The rehabilitation of cities, particularly Glasgow, the creation of city regions also depend largely on Government finance.

One may fairly complain about a lack of urgency, an inadequacy of funds, of limited vision in implementing these and other projects. But an independent Scottish Government would have to re-think its priorities drastically: if it were to raise financial incentives to outside industries and investors, if it were to speed up the improvement of "infrastructure" and transport, if it were to offer better housing to executives, other objectives might suffer, such as increased pensions and the improvement of social services. Also, if land use in terms of more extensive and intensive farming, a larger acreage of forestry, and so on, were made a top priority, funds would have to be diverted from other sources such as better and more schools, hospitals, and so on.

Then, even if England were to agree to a customs union with an independent Scotland, there would be an almost irresistible urge for a Scottish Government to protect native industry. This might fit in with new economic priorities such as specialisation in certain fields. Alternatively, to ensure the sale of Scottish goods "abroad," including England, there would be a strong pressure to devalue the currency rather than risk the prolonged deflation and stunted economic growth the United Kingdom



had had to suffer before the devaluation in November 1967 — and is still suffering.

This does not mean that an independent Scottish Government, composed of men of vision, outward looking, selfless, generous, riding on the crest of national resurgence and vitality, concentrating on a few major priorities at the expense of “jam today” — in other words, real blood, sweat, toil and tears rather than the niggling variety in small doses we have been subjected to in the UK in the past 20 years—could not achieve a transformation in Scotland to an extent and at a speed unlikely under the present arrangement.

For Scotland has considerable financial resources. For example, the 62 Scottish investment trusts, run by 27 management groups, have combined assets of about £1,500 million, one-third of the total UK funds in that category. Of the total investment of £1.180 million held by UK investment trusts in the United States, the Scottish ones hold £500 million, or 43 per cent. Scottish unit trusts hold funds almost 10 per cent of the UK total.

Scottish banks, strengthened by the merger of the National Commercial and Royal Bank, are also involved in considerable transactions outside Scotland. Their combined liabilities or assets were £1,450 million in 1967, their investments £234 million and their advances £503 million (nearly 11 per cent of the UK total), the bigger part of which, it is assumed, was in respect of enterprise outside Scotland. Finally the outstanding balance of National Savings in Scotland has been close on £200 million over the past five years, again well over 10 per cent of the total UK Savings.

The questions are: would the industrialists and financiers use their consider-

able resources to step up their investment in an independent Scotland? Would the “foreign” investors, English, American and others, continue to look at Scotland as a favourable spot for profitable manufacturing? Above all, would the Scottish people be prepared to face years of what may amount to a “siege economy” until the investors, both Scottish and others, are satisfied that the conditions are favourable to growth?

On present evidence, no convincing “yes” can be given to any of these questions.



## 4. a variety of choices

If one recoils from complete independence and rejects the status-quo for reasons, I hope amply demonstrated in this pamphlet, what of a third choice? In fact, there are a variety of choices within these two extremes, from Mr. John P. Mackintosh's Regional Council to the Federal solutions advocated by Liberals and Communists.

Mr. Mackintosh, Labour MP for Berwick and East Lothian and a former Professor of Politics at Strathclyde University, had been an advocate for devolution long before the rise of the SNP. He is not in the direct line of socialist home rulers who, like Liberals of yesterday and today, kept presenting Bills to Parliament only to have them talked out, shelved and forgotten. (The last of these Bills was in fact promoted in 1927 by Tom Johnstone and the Rev. James Barr). What Mr. Mackintosh wants essentially is an elected council for the whole of Scotland, taking over in part functions of top-tier local authorities and from an elected counterpart to the numerous statutory bodies such as the Economic Planning Council, the Highlands Board, the tourist and transport boards, and so on.

Mr. Mackintosh's ideas, recently amplified in his Penguin Special *The devolution of power*, command little support in the predominantly "hard-line" Scottish parliamentary Labour group. They have the merit of providing an elected legislature to match the administrative set-up at St. Andrew's House, but it would be little more than a glorified county council; its powers would barely exceed those of Mr. Heath's Scottish Assembly.

It is true, Mr. Mackintosh's council would differ from Mr. Heath's in that it would be elected on a fully democratic franchise and that all its members would be directly elected. I would nevertheless

suggest that Mr. Mackintosh's council—which would have been a revolutionary move when he first put it forward in 1957—has been overtaken by events. The complexities of Government, its financial and administrative ramifications, have grown considerably in these last 12 years: and for this reason, Mr. Mackintosh's council might only be acceptable as an interim measure, a useful first step towards a Scottish legislative body with clearly defined functions and powers.

For one thing, Mr. Mackintosh's ideas shed little light on the proposed financial relationship between his regional council—and other regional councils into which, he suggests, the UK should be divided—and the central Government.

The Liberal solution, as spelt out in all too little detail in *Scottish Self Government* and in Mr. Russell Johnston's abortive Home Rule Bill of 1966, provides for a Scottish Exchequer responsible for levelling and collecting all taxes except Customs and Excise. A Scottish Government would accept liability for a share of the National Debt and also for federal expenditure on defence, foreign and commonwealth affairs. The financial arrangements within the UK and the sharing out of Customs and Excise revenue would be the responsibility of a Joint Exchequer Board. The level of tariffs would be fixed centrally.

### lop-sided solution

The Stormont in Northern Ireland differs in the sense that all taxes are being fixed, levelled and collected by the UK Government, but with a share going to the provincial administration. Northern Ireland MPs are allowed to take full part in Westminster proceedings: the Liberal solution would limit



them to federal matters. In view of the 1968 Liberal Assembly's rejection of Jo Grimond's motion for a federal structure making England as well as Scotland and Wales a UK "province," this particular solution seems rather lop-sided.

It is also questionable whether the Liberal proposal for separate company and personal taxation would allow for effective and realistic economic planning on a UK basis. (Perhaps the idea is *not* to have such planning). On the other hand, Stormont's virtual inability to vary tax and interest rates would seem a serious inhibiting factor in formulating policies which would, without interfering with overall UK fiscal and economic planning, allow for local needs and local aims.

The objective must therefore be a combination of uniform taxation policies with domestic variations within flexible limits to take account, for instance, of different levels of inflation, needs of industry or infrastructure, or the promotion of certain objectives to support economic and social progress such as export promotion, university research, Highland development or land use.

Variations could be achieved by, firstly, tax rebates or differentials (such as the one introduced by Mr. Maudling in 1963); a sales tax on certain goods; and if the rating system were to give way to some more equitable form of taxation such as a local income tax, a small portion of this to cover such common services as roads, ports or airports. Secondly, there might be below-bank rate variations on interest rates, such as already obtainable on local authority housing, export credits or loans on projects such as the Fort William pulp mill, Colvilles' steel strip mill at Ravenscraig or export credit on ships. For example, Scotland might have its

own Public Works Loans Board able to provide low-interest loans to finance certain specified projects up to a fixed limit; or an Investment Board allowed to lower interest rates for socially desirable or commercial projects with long-term viability.

One might ask: where would the money come from to finance these low interest loans especially if a Scottish Treasury were to borrow from the open market? Would Scotland not suffer furthermore from contributing less than its population share to the UK tax revenue and therefore receiving less in return once the taxes are allocated?

### whose interest?

At the risk of being accused of "wanting one's cake and eating it," I would maintain that as long as Scotland is an integral part of the UK—and I have never questioned this basic fact—its social and economic progress is in the interest of the people of London and Birmingham as much as of the Scots. Federal aid is common in many countries with federal structures, including the United States, Canada and West Germany. I would envisage therefore Scotland's continued membership of regional development funds, agricultural and fishery support grants, aid to maintain social services at the UK level, and so on.

At the same time, I would argue that devolution would advance the day when Scotland ceases to be a backward region, a pensioner on the back of more prosperous areas. I would go even further to say—and this might warm the heart of members of the Hunt Committee and the CBI—that a substantial extension of domestic autonomy might in itself cause an upsurge of resentment against UK "subsidies" and a desire to



finance Scotland's need for local resources.

On the technical question of collection, taxes could continue to be collected centrally and allocated according to UK or domestic functions (including companies and persons functioning in Scotland whose taxes are collected centrally) on the basis of a population/revenue formula; or collected locally and supplemented by taxes paid outside Scotland in respect of companies and persons operating in Scotland. To this would be added the local taxes outlined above.

I am not equipped to provide a blueprint in the devolution of finance and, in any case, this is not the purpose of this pamphlet. All I have tried to do is to show that variations on the taxation theme need not upset the financial harmony of a still united, though devolved United Kingdom.

Now for the change in the institutional structure. If one accepted as fact that Westminster is overloaded with domestic legislation and the Scottish Grand Committee, by its very nature, composition and lack of powers, is incapable of meeting the need for a domestic legislature, the setting up of such a legislature meeting in Scotland follows logically.

Once such a legislature is established, it must have an executive to carry out its wishes—in other words, a Scottish administration or Government.

What follows is, once again, no attempt at a blueprint: this is up to the constitutional lawyers and legislative experts. It is merely a thumbnail sketch, if you like, of the sort of legislature and executive that would logically arise from the fiscal and other changes suggested in this pamphlet. In other words,

a loose institutional framework for a Third Choice.



## 5. the institutional framework

If the UK Central Government were responsible for Foreign, Commonwealth and Defence matters, overall economic and financial planning (including communications, power, scientific and technological research and development), the departmental functions to be delegated to a Scottish administration could change as set out in the tables below.

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### THE SCOTTISH ADMINISTRATION: PRESENT STRUCTURE

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Agriculture, fisheries, forestry

Health, housing, local government, Highland development

Physical planning, water supplies, etc.

Roads, ferries, bridges, road transport,

Highland transport and shipping

Electricity generation and distribution

Police, prisons, fire, civil defence, etc.

Education, child care, etc.

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Under the proposed new structure the Scottish Economic Planning Council would be converted into an advisory body to the Scottish administration, in close liaison with the National Economic Development Council.

The Scottish administration would be headed by a Chief Minister and responsible to a single-chamber House of around 100 deputies elected on a new basis of representation, partly directly for individual constituencies and partly by proportional representation to reflect the total popular vote.

Scottish deputies, but not the Chief Minister or his Ministers, would be allowed to sit, if they so wish, in the

UK Parliament: sittings in both Houses could be dovetailed so as to allow for such dual representation although it would be preferable that MPs in a much smaller UK Parliament would devote their attention to central matters. There would still be a Scottish Minister sitting in the UK Cabinet taking part in its collective decisions and also acting as a liaison between Parliament and the Scottish House. It might be said that such wide-reaching changes in the UK's constitutional, political, economic and administrative structure would come at a time when the country should concentrate all its efforts on economic survival. It might be said that major measures of devolution along the lines outlined in this pamphlet would interfere with the orderly advance of regional regeneration, set one part of the UK against one another, trying to outbid one another in attempts to attract new industry and investment.

It might be said that it would lead to conflicts between central and domestic Government, especially if these were of different political parties.

It might be said that Scotland in particular would suffer a decline in its living standards, have an accelerated rate of emigration and the level of prosperity would gradually sink to those in countries such as Eire, Greece or southern Italy; that it would, though perhaps to a lesser degree, suffer the kind of fate flowing from complete separation.

### change wanted

None of these things need happen. For the available evidence indicates quite clearly that the Scottish people want change. They want it, not least because of the apparent inability of any UK Government, Labour or Tory, to effect



## THE SCOTTISH ADMINISTRATION:

### PROPOSED NEW STRUCTURE

Agriculture, fishing, forestry (with the addition of agricultural services not at present included in Scottish brief: also the power to vary agricultural support and fishing aid);

Health and social services;

Employment (including apprentice and adult training and re-training, administration of employment exchanges, etc.);

Physical planning, housing, local government, water, etc. (as now);

Transport, including roads, ports, airports;

Power (all forms, but generation in close co-operation with central planning authorities);

Home Affairs (the law, police, etc., as now);

Education and Science (including the development of research institutes, independent and based on universities and geared to the needs of Scottish industry and technology);

Trade and Commerce (a new function, to include domestic economic planning, the fixing and disbursing of industrial incentives at levels domestically decided, location of industry, foreign trade which would include the right to appoint Scottish commercial representatives at UK embassies and elsewhere, etc.);

Finance (the domestic aspects of Treasury functions in respect of taxation, economic management, etc.)

Development — Highland, Borders, Lowland Firth and other special areas.

basic change in attitudes, foster participation by the people, dispel apathy and non-involvement, reduce the flight of youth and talent, liberate enterprise and new thinking as well as co-operation in industry and experiment in new forms of political institutions, economic and social management.

It makes it clear that regions, counties and even towns, development associations and local pressure groups are already competing fiercely for new industry and investment, with the Board of Trade's own regional controllers, though unofficially, joining the fray.

It makes it clear that devolution of a major, fundamental and far-reaching character is not only essential as part of the necessary reshaping of the UK parliamentary machine but as a safety valve to check the flood of nationalistic fervour which feeds on bitterness and frustration.

The risk of conflicts between UK and domestic executives arising from differing political colour should not be exaggerated. The Australian example of rows between Federal and State governments of the same political persuasion should be contrasted with Mr. Terence O'Neill, the Unionist Premier of Northern Ireland, fighting his extremists with the support of the British Labour Prime Minister.

In any case, there might be "constructive conflicts" thrashed out in the open compared with the present Dutch auctions around the Cabinet table or under-the-counter haggling in the Treasury. In any case, if the functions of the respective administrations were clearly defined, most conflicts should be resolved without a major crisis about interpretation. As a last resort, the proposed revised upper chamber might act as the final forum for disputes.



## 6. let the Scots decide

For many years yet Scotland would require help from both the UK and from overseas to exploit its natural resources. The Clyde and Moray Firth projects, the Solway Barrage, the stepped-up exploitation of forests and fisheries, of the land and of minerals all need outside assistance: so do the further diversification of industry and economic growth. But surely the tapping of these assets are needed for the economic health of the entire United Kingdom, not to speak of the relief of congestion and over-concentration of resources of which the South is suffering.

For the Labour Government, with 44 seats held in Scotland (and a further 30 in Wales) the need for a political answer to this upsurge of demand for greater local autonomy is vital to survival. Mr. Anthony Crosland, the President of the Board of Trade did not exaggerate when he warned during the 1968 Blackpool conference that "our top priority is to decide how to react to the tide of Scottish and Welsh Nationalism which would cost us the next election."

Mr. Crosland's call to "react" was however typical of the Government's barren attitude towards the major problem of devolution coupled with parliamentary and administrative reform. Surely, even from an electoral point of view, it would have been more appropriate to take the initiative in all these things rather than appear to be delaying decisions by means of a Commission.

Moreover, if any vestiges of a reforming, crusading spirit are left in the Government, here is a chance of experimenting: in social reform and Socialist forms of economic management, in training and retraining, in education and in specific fields of science and technology. Even a limited form of self-government such as out-

lined in this pamphlet might open up new vistas and tap vast unused resources of enthusiasm and enterprise.

Of course Scots, if given a free choice in their domestic affairs, may prefer the grouse moors to intensive cultivation of the land, unsullied pleasure beaches to hives of industry, housing and transport on the cheap to investment in future economic growth, old-fashioned working practices to modern ones, narrow-minded, parochial nationalism to co-operation within and without the UK. And while those links with the rest of the UK exist, they may continue to blame others for their own misfortunes instead of helping themselves. Or they may lose their nerve and prefer the "begging bowl" to devolution and decision-making. Or, alternatively, they may wish to go the whole SNP hog and cut their ties with the UK altogether.

But what they are entitled to know, no matter what the decision may be, are the facts and options. Given these, I for one am optimistic enough to believe, they would by and large make the right choice.



# fabian society the author

The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of Socialist opinion within its ranks—left, right and centre.

Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world.

Beyond this the Society has no collective policy. It puts forward no resolutions of a political character, but it is *not* an organisation of armchair socialists. Its members are active in their Labour Parties, Trade Unions and Co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets, and holds schools and conferences of many kinds. Local Societies—there are some 80 of them—are self governing and are lively centres of discussion and also undertake research.

Enquiries about membership should be sent to the General Secretary, Fabian Society, 11 Dartmouth Street, London, SW1; telephone 01-930 3077.

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