

THE SCOTTISH REFERENDUM 2014: THE POLITICAL PROCESS BEFORE AND AFTER THE 'NO' VOTE

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Abstract

On 18 September 2014, Scottish voters narrowly rejected political independence, losing 44.7% to 55.3%. Yet during more than 16 weeks, two opposing campaigns – Yes Scotland versus Better Together – strove to convince Scotland that political independence versus keeping the Union was the best choice for Scotland's future. Filled with many unexpected moments, the campaign was intense, vibrant and almost breath-taking. The purpose of this article is to deliver a coherent and consistent account of the Scottish campaigns in order to make sense of the 'No' vote. In this article, we will proceed in four sections: first, we will put the referendum in context; second, we will highlight major aspects of the campaigns; third, we will bring the political process up-to-date and clarify the terms of the agreement reached under the Smith Process. Finally, in the last part, we will summarise the lessons to learn from the political outcome of the referendum.

Keywords:

Scottish referendum; Scottish campaigns; Scottish politics; political independence

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Introduction

On 18 September 2014, the Scottish decided to stay in the United Kingdom, with 55.3% voting for the motion and 44.7% voting against (Curtice, 2014a). After a record turnout of voters, Scotland overwhelmingly rejected political independence with 55.3% of Scotland voting to remain in the 307-year-old union. During more than 16 weeks, two opposing campaigns – Yes Scotland versus Better Together – strove to convince Scotland that political independence versus staying in the Union was the best choice for Scotland's future. Regardless of the final result, the campaign was intense, vibrant and almost breath-taking (Antunes, 2014: 1).

The purpose of this article is to deliver a coherent and consistent account of the Scottish campaigns in order to explain how 'did it all happen'. In order to do so, we will proceed with four sections: first, we will put the referendum in context; second, we will highlight major aspects of each side of the campaigns; third, we will bring the political process up-to-date and clarify the terms of the agreement issued by the Smith Commission (Smith Commission, 2014). Finally, in the last part, we will summarise the lessons to learn from the political outcomes of the third Scottish referendum.

Since we are dealing with recent political events that lack strong evidences in the literature, our research will be based on scientific analysis presented by the Centre on Constitutional Change¹ since the beginning of this process and even before the referendum. Additionally, these pieces of research will be further reinforced by the analysis of relevant official documents issued either by Scottish political parties involved into this political process or by the British government. Finally, opinion polls collected before and after the referendum will allow us to explore relevant aspects of our argument at particular moments of the article. To conclude, by the means of a systematic analysis of these elements, we hope to deliver an interesting and rigorous account of the Scottish campaigns.

¹ In <http://www.futureukandscotland.ac.uk/>.



1. Scottish referendum put in context

The referendum was suggested by the Scottish National Party (SNP) in May 2011, as the party achieved a majority in government with 47% of the votes. However, the political debate started only as two opposing campaigns – Yes Scotland versus Better Together – which came into play in May and June 2012² respectively. Whereas Yes Scotland campaigned for the independence of Scotland and was supported by the SNP, Better Together's Scottish Green Party and the Scottish Socialists campaigned for the 'No' vote, supported by the three pro-Union political parties in Scotland: Scottish Labour, the Scottish Conservative Party and the Scottish Liberal Democrats.

Scottish referendum 2014: how did we get here?

As we look back in time, we realise that Scotland has already had two referendums on self-governance (one in 1979 and another in 1997), but at that time the SNP was not a major political player in the Scottish political arena (Lynch, 2002). Moreover, although opinion polls prior to the first referendum appeared to suggest that the 'Yes' vote would win comfortably (McGarvey and Cairney, 2008: 33), the 'Yes' campaign was divided by a lack of cooperation among those parties in favour. If on the one hand, the SNP was lukewarm, with the party fearing that unqualified support may be seen as a sell-out by the fundamentalists within the party (Finlay, 2004: 338), on the other hand, the Scottish Labour Party was divided on the issue with many Members of Parliament (MPs) joining with Conservatives in the 'No' campaign. Overall, the 'No' campaign appeared to be better organised and more coherent than those urging for a negative response coalesced under one clear message. The 'Yes' campaign in contrast appeared divided and incoherent, with two separate campaigns run by and excluding the SNP. The referendum held on 1 March 1979 had a slim majority of 51.6% voting in favour (versus 32.9% against), with the required 40% threshold not being achieved (McGarvey and Cairney, 2008: 33).

In September 1997, a second referendum on the proposal for a Scottish Parliament with tax-varying powers was held on the basis of Scottish Labour's (SL) proposal in 1997 (Hassan, 2009; Hepburn, 2006: 233) and unlike the first devolution referendum, the Scotland Forward's Campaign saw an unprecedented level of co-operation between the three main Scottish parties. In other words, the Scottish Labour Party, the Scottish Liberal Democrats and the Scottish National Party campaigned for a 'Yes' vote, which many hailed as evidence that the new Scottish politics could, and should, break the adversarial Westminster mould. The result of the referendum can be seen as reflecting this consensus with an overwhelming endorsement for the 'Yes' campaign. With a turnout of over 60%, 74.3% of Scotland voted for a Scottish Parliament and 63.5% voted for tax varying powers. Even though the poll was slightly lower than in 1979, the result definitively demonstrated the 'settled will' of the Scottish People. The UK quickly passed the relevant acts to establish a devolved Parliament for Scotland, with the Scotland Bill being far more extensive than that proposed in 1979. Foreign affairs, defence and social security were powers retained by Westminster, whilst Edinburgh's 129 MPs were given the power to legislate on an extensive range of domestic policies including education, economic development, health, housing, law, home affairs, local

² The official campaign started on 30 May 2014.



government as well as the ability to vary taxation.

The 18 September 2014 was therefore the third time that Scotland was facing a referendum, but this time the question was on political independence, a question that could precipitate the break-up of the United Kingdom (Pittock, 2014: 2). After a minority government between 2007-2011 (Cairney, 2011), in 2011, the SNP was back in power with a majority in its hands that allowed Alex Salmond to launch a third referendum. However, for Alex Salmond, this third referendum was targeted towards the British constitutional flaws that prevented Scotland performing better in economic terms and being fully responsible for its own policies. Indeed, although the United Kingdom can be defined as a unitary devolutionary state, its constitutional arrangement is comparable to federal arrangements, which make it difficult to characterize, as it shares a key characteristic with federal states: an often-unclear division of responsibilities when governments pursue the dual aims of devolving decisions and maintaining central control (Keating, 2005; Keating, 2009; Cairney, 2011: 88-89).

In other words, although the British constitutional settlement appears functional and transparent, trying to prevent cross-border conflicts between layers of governance (Lynch, 2001: 17), policy practices acknowledges an unbalanced relationship that does not translate into a cast iron-division of powers between the two sets of institutions. Foreign affairs, agriculture, fisheries, environment and structural funds are devolved competences, but Scotland lacks the ability to conduct its own international affairs; for energy, Scotland can promote renewable energies, but it lacks any direct control. According to Schedule 5 of Scotland Act 1998, a number of policy areas are overlapping and interlinked. Energy regulation, including regulation of energy sourced in Scotland and the supply of electricity are reserved competences; with child poverty, Scotland has the power to distribute health and education services, but lacks fiscal powers to amend taxes and social security benefits. On the other hand, fiscal and monetary policy, employment and social security are reserved responsibilities. In other words, for the SNP, this third referendum represented a unique opportunity to question the internal division of responsibilities within the UK in order to legitimise their nationalist demands of full self-governance, using an economic argument to justify these claims.

In January 2012, the UK government agreed to provide a legal framework for the referendum, and in October 2012 an agreement between the two governments was reached (Jeffery and Perman, 2014). The Edinburgh Agreement³ allowed the Scottish Parliament to arrange a single-question referendum on political independence. On May 2012 and June 2012, Yes Scotland and Better Together launched campaigns. Through intense debate that lasted for more than 16 weeks, the two opposing campaigns tried to convince Scotland that political independence, on the one hand, and the maintenance of the Union, on the other, was the best choice for Scotland.

Yes Scotland versus Better Together: the propositions

During the campaign, all political parties sustained distinctive nuanced propositions for Scotland, although the political debate revolved around three main issues: fiscal competences, the welfare system (NHS, pension and healthcare) and the pound

³ The document can be consulted here: <http://www.scotland.gov.uk/About/Government/concordats/Referendum-on-independence>.



(Jeffery and Perman, 2014). In spite of the diversity of the proposals that were exhaustively debated, many decisive questions remained unanswered, such as the pound, the future of the National Health System (NHS) and European membership. In this section, we will summarise the propositions presented by the major proponent of the 'Yes' campaign that is, the Scottish National Party, and by the proponents of the 'No' campaign, comprising of the Scottish Labour Party, the Scottish Conservative Party and the Scottish Liberal Democrats.

The 'Yes' campaign: Yes Scotland

Scottish National Party

The Scottish National Party was the party that incarnated the idea of political independence during the campaign. Although Alex Salmond was the main protagonist of the independence campaign, Blair Jenkins was nominated the 'formal' head of the campaign and Nicola Surgeon as the 'effective' head of the 'Yes' campaign. As the campaign started, the SNP once more reproduced the ideas contained in the Scottish government's 2010 report 'Your Scotland, Your Voice'⁴, where they argued for political independence, considering 'devo max'⁵ as the second best alternative to political independence.

Additionally in November 2013, the Scottish government launched a new report – '*Scotland's Future: Your Guide to an Independent Scotland*'⁶ – where the SNP made (once more) the case for political independence, equating demands of 'self-government' with 'good governance'. In this report, the idea of 'Scotland's future in Scotland's hands' is constantly repeated in order to enhance Scottish's opportunity to secure more self-government for the benefit of Scotland's future. Demands for political independence were seemingly made in dissatisfaction with policy choices coming from Westminster.

One of the most curious aspects of the SNP vision of independence is how closely it would remain tied to the rest of the UK. Indeed, for the SNP, an independent Scotland would keep the Crown, seek to cooperate extensively in achieving at least broad parity with UK pension and welfare provision and would hope to continue to use the pound as its currency. With the idea of political independence, Alex Salmond expected to reach full self-government, which would allow Scotland to make all the decisions affecting its governance, ranging from external affairs to fiscal, social, economic, welfare and immigration policies. With this political message, Alex Salmond wanted to highlight British constitutional flaws that prevent Scotland from being fully responsible for its policies in order to perform better economically, socially and politically. In other words, emphasis was put on the social and economic advantages of political independence, using consensual examples such as the 'bedroom tax', the renewal of the Trident

⁴ The document can be consulted here: <http://www.scotland.gov.uk/Publications/2009/11/26155932/16>.

⁵ "Devo max" is an abbreviated form of the word *maximum* and *devolution*. *Devo max* refers to an alternative constitutional option for Scotland. According to this constitutional framework, Scotland would have full economic independence from the United Kingdom, but it would remain part of the Union and would be subject to UK governance in a minimal number of areas, crucially foreign policy and defense issues.

⁶ The document can be consulted here: <http://scotgov.publishingthefuture.info/publication/scotlands-future>.



nuclear programme or the impossibility to collect revenues from gas and oil extraction to justify its political cause.

The 'No' campaign: Better Together

In a distinctive manner, the 'No' campaign came into existence as a reaction to the political challenge of Alex Salmond. The three unionist parties supported the Better Together campaign and Alistair Darling – a British Labour politician – was appointed as the chairman of the campaign. In clear contrast with Yes Scotland, the Better Together campaign failed to articulate a well-prepared and consensual proposition. Nevertheless, and in spite of nuanced propositions, all three parties pledged to increase Holyrood's powers, namely in finance, welfare and taxation.

Scottish Labour

In March 2014, Scottish Labour's devolution commission issued its final report – *'Powers for a Purpose: Strengthening Accountability and Empowering People'* – where it reasserted the will to meet the Scottish people's legitimate desire for more powers and enhanced accountability within a strengthened union (Scottish Labour, 2014: 1). In this document, Scottish Labour reminded the electorate that it had always been a party of both devolution and the Union. By making the case for more devolution within the Union, Scottish Labour brought a proposition that reaffirmed the benefits of social solidarity.

Faithful to its principles, Scottish Labour suggested that a new political arrangement for Scotland could only be considered as long as it contributed to make the Union stronger. For the United Kingdom to be an effective union, it would be critical for certain core matters to be reserved for the UK Parliament, *i.e.* financial and economic matters, including monetary policy, the currency, debt management and employment law; foreign affairs (including international development) and defence; the core of the Welfare State, pensions, the majority of cash benefits as well as the constitution. Other reserved issues would also include immigration, broadcasting, civil service and abortion.

Beyond these competences that should remain reserved competences, Scottish Labour believes that there is significant scope to strengthen the powers of the Scottish Parliament on tax-varying powers and control over some elements of welfare and benefits policy. Following rigorous examination of the relative merits of devolving tax responsibility, Labour believes that the Scottish Parliament should have the power to raise about 40 percent of its budget from its own resources. This would mean that three quarters of basic rate income tax in Scotland would be under the control of the Scottish Parliament.

As for welfare, Labour suggested that certain policies should be devolved. These include housing benefit, which would allow Scotland to abolish the Bedroom Tax; attendance allowance, paid to disabled people over 65 and a work programme that manages services for the unemployed. All other pensions and benefits should stay at Westminster. Finally, Labour has pledged for the maintenance of the Barnett Formula



and has asked for a better distribution of powers within Scotland asking for the empowerment of local governments.

Scottish Liberal Democrats

Scottish Liberal Democrats produced their own report *'Federalism: the Best Future for Scotland'* (Scottish Liberal Democrats, 2012) where they, once more, reasserted their belief in the maintenance of Scotland within a federal solution. Under this federal plan, the Act of Union, between Scotland and England would be replaced with a declaration of federalism. In fact, for Scottish Liberals, home rule in Scotland would be better if it were part of a move towards a federal UK, where every part of the United Kingdom would have similar levels of responsibility.

Moreover, under the Liberal Democrat's Scottish 'home rule' vision, Holyrood would raise and spend most of its own taxes (income taxes, bands and rates) and borrow on its own terms. Fiscal federalism is clearly mentioned in the report, as it would support a move towards federalism. For the Liberal Democrats, fiscal federalism would be assisted by a new needs-based payment system, to be agreed by a federal United Kingdom government, the Scottish Parliament and the relevant assemblies to ensure fiscal equity across the UK. Within this particular context, the Barnett Formula would continue to operate until a new formula is agreed.

On the other hand, a federal United Kingdom government would retain major areas of competency – foreign and defence affairs, the currency, situations of national emergency, immigration, trade and competition, pensions and welfare, macro-economic policy and the preservation of the UK single market for business. Under federalism the home rule governments across the UK would normally work on matters of their own responsibilities, but a reinforced form of partnership between different tiers of government should be considered for a new category of powers additional to 'reserved' and 'devolved' powers ('partnership' powers'), which would require the co-operation of both home rule and federal governments. These areas of partnership powers would include job skills and employment, research and innovation, strategic planning of welfare services, energy resources, election law and administration, marine policy and cross-border transport.

Scottish Conservative Party

For the Scottish Conservative Party, the third referendum was perceived as an opportunity to build a stronger Union with a clear division of responsibility and accountability. In other words, in face of a new process of devolution, the Scottish Conservative Party have tried to react positively, asking for the empowerment of the Scottish people, on the one hand, as well as for the empowerment of the Scottish institutions, on the other. In a complementary manner, they also managed to link the Scottish issue with demands for a greater institutional reform across the UK.

In their report, *'Commission on the Future Governance of Scotland'* (Scottish Conservative Party, 2014), the Scottish Conservative Party portray themselves as a modern conservative party that recognises the benefits of a stronger Union with a stronger Scotland. Among their key recommendations we could highlight the devolution



of income tax powers, which would see the Scottish Parliament accountable for 40% of the money it spends. Moreover, they have also recommended that the Scottish Parliament should be able to decide on rates and bands as much as it would be responsible for welfare issues that are related to devolved areas, such as housing benefits and attendance allowance. Beyond this new responsibility, the Scottish Parliament would confer the power to supplement welfare benefits legislated at a UK level.

2. Scottish campaigns in further detail

Communication strategies

The 'Yes' and the 'No' campaigns were launched in May and June 2012, respectively. The tone and content of the two campaigns varied greatly (Mitchell, 2014). Whilst supporters of independence offered a much more positive and imaginative message, supporters of the Union focused on the perils of independence, on the economic uncertainties and the difficulties of public finance in an independent Scotland. The 'No' campaign failed to generate a positive vision of a reformed Union to the benefit of the 'Yes' campaign (Antunes, 2014: 2).

Added to that, Yes Scotland offered a vision that went well beyond dry constitutionalism and did so with verve and energy, whereas Better Together fought a fairly conventional campaign based on expertise drawn from party election campaigns. SNP leader Alex Salmond invested in grassroots campaigns in stark contrast to his opponents who opted for a traditional campaign that focused on the Holyrood bubble and traditional media coverage. Better Together mobilised the political elite of Westminster in the final stages whereas Yes Scotland was a social movement. Yes Scotland has been remarkably confident and consistent despite many bad moments, most notably following the first debate between Alex Salmond and Alistair Darling. Yes Scotland did not panic despite the polls. It anticipated most of the challenges and proved to be technically prepared to answer unexpected questions.

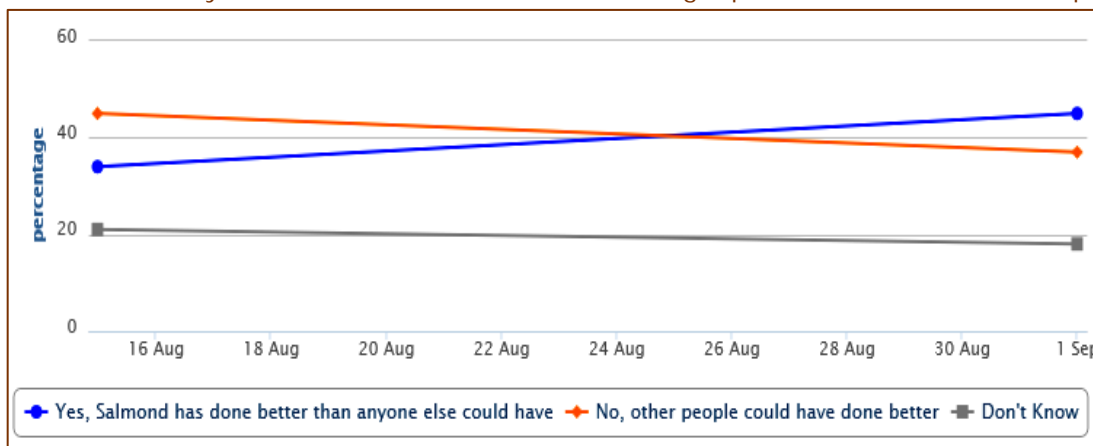
In global terms, the 'Yes' campaign was seen in positive light⁷ with a 60% approval rating in September 2014, compared to the 'No' campaign, which had 60% of respondents rating them negatively in September 2014⁸ (What Scotland Thinks, 2014). Moreover, Scottish voters appreciated the performance of Alex Salmond more with 45% stating that he was the right person to lead the 'Yes' campaign, compared to Alistair Darling; 52% considered him to be a bad choice to lead the Better Together campaign (see chart line no.1 and no.2 below). Irrespective of the final result obtained on 18 September, the 'Yes' campaign had been more dynamic and confident than the 'No' campaign and Alex Salmond had been the more popular campaign leader.

⁷ In <http://whatscotlandthinks.org/questions/do-you-think-the-yes-scotland-campaign-so-far-has-been-positive-or-negative#table>.

⁸ In <http://whatscotlandthinks.org/questions/do-you-think-the-better-together-campaign-so-far-has-been-positive-or-negative#table>.

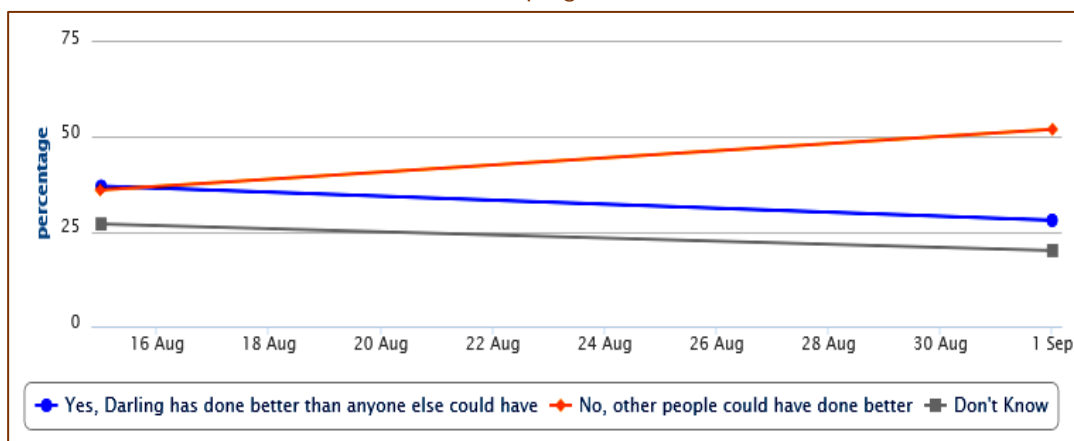


Chart line n° 1: Do you think Alex Salmond has been the right person to lead the 'Yes' campaign?



Source: What Scotland Thinks 2014⁹

Chart line n° 2: Do you think Alistair Darling has been the right person to lead the 'No' campaign?



Source: What Scotland Thinks 2014¹⁰

Key arguments of the campaigns

As for the arguments put forward during the campaign, Better Together focused on a number of areas where an independent Scotland could run into trouble – or at least show uncertainty. These included doubts on potential Scottish membership of the EU; the use of sterling; the unreliability of oil revenues; threats to pensions and the precarious state of the major Scottish banks. Yes Scotland tried to minimise these doubts by promoting an independent Scotland as a wealthy energy state fuelled by vast North Sea oil reserves and ever growing renewable energy reserves (Centre on Constitutional Change, 2014).

⁹ In <http://whatscotlandthinks.org/questions/do-you-think-alex-salmond-has-been-the-right-person-to-lead-the-yes-campaign#line>.

¹⁰ In <http://whatscotlandthinks.org/questions/do-you-think-alistair-darling-has-been-the-right-person-to-lead-the-no-campaign#line>.



In short, whereas the 'Yes' campaign pushed an image of Scotland as an economically sound, small and independent state closer to her Scandinavian neighbours, the 'No' campaign has placed an emphasis on the uncertainty that a 'Yes' vote could cause. As Alistair Darling emphasised when launching the campaign: 'We can't give our children a one-way ticket to a deeply uncertain destination'.

Among the most relevant arguments of the campaigns, we will highlight the following ones:

1. Scottish membership of the EU

As for the 'Yes' campaign, supporters of independence argued that Scotland would remain in the European Union more or less automatically by following either Article 48 or 49 of the current European Treaty. Whereas under Article 48, there would be a treaty change to add Scotland as a 29th member state (allowing for a rapid transition), under Article 49 they would have to apply in the normal way, but could be assured rapid progress since Scotland already meets the entry criteria. The 'Yes' campaign strongly believed that European membership could be taken for granted, whereas the prevailing tendency of the European Institutions, namely José Manuel Barroso as former President of the European Commission, was to point out the absence of an automatic mechanism to ensure Scottish membership within the European Union. Additionally, the Scottish government proposed to keep the present UK terms of membership, including opt-outs on the Euro, the Schengen free travel area, and Justice and Home Affairs. They have also envisaged negotiations on the details of membership being concluded in the 18-month transition period for independence, so that Scotland would not remain outside the EU for any time. As for the 'No' campaign, the position was less clear. Whilst the House of Commons' Scottish Affairs Committee accepted that Scotland could join, but insisting on the Article 49 accession process and that the conditions would be extremely onerous, less intransigent people on the 'No' side accepted that Scotland could join the EU, but that it would have to adopt the Euro, enter the Schengen Agreement and would lose the current UK opt-outs.

2. The use of the Sterling

One of the most important questions in the Scottish independent referendum was the currency arrangement that an independent Scotland would use. Both sides of the debate accepted that if Scotland became independent, the existing currency would come to an end. The Scottish government proposed the use of sterling in a formal monetary union arrangement, which would involve sharing the Bank of England (Jeffery and Perman, 2014: 14). However, as the Bank of England is an institution of the UK, this would require the full support and participation of the rest of the UK. As the campaigns approached the day of the referendum and opinion polls started to incline towards the 'Yes' vote, namely on 5 September 2014, the UK government became relentless on this issue. In other words, whereas Alex Salmond insisted that Scotland would continue to use the pound, the Conservatives, the Liberals Democrats and Labour claimed otherwise.

3. North Sea oil and economic independence

Among the pro-independence arguments was the belief that independence would see more revenues from Scotland's oil reserves flowing into the Scottish economy. Control over oil revenues and the opportunities offered by renewables were two major



arguments in the 'Yes' campaign's economic strategy that received strong support among small- and medium-sized businesses in Scotland. By doing so, the 'Yes' campaign also seized upon the Westminster-imposed austerity measures as a perfect opportunity to promote the idea that Scottish interests are very different to those of the remainder of the United Kingdom. The 'No' campaign insisted that the revenue coming from the North Sea would collapse, leaving Scotland in worse shape than the UK overall.

4. Threats to pensions

The 'Yes' camp largely relied on the pension argument – and on the consequences of the privatisation of the NHS by the UK government – to convince Scottish voters of the benefits of political independence. The Scottish government argued that pensions rights and benefits would not be affected by independence and also promised minor changes, that would make pensions slightly more generous for certain people and temporally delaying the increase in the State Pension age. The Scottish Government guaranteed a delay in the rise in the pension age to 67 until 2034, which was against the UK plan to increase it gradually to the age of 67 by 2028. Additionally, it promised the retention of the Savings Credit element of Pension Credit, an income-related benefit top-up for pensioners on low incomes that benefits 9,000 pensioners in Scotland, which the UK government plans to abolish after 2016. In contrast, the 'No' camp stressed the inability of the Scottish government to afford these costly measures, due to a society that is projected to age more quickly than the rest of the UK.

The turning point of the campaign

Regardless of the contrasts that have been pointed out, the 'No' campaign always had a clear lead until the last few weeks, when the race suddenly tightened. The first week of the final 6-week phase of the referendum campaign was quite difficult for the 'Yes' campaign, especially after the currency union dominated the news agenda in the aftermath of the televised debate between Alistair Darling and First Minister Alex Salmond. However, it regained confidence with a harsh critique of the UK government's welfare reforms and the promise of a fairer welfare state in an independent Scotland.

The 'Yes' campaign even took the lead for the first time two weeks before the vote on 5 September 2014 (even though subsequent polls put the 'No' vote back in front). However small this advantage looked, it sowed panic in the ranks of the 'No' side, which led Gordon Brown to intervene on 8 September for the first time. He spoke about the endorsement from the three pro-Union leaders (David Cameron, Nick Clegg and Ed Miliband) to deliver additional powers to Scotland by May 2015.

Additionally, on 16 September 2014, the three party leaders produced the 'Vow', as recorded on the front page of Scotland's *Daily Record*¹¹. This reaffirmed the commitment of delivering additional devolution through Brown's timetable, and gave additional pledges on the NHS in Scotland and on the continuation of the Barnett Formula, which determines the funding available to the Scottish Parliament. On 17 September Gordon Brown spoke emotively to Scotland and more specifically to the undecided, which represented more than 10% of the votes. By doing so, the 'No'

¹¹ See *Daily Record* on 16 September 2014 in <http://www.dailyrecord.co.uk/news/politics/david-cameron-ed-miliband-nick-4265992>.



campaign was now delivering (for the first time) a more positive agenda for Scotland to stay in the Union.

Given the clear margin of the 'No' victory at 55.3% to 44.7%, it seemed to work. On 18 September 2014, 84.59% of the Scottish went to the polls and the outcome of the referendum was clear: 55.3% of Scotland against, with 44.7% deciding to stay within the Union. On that same day, on behalf of the British government, David Cameron announced the establishment of the Smith Commission, which would be responsible for convening cross-party talks on more devolution.

3. The 'No' vote and the Smith Process

On 19 September 2014, David Cameron¹² established the Smith Commission and Lord Smith of Kelvin¹³ agreed to oversee the process to take devolution commitments forward. This included powers over tax, spending and welfare, which were all agreed by November, with draft legislation published by January. Subsequently, on 26 September, Lord Smith wrote to the political parties currently represented in the Scottish Parliament, calling for submissions on further powers for the Scottish Parliament within the UK by 10 October. All five Scottish political parties were engaged in formal talks by 22 October and committed to 'Heads of Agreement' that was published on 27 November.

The Smith Commission

The starting point of discussions in the Smith Commission was the devolution of additional powers over taxation, with a second area of emphasis around welfare powers. This had been set by the commitment of the Conservative, Labour and Liberal Democrats prior to the referendum in order quickly establish additional powers for the Scottish Parliament. The positions of the three pro-Union parties had some overlap, with core issues about tax devolution.

The main emphasis was on income tax devolution, with the Liberal Democrats and Conservatives proposing almost complete income tax devolution. This included the ability to vary tax rates compared to the rest of the UK. Labour proposed less extensive devolution of income tax. They offered the devolution of the Work Programme, but to local government in Scotland rather than the Scottish Parliament. Additionally, both Labour and the Conservatives set out a number of commitments for welfare devolution, but the Liberal Democrats were less clear in this field. Both advocated devolution of attendance allowance and housing benefits in Scotland.

The Greens and the SNP each presented much further reaching proposals. Just as the pro-Union parties, submissions were the result of their earlier commission deliberations. More particularly, the SNP's submission replicated the earlier proposition of the 2009 White Paper *'Your Scotland, Your Voice'*¹⁴, where they set out an initial prospectus for Scottish Independence that had explored the option of 'full devolution' (or 'devolution max' as the best second choice), that is the maximum possible

¹² On behalf of the British government.

¹³ Lord Smith of Kelvin was the leader of the organising committee of the Glasgow Commonwealth Games.

¹⁴ The document can be downloaded here: <http://www.scotland.gov.uk/Publications/2009/11/26155932/16>.



devolution consistent with continuing membership of the UK. That particular option was set out more systematically in the Scottish government's submission to the Smith Commission. According to the SNP, maximum self-government within the Union would mean that the UK Parliament would have powers in relation to Scotland in only a small number of areas, including aspects of the UK constitution, monetary policy, aspects of citizenship, defence, intelligence and security and foreign affairs.

Finally, the Greens did not go so far on their demands, but they proposed more than the pro-Union parties. They had a fuller commitment to tax devolution (including full devolution of income tax and tax assignment) and to full welfare devolution (accepting pensions). They also emphasised the need for devolution in a number of fields that have a particular resonance with the green tradition, including quality of democracy, human rights, energy policy and immigration.

The Smith Report

The Smith Commission's report was published on 27 November 2014, with the terms of the agreement being rather deceptive. The document is not particularly extensive, comprising of only chapters. The first chapter deals with the working arrangements of the Smith Commission. In this chapter, Lord Smith of Kelvin explains the different moments and actors involved into this process of reform. Additionally, the second chapter introduces the terms of the agreement reached, which are subdivided into three pillars: the first pillar elaborates on the constitutional details of the new settlement of governance for Scotland (electoral procedures; inter-governmental relations; Scottish representation in the European Union); the second pillar explains the powers retained and further delivered on the economic and welfare policy areas; the third pillar deals with the powers retained and delivered in finance.

Reading the report, we realise that major responsibilities over fiscal and welfare policies such as state pension, Universal Credit, National Insurance contributions and corporate taxes were preserved in Westminster. Additionally, income taxes remained a shared responsibility, but Scotland gained new powers in this particular area. Within this framework, the Scottish Parliament now has the power to set the rates of income tax and the thresholds at which these are paid by non-savings and non-dividend Scottish taxpayers.

However, all other aspects of income tax, such as the imposition of a annual charge to income tax, the personal allowance, the taxation of savings and dividend income remains reserved in Westminster. Overall, 'minor' concessions were granted in welfare, i.e. benefits for carers, disabled people and those who are ill ¹⁵, and in economic policy, i.e. employment provision (the Work Programme and Work Choice). On the other hand, some aspects of energy and onshore oil/gas extraction were devolved (Smith Commission, 2014), as well as a new political compromise for the improvement of the current *'Concordat on the Co-ordination of European Union Policy Issues'* has been sealed.

According to Michael Keating (2014), with this new agreement, Scotland has received new powers to set the rates and bands of income tax, but the tax itself has not been

¹⁵ Child benefit, maternity allowance or statutory sick pay and widowed parent allowance have remained under the control of the UK Parliament.



devolved. That is, taxation on investment income, National Insurance, Corporation Tax, Inheritance Tax and Capital Gains Tax have remained the reserve of Westminster. Air Passenger Duty has been devolved but the SNP intends to abolish it. Similarly, devolution of welfare has been limited to bits of existing programmes, whose functioning have proven to be problematic, with the rest remaining as a UK programme. Elements of housing benefits are to be disentangled from it, which could complicate matters further. The administration of the Work Programme is to be given to the Scottish Government, but not the power to link welfare, labour market and economic development policies together effectively.

What does Scotland want?

Now that the Smith Report has been issued, it would be interesting to understand what Scotland thinks of the terms of the agreement reached. Is Scotland fully satisfied with the outcome of cross-party talks? What powers did Scotland expect to be delivered?

An opinion poll conducted by YouGov in December 2014 clearly shows that Scotland feels disappointed with the terms of the agreement reached so far. In fact, 51% think that the Smith Commission has not gone far enough and that more powers should be devolved to the Scottish Parliament (see table 1 below).

Table nº 1: What does Scotland think of the Smith proposals? (December 2014)

Thinking about the proposals from the Smith Commission to devolve extra powers to the Scottish Parliament, do you think these ...	
Go too far, and devolve too many extra powers to the Scottish Parliament	14
Do not go far enough, and do not devolve enough extra powers to the Scottish Parliament	51
Get the balance about right	23
Don't know	12

Source: YouGov December 2014

Scottish public opinion states that the Scottish Parliament should have gained increased powers in the fields of fiscal, welfare and economic policy (YouGov, October 2014). Indeed, 71% of Scottish people think that working-age benefits like housing benefit and jobseekers allowance should be devolved to Scotland; 67% think that powers to set and collect income taxes should have also been devolved to the Scottish Parliament as well as 60% who believe that the minimum wage and health and safety regulations should have also been delivered to Scotland.

These results match perfectly with the 2013 Scottish Social Attitudes Survey (Scottish Government Social Research, 2014), which concluded that Scottish voters wanted Scotland to retain its membership of the Union, but have almost complete ownership of its revenue and welfare system. Interestingly, this opinion could be a critique of pro-Union parties that fell sort of their promises. Ironically, it also expresses support of a



political solution that is not that far from the version of independence that the SNP offered in 2007-2009. To put it differently, the final outcome of the Smith Process could benefit the obvious 'looser' of the referendum, the Scottish National Party, at the next general and regional elections in 2015 and 2016.

4. Conclusion: what can we learn from this referendum?

The purpose of this article was to shed light on the political process before and after the referendum. By the means of a systematic analysis of the Scottish campaigns, we have tried to deliver an interesting and accurate account of the Scottish campaigns in order to make sense of the 'No' vote.

In this article, we have introduced the political context that paved the way to the referendum; explained the propositions of the 'Yes' and 'No' campaigns; highlighted the most relevant arguments of the political debate and captured the most decisive moments of the campaigns. In the final section, we explained the Smith Process, summarised the terms of the agreement and mentioned Scottish public opinion regarding the whole process. Now that the analysis is concluded, we can say that if it is true that the issue of political independence has been put to bed (at least, for now), it is also true that the political solution for Scotland (and for the rest of the UK) is far from settled.

For the time being the political process is still under way. Negotiations between the Scottish Government and the UK Government are still being conducted, and the final outcome of this thorny political and institutional process is still unresolved. Scotland and the UK, as a whole, are now facing the many challenges of a constitutional reform. This could balance an enhanced form of devolution or a new step towards British federalism to accommodate Scottish constitutional demands. Meanwhile, Nicola Sturgeon, the new SNP leader and current First Minister of Scotland, continues to threaten David Cameron with a new referendum on political independence to be held in 2016 if current policy demands are not fully satisfied.

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