

Wales Governance Centre Annual Lecture 2014

Deputy First Minister of Scotland
Nicola Sturgeon MSP

24 March 2014

Thank you David [Melding, Deputy Presiding Officer of the Welsh Assembly and sponsor of the lecture] for that introduction.

It is an enormous pleasure to be here in Cardiff today, on what could become a very significant date for Scotland. If we vote Yes in just 6 months time, Scotland will become an independent country exactly two years from today - on 24 March 2016.

Of course, it is far more of a pleasure to be here today than it would have been to be in Cardiff a couple of weeks ago for the rugby. That was, to put it mildly, a painful score line for Scotland. But I take comfort in Celtic solidarity on these occasions, and I am sure we were all delighted for Ireland in their championship, and the fitting end to the international career of Brian O'Driscoll, truly a great of the game.

We live in interesting constitutional times in both Wales and Scotland. Last week saw the publication of a Wales Bill to provide some tax and borrowing powers for the Welsh Assembly and Government. And to provide for a referendum on income tax powers.

CHECK ON DELIVERY

And, in Scotland, on 18 September, we will have our own referendum, to decide whether we should become an independent country.

I am here today to talk about the progress of the debate on Scottish independence and the reasons why I believe that Scotland can, should and indeed must be an independent country.

There is no doubt that Scotland could be independent.

We are, after all, one of the wealthiest countries in the world.

I will set out why Scotland should be independent and why Scotland must be independent.

In making the case I will focus on four points:

First I will outline the economic strengths we will have as an independent country - the strong basis on which we will be able to build a fairer and more prosperous nation.

Second I will show that the very foundation on which the No campaign is built is actually being demolished by the leaders of that campaign. The notion that the Union is a partnership of equals is being fatally undermined by the clear sense of ownership of and entitlement to UK institutions, assets - even its currency - being asserted by the Westminster elite on an almost daily basis.

People in Scotland – and I would suggest that Wales should note this too – have been left in no doubt about where Westminster thinks the UK balance of power really lies.

Third, I will set out the two futures on offer to people in Scotland on September 18.

CHECK ON DELIVERY

And, fourth, I will recognise that while the decision on Scotland's future is a decision for people in Scotland to make, it will affect the other parts of these islands. I will therefore explain why I believe that Scottish independence will not only benefit Scotland, but also the other nations of the British Isles and the relationship between us. The social union that exists between us is strong and I believe independence for Scotland can make it even stronger.

Before I do any of this, however, it is worth noting that events in Wales are important to us in Scotland, in two distinct ways.

First, within the current constitutional arrangements, the devolved governments have many interests in common. We are tied to Westminster by our underpinning devolution legislation, the effect of some current UK legislation on our countries and – of course – by our funding arrangements.

We may not – indeed do not – see eye to eye on all issues. [I will say more about the Barnett formula and the basis of funding for devolved government in Scotland and Wales later.] And there are important differences between the devolution settlements which means that our bilateral relations with the UK Government vary and are normally central to day to day inter-Governmental business.

But we in Cardiff, Belfast and Edinburgh work together regularly and constructively on issues of interest to all of us.

I remember well - and fondly - the constructive relationship I had, when I was Scottish health secretary, with your own former health minister, Edwina Hart.

Within the UK, there is the formal inter-Governmental machinery of the Joint Ministerial Committees made up of the UK Government and the devolved governments. In fact, as it happens, I will be attending a Joint Ministerial Committee meeting with your First Minister in London on Wednesday,

CHECK ON DELIVERY

More widely across these islands there is the British-Irish Council, which also includes the Republic of Ireland and the crown dependencies.

And, for the avoidance of any doubt, an independent Scotland will still be part of the British Isles and a member of the British-Irish Council - which is, of course, headquartered in Edinburgh. And, as an independent member we could, when circumstances demand, be an even more powerful ally of Wales than we are able to be just now.

Within these bodies, we discuss matters of common interest, work together on solutions to common problems, and develop relationships between our administrations.

So developments here in Wales on specific issues which are common across the UK are of interest to us in Scotland. The views of the Welsh Government are important to us when we work in partnership, in common cause.

The second area of interest is the development of the devolution settlement here, and indeed in Northern Ireland, and what this illustrates about the nature of the United Kingdom of today.

And I think it is fair to say that devolution in Wales has evolved perhaps more rapidly than in any other part of the United Kingdom.

From the original Wales Act of 1998 you have moved to an Assembly with full law making powers, with a Welsh Government, and now there is a Bill to devolve to Wales tax raising and borrowing powers. The second part of the Silk Commission's work has proposed further devolution of functions such as policing, as well as a move to the reserved powers model we have in Scotland.

There are two interesting things about these developments from a Scottish perspective.

CHECK ON DELIVERY

One is the use of Scotland as a point of reference for developing the devolution settlement in Wales, whether in legislative powers or our financing arrangements. I know that colleagues from the Scottish Government met with the Silk Commission in its work. It is also true that the work of the Holtham Commission has influenced the development of income tax devolution in Scotland, especially on the issue of adjusting the block grant.

Now I hesitate to push this point, as I am confident that Scotland will vote Yes to independence in September, and whether that acts as a point of comparison for Wales in the future is really not for me to say.

But perhaps the most interesting thing about these developments is how many of them have been driven by the Welsh Assembly itself.

First, the separation of the executive and assembly with the formation of the Welsh Assembly Government in 2002, by a motion of the Assembly.

Then the Richard Commission, appointed by the Welsh Government, which led to the Government of Wales Act 2006, and then the referendum of 2011 giving the Assembly its primary law making powers.

Then the Holtham Commission, again appointed by the Welsh Government, which led to proposals on tax powers and financing for devolved government in Wales and which was the driver of the Silk Commission and now the Wales Bill.

All of these crucial driving initiatives in Welsh devolution have been home grown.

On 31 May 2011, after the elections earlier that month, the three devolved governments issued a statement which included this statement:

"The Scottish Parliament, the National Assembly of Wales and the Northern Ireland Assembly were established, and their responsibilities have been

CHECK ON DELIVERY

developed and extended, according to the views of the people of Scotland, Wales and Northern Ireland on their own institutions of government.”

The development of devolution in Wales could not be a better demonstration of the truth of that statement. It is the Governments and Assemblies of Wales, and the people of Wales, that have driven the development of your institutions and the way you are governed.

Now in September, the people in Scotland will be asked whether we want to take a further step in our constitutional journey and become an independent country.

As part of this journey the Scottish Government has produced the most detailed blueprint for any country moving towards independence.

And we continue to make sensible and serious preparations for transition to independence if a majority vote Yes.

Before the summer, we will publish for consultation the draft Scottish Independence Bill that will be introduced to the Scottish Parliament following a Yes vote. The Bill will set out an interim constitution for Scotland - founded on the principle of the sovereignty of the people - and outline the participative and collaborative process by which Scotland, as an independent country, will prepare its permanent written constitution.

Drawing up a written constitution would be an exciting opportunity for a newly independent nation.

But, first, we need to persuade a majority of the Scottish people to vote Yes.

In our White Paper, we set out the case for independence and argue that, with the powers of independence, an independent Scotland can be more democratic, fairer and more prosperous.

CHECK ON DELIVERY

Scotland is one of the wealthiest countries in the world.

If we were independent today we would be the 14th richest country, in terms of GDP per head, in the OECD.

The UK would be 18th.

Every year the Scottish Government produces an analysis of Scotland's public finances – under the National Statistics kite mark.

These show that last year Scotland generated £800 per head more in tax revenues than the UK as a whole.

If we take tax and spending together then over the past five years Scotland's public finances have been healthier than the UK's by £8.3 billion.

That's around £1,600 for every person in Scotland.

An analysis by the Financial Times confirms that Scotland is richer than the rest of the UK and in the top 20 countries globally in terms of GDP per head.

The ratings agency Standard and Poor's says: "Even excluding North Sea outputScotland would qualify for our highest economic assessment."

The Director of the Institute for Fiscal Studies said: "The statement that 'this is a rich and successful economy' is one I would entirely agree with."

CHECK ON DELIVERY

We have world-class universities, a thriving life sciences industry, brilliance in creative industries, we have a quarter of Europe's offshore wind and tidal potential, our manufacturing firms export around £15 billion every year and our food and drink industry is truly world-class.

The great issue for Scotland is not whether we are wealthy enough to be independent.

The issue is why so many people don't feel the benefit of our great wealth.

The opponents of independence say that the Scottish economy is too reliant on oil.

That's not true.

Without oil Scotland's economy, per head, is almost the same size as the UK's.

With oil it is substantially bigger.

Oil is not a burden – as the opponents of independence want us to believe. It is a huge bonus.

Over decades there has been an attempt to convince people in Scotland that this bonus and the generation of several hundred billion pounds of revenue has been a curse on our country.

The idea seems to be that we in Scotland cannot be trusted to manage this huge windfall.

That we need to leave it to Westminster.

CHECK ON DELIVERY

But leaving it to Westminster has resulted in the squandering of decades of oil revenues.

Alongside Iraq the UK is the only major oil-producing nation not to have invested in an oil fund for future generations.

If we look at Norway we see a country where oil is an even bigger part of the economy.

But with the powers of independence it has created an oil fund worth more than £500 billion.

So Norway's oil wealth will keep on benefiting the Norwegian people long after the oil has run out.

No Westminster politician would dream of going to Norway to tell them they are incapable of managing their great oil wealth.

But they think it is in order to give that message to people in Scotland

By value there is as much oil left in the North Sea as has been taken out.

So there is still time to steward, and save, our vast natural energy wealth for future generations.

But only if we have the power to do so.

This, then, gets to the heart of the case for independence.

No-one seriously doubts that Scotland can be a successful, independent country.

The question is should we be an independent country.

CHECK ON DELIVERY

The UK Government deserves praise for its approach to the Edinburgh Agreement and putting beyond any doubt that Scotland's referendum will be fair, legal and decisive. We see from other parts of the world that this is not always the case.

And I am confident that the respect that the Edinburgh Agreement demonstrates for the democratic process and the sovereignty of the Scottish people will be the guiding principle in the negotiations that follow a Yes vote.

However, notwithstanding that, there is no doubt that the conduct of the No campaign – which includes the UK Government - is laying bare the truth of where the Westminster elite thinks power really lies in the UK.

Those opposed to independence used to claim that the UK - as it currently stands – is an equal partnership of nations and of people.

But in its attempts to scare, and now threaten, voters in Scotland, the No campaign is destroying the very idea that the UK is an equal partnership.

That notion is being torn apart on an almost daily basis.

The leaders of the No campaign are going out of their way to demonstrate where they think power really lies.

As far as the UK Government is concerned power rests with one party in this relationship – with Westminster.

And we have discovered that as far as Westminster is concerned people in Scotland have fewer rights than most of us thought.

In the event of independence we are told we have the obligation to pay a share of the debt run up by successive Westminster Chancellors.

CHECK ON DELIVERY

But we have no right to a share of the assets that we have helped to construct, build and pay for.

The institutions of the UK have been made and paid for by people in Scotland just as much as by people in other parts of the UK.

We have paid our taxes.

We have made our national insurance contributions.

We have paid our TV licence fees.

People from Scotland have worked in and contributed to the development of the UK's institutions. The Bank of England was even founded by a Scot. As was the BBC.

But as far as the Westminster government and its allies are concerned we have no stake in the very institutions we have helped to fund and build up.

They say we have no right to share the pound – which is Scotland's currency - or the Bank of England.

They say we have no right to share in “any of the UK's current institutions.”

As long as we stay with Westminster, the UK Government is saying they will allow us to benefit from the institutions we have paid for.

But if we vote Yes they will decide what we are, and what we are not, entitled to receive.

CHECK ON DELIVERY

This attitude demonstrates precisely why Scotland needs to be independent. If the reality of the relationship between Scotland and Westminster is as the No campaign seems to say it is - one in which we have no stake in any of the assets we have helped to create - then why on earth would anyone vote to continue it.

The UK Government has even paid for, and promoted, a legal opinion which says Scotland, as a country, has been extinguished.

So the notion of an equal partnership has been shown up to be a sham.

Scotland – formally extinguished within the Westminster system.

No rights to the institutions and assets we have contributed to.

And a reminder that Westminster is the decision-maker with Scotland relegated to second-class status.

Why would anyone want to stay in a Union where we are treated in such a way?

Independence offers the greatest opportunity we will ever have to build a better Scotland and a better relationship across these islands.

An independent Scotland will face challenges, just as every country does.

But just as is the case in Wales, there have been real gains for people, families and communities from having the ability to take decisions through devolution.

In our case devolution has enabled us to resist the privatisation of the NHS, protect the NHS budget and cut waiting times. It has allowed us to protect the principle of free education. We introduced a smoking ban before other parts of the UK. We have provided free personal care to our elderly, and restored free prescriptions for our sick.

CHECK ON DELIVERY

An independent Scotland will give us the power to extend these gains of devolution to all areas of government.

Crucially we will be equipped – in a way that we are currently not – to meet the challenges of the future.

We will be able build a social security system fit for the future and put a stop to indiscriminate welfare cuts that will push 100,000 more Scottish children into poverty by 2020.

We will be able to create more jobs and opportunities by designing an economic policy that puts Scotland first.

The UK has one of the most regionally unbalanced economies in the world.

In Wales you know that better than most.

In 2011, output per head in London was over 70% higher than the UK average.

By contrast, output per head in Wales and the North East of England was nearly 25% below the UK average.

Since then it appears this economic inequality has got worse.

A recent report said 80 per cent of private sector jobs in the UK were now being created in London.

Because of our strengths the Scottish economy has proved resilient despite these trends.

But the question for Scotland is what is best for our future.

CHECK ON DELIVERY

One option is to remain as an economic region of an unbalanced and unequal economy where ever more jobs and opportunities are being concentrated in London.

The other is to take on the powers of a national economy.

This will allow us to give firms in Scotland a competitive tax edge.

With control over both spending and revenue - both sides of our national balance sheet - we will be able to transform childcare and make it easier for women in particular to go out to work.

If Scotland can match Swedish levels of female participation in the workforce this would mean an extra £700 million in tax revenues every year - with independence we can re-invest these revenues to fund the policy for the long term.

We can design an immigration policy appropriate to our needs – rejecting the approach of Westminster, which discourages talented individuals from coming to Scotland.

Independence will give us the full range of powers we need to re-industrialise Scotland, boost exports and ensure our world-class levels of Higher Education Research and Development are translated into world-leading business innovation.

For the rest of the UK this strengthening of the Scottish economy will be a major shot in the arm.

It will help to rebalance the economy.

And it will surely provoke a re-think about the London-centric nature of UK economic policy making.

With a No vote there seems little chance of such new thinking.

CHECK ON DELIVERY

The Labour Party last week revealed its plans for Scotland in the event that independence is rejected.

For those of you who have not followed this closely, I can tell you these plans are a major retreat from their initial proposals outlined last year.

Last year they advocated full devolution of income tax – that is the rates, the personal allowances, the bands for higher and top rates. Now Labour proposes that planned tax varying powers for Scotland should be extended very slightly to allow Scotland to control 15p in the £ of income tax, rather than the 10p that is already legislated for.

Business taxes are to remain with Westminster. For Labour, the ability to give business in Scotland a competitive advantage is something to be strictly forbidden.

We won't be allowed the competitive powers we need to grow the economy, boost tax powers and fund public spending.

But in the event of a No vote Scotland, they will happily see Scotland forced into another type of competition.

To protect public spending we will be forced into a competition for favours from Westminster.

It is Westminster that will continue to decide Scotland's budget.

Here in Wales you are arguing strongly for an increase in your funding and a different approach to calculating the block grant. You have every right to do so.

CHECK ON DELIVERY

I believe that independence for Scotland - which will mean we are no longer dependent on grants of our own money from Westminster, but responsible instead for raising our own resources - would present the best opportunity for Wales to argue for and win a new deal.

And that would be much better than having Scotland and Wales set against each other in lobbying Westminster for fairer allocations of our own money.

Your job in Wales is to argue for your best interests - and I respect that - but reform of the Barnett formula after a No vote holds real dangers for Scotland. That is why a Yes vote is so important for Scotland.

From your Holtham Commission proposals we know that a new way of distributing money across the UK could mean a cut of up to £4 billion in Scotland's budget.

No doubt future Scottish Governments would lobby Westminster in an attempt to stop that happening.

But it would be out of our hands.

Decisions on Scotland's future funding would be firmly in the hands of Westminster politicians.

I don't want Scotland, as a country, to have to lobby Westminster for a fair allocation of our own money and be in competition with Wales in doing so.

That is the opposite of strengthening devolution. It is the opposite of the financial responsibility that I want us to have.

But it is what will happen if we vote No.

An independent Scotland is the far better option for all of us, which brings me to the last of the points I want to make.

CHECK ON DELIVERY

I started this lecture reflecting on Scotland's unhappy visit to the Millennium Stadium a couple of weeks ago. That great tournament is called the Six Nations for a reason.

Within these islands there are different nations, different countries and our peoples have chosen different models for their government.

The evolution of devolved government in Wales shows clearly the advantages of home rule, and the advantages of a people deciding how to be governed.

The story of devolution on Scotland shows the same. Now the Scottish Government has demonstrated the advantages of Scotland - as one of the nations of these islands – taking the next step and becoming independent. The advantages for Scotland and for the rest of the UK.

With Scotland as an independent nation - as the third independent member of the British-Irish Council - the balance of power within the British Isles shifts away from Westminster. I believe that will be in the interests of all the nations of these diverse islands of ours.

And make no mistake, in the event of a Yes vote, people in Scotland will continue to be the closest of friends with people here in Wales, in England and in Northern Ireland.

The Prime Minister has asked people in other parts of the UK to rally support for the No campaign by saying to people in Scotland: "Please, don't go."

This really doesn't make any sense.

The social, family, historic, cultural and sporting relationships that bind us together will be as strong as ever.

CHECK ON DELIVERY

Scotland is not being removed. We are not going anywhere.

We will simply be taking responsibility for our own future.

The only thing being removed will be the writ of Westminster from Scotland.

Sadly, in the campaign so far we have seen how the Westminster establishment reacts when Scotland threatens – as they see it – their interests.

However, I am confident that the people of Scotland will focus on the positive arguments made by supporters of independence. That they will reject the bluster of those with most to lose, and the naked exercise of power in defence of those interests.

And when we vote Yes I believe that Scotland will have chosen the better future for us and for our friends and neighbours across these islands and beyond.