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Scottish Independence

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FAQs on Scottish Independence¹

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How likely is Scottish independence?

There are now more or less weekly opinion polls on the Scottish constitutional debate. They ask different questions in different ways. Very few have indicated that independence is a more popular option than the status quo. That said, we are only in the very early stages of the referendum campaign. As the campaign develops, the 'Yes' campaign will be driven by a party, the SNP, with a formidable campaigning machine, a clear message and a leader of real presence. The 'No' (or more precisely 'Better Together') campaign led by Alistair Darling has the challenging task of building a consistent vision across three pro-union parties in both their Scottish and Westminster guises.

What both opinion polls, and more sophisticated time series on public attitudes on the constitutional question show, is that the most Scots would like fuller powers for the Scottish Parliament, including significantly greater tax powers, options now often described as 'devo-max' or 'devo-plus'. Whether or not fuller devolution will be on the ballot paper in the referendum is not yet clear - the Scottish Government is open to it, the UK Government opposed - but if it were, the bookies would have that as the shortest odds outcome.

Would Scotland be financially better or worse off if independent from the UK?

Like many questions about Scottish independence the answer is unknowable unless and until it happens. Supporters of independence claim that a Scotland with the fiscal policy levers of an independent state would be better able to respond to Scottish needs than UK-wide policies currently can. Opponents point to risks of not being part of a larger state with a greater capacity to pool risk. Perhaps the best guide are the annual estimates of all government spending and revenues in Scotland, produced by the Scottish Government and generally regarded as reliable, which suggest that if tax revenues from oil and gas in Scottish waters are included, then Scotland has generally 'paid its way' in the UK in the last few years. Of course oil and gas is now a declining asset, though will certainly make a significant fiscal contribution for another thirty years or more.

What currency would it use? Could it issue its own currency or adopt the euro for example?

Scotland certainly could issue its own currency, but the SNP Government would prefer to find a way of maintaining the Bank of England's monetary policy framework to help underpin the Scottish economy. So its policy is that an independent Scotland would use the pound sterling, and would look to a direct relationship with the Bank of England to coordinate Scotland's fiscal policies with the needs of a Rest-UK/Scottish shared currency area. It is not yet clear what kind of relationship the Bank of England would foresee with an independent Scotland. The UK Government does not favour a system of sterling area governance that would give an independent Scotland a role in sterling zone monetary policy. The Euro remains in principle an alternative in the longer term, but given the Eurozone's current problems is unlikely to be a real alternative for the foreseeable future.

¹ Adapted from ESRC Society Now, Issue 12, Spring 2012, at http://www.esrc.ac.uk/images/Society_Now_12_tcm8-20400.pdf.

Would an independent Scotland be able to sustain free university tuition fees without financial support from the UK?

If Scotland were independent, students from the rest of the UK would, under EU rules, have access to the same conditions as Scottish domiciled students, that is at the moment free university tuition. The SNP Government would ideally like - whether or not Scotland becomes independent - to explore ways of levying some kind of administrative charge on EU students, which would then apply also to rest of UK students if Scotland were independent. Scotland would certainly be able to sustain free tuition because the number of 'free' (that is taxpayer-funded) places would be the same as now; the problem would be the high level of demand that might come from English students if fees there remain at current levels; the danger would be that Scots students would be crowded out from Scottish universities by overwhelming English demand.

If economic and fiscal policy powers were to revert to Scotland would there be a radically different policy followed than currently in the UK. For example, would taxation be higher to fund better public services?

All the hints from the SNP have been about lower tax burdens, especially in corporate taxation. Scotland does have higher public spending per head than in England, but the annual revenue and spending estimates also suggest that Scotland raises more tax revenues per head than England, if North Sea revenues in Scottish waters are attributed to Scotland.

What would be the main sources of state income? Is it viable to remain highly dependent on oil/gas revenue if climate change might mean increasing taxation on carbon emissions?

Again the answer is unknowable until and unless it happens, but clearly North Sea revenues would be a much bigger proportion of an independent Scotland's revenues than they are currently in the UK. The challenges are perhaps less about carbon taxation than the often substantial fluctuations in world oil and gas prices which impact directly on tax revenues. Hedging against such fluctuations would be a central priority. The most important longer term hedge would be future incomes from renewable energy sources, especially wind, wave and tidal power, where Scotland has massive potential.

How will Scotland fund major infrastructure projects such as high speed rail?

Just as other states do: by using tax revenues and by borrowing on capital markets. On the latter - and no doubt with view to potential future pronouncements of ratings agencies - the SNP's finance minister John Swinney has been projecting an image of steadfast fiscal prudence.

Would the Scottish based UK army regiments become Scottish and how would defence policy be split - what about the nuclear submarines - how much would these changes cost?

There are plenty of hints that the SNP would like to maintain a defence union with the rest of the UK if it became independent, which would make any transition around Scottish-based UK forces easier to envisage. But there are big sticking points: the SNP's commitment to withdraw Scotland from NATO, and its commitment to the removal of nuclear weapons from Scotland. It should be noted that recent research among SNP members by James Mitchell of Strathclyde University has shown that the SNP membership is increasingly sceptical on NATO withdrawal. And the removal of nuclear weapons would surely be central to any independence negotiations, and current positions could shift in those negotiations.

What would Scottish independence mean for Wales and NI. Would the UK become an English state in all but name?

Wales and Northern Ireland would become a smaller periphery to the UK's core in England. They might well look to establish greater levels of autonomy to maintain balance with 'Anglo-UK'. There are signs in recent research by the Universities of Edinburgh and Cardiff and the Institute for Public Policy research that the English are beginning to look for their own distinctive governing arrangements. The UK could transform into a looser grouping of self-governing nations as a consequence of Scottish independence.

Who would be the head of state of an independent Scotland? Would it be the Queen as the SNP prefers or would the post of president or equivalent be created?

The SNP has been quite clear that Queen Elizabeth is also 'The Queen of Scots' and would be the head of state of an independent Scotland.

Independence, Devolution-Max and the Scotland Act

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1. Scottish opinion on the constitution was long divided among three options. Nationalists supported independence; unionists wanted no Scottish Parliament; and Home Rulers favoured a domestic parliament within the United Kingdom. Devolution in 1999 briefly reduced the options to two: independence; and devolution (the new status quo).
2. The SNP's absolute majority in the Scottish Parliament elections of 2011 provided a mandate for a referendum on independence. The UK Government has met this challenge by accepting that there will be a referendum. Arguments about the legality of the referendum have largely been side-stepped as the UK and Scottish Governments have agreed that there will be legislation in both parliaments.
3. There is a disagreement about the SNP's proposed question *Do you agree that Scotland should be an independent country?* Unionists object that:
 - the question should be 'do you agree or disagree?'
 - it should specify 'state' not 'country'
 - it should make clear that an independent Scotland would no longer be part of the United Kingdom.

These issues will probably be resolved with the help of the Electoral Commission.

4. Whatever the wording of the question, nationalists and unionists will continue to disagree on the implications of independence. The SNP has proposed an attenuated form of independence, often known as 'independence-lite'. Scotland would retain the Pound Sterling (although in the long-term the option of the Euro is kept open). It would retain various UK regulatory agencies, cooperate in (non-nuclear) defence matters and possibly share diplomatic representation. There would still be a 'social union' although the meaning of this is not clear. Nationalists insist that Scotland would have a role in making policy in these shared fields; unionists insist that it would not.
5. This 'independence-lite' option shades into what has come to be known as 'devolution-max', a large increase in self-government short of independence. Opinion polls show that a large number of electors (usually the largest group) supports full Scottish control over taxes and domestic policy, while leaving defence and foreign affairs to the UK. No political party supports this option, although the Liberal Democrats have in the past come close, while the SNP has accepted that it is a legitimate option which could be placed on the ballot alongside independence and the status quo. The unionist parties (Labour, Conservative and the Liberal Democrats) reject this. There is some mobilization in Scottish civil society to frame a devolution-max option and to seek to put it on the ballot. Scottish society is not therefore divided clearly between supporters and opponents of independence. The historic three-way divide has re-emerged, with a large middle ground.
6. This resembles the situation in other stateless nations such as Quebec, Catalonia and the Basque Country where citizens see self-government as a spectrum of options, not drawing a clear line at independence. It points to the 'post-sovereignty' theories developed by constitutionalists, who point out that the old idea of the nation-state needs to be put aside.

7. Various devolution-max options have been canvassed. All stress the importance of fiscal autonomy, favouring the devolution of all or most taxation to Scotland. The most radical versions imitate the Basque system, whereby nearly all taxes are raised locally, with a share passed on the central government for common services. The other big issue concerns social security which, under most devolution-max proposals, would pass to Scotland.
8. The SNP has claimed that the difference between independence and devolution-max is that under the former the levers of macro-economic policy would be controlled by Scotland. In fact, with Scotland keeping the Pound, monetary policy would continue to be set by the Bank of England. This would have repercussions for fiscal policy, which might have to be coordinated, as in the Eurozone.
9. So the scope for economic and social policy-making under independence and devolution-max would be rather similar. The question is how these could be used. The SNP, and some prominent business people and think tanks, support a tax-cutting strategy, especially cuts in business taxation, in order to attract investment. At the same time, the SNP has supported high levels of spending and universal social services. Such a combination of neo-liberal taxation policies and social democratic spending policies does not add up. Both independence-lite and devolution-max would therefore provoke a debate and a decision about the nature of the Scottish social settlement.
10. The main difference between independence and devolution-max is that under the latter Scottish MPs would remain at Westminster. This would, however, exacerbate the West Lothian Question. It might be that English opinion would prefer independence (lite or otherwise).
11. The independence referendum also forces the unionists to their vision more clearly. They have struggled to give a convincing defence of the Union. They have suggested that a NO vote might be followed by concession of more powers, going beyond those provided in the new Scotland Act (2012) but have not specified these. They have to explain why they oppose giving voters an option (devolution-max) which many of them support. It is possible that many devolution-max voters will in consequence vote for independence as a way of getting more.
12. It is possible to have a three-way ballot among options. It would be necessary to have a devolution-max option worked-out at least in outline. There would be two questions on the ballot. The first would first ask voters whether they favoured more powers for the Scottish Parliament. The second would ask whether, if change were to happen, they would prefer independence or devolution-max. If the first question failed, the status quo would prevail. If it passed, responses to the second question would be counted

Michael Keating's book *The Independence of Scotland* (Oxford University Press, 2009) examines the background to the issue and the constitutional options open to Scotland.

Independence in the Union?

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“Do you agree that Scotland should be an independent country?”

This question – formulated by the Scottish government in its consultation on the process issues regarding the independence referendum - is not without criticism², but it initially disarmed opponents by its apparent clarity. But what does it mean to be an independent country? This briefing paper examines some of the constitutional proposals of the Scottish National Party, arguing that the independence proposed by the SNP - dubbed ‘independence-lite’ by political commentators – embodies new forms of union – economic, cultural, social and even political.

Currency Union

Economic objectives have long been central to the SNP’s independence platform. Independence, it is argued, would give Scotland autonomy over all aspects of public expenditure, control over revenue-raising and the tax regime, including Scotland’s share of North Sea oil revenues, and the capacity to borrow to invest (Scottish Government, 2009a). But control over macro-economic policy entails more than fiscal policy; monetary policy is important too.

‘My vision of an independent Scottish economy is one in which monetary policy acts to underpin price and macroeconomic stability, supported by fiscal and economic flexibility to promote growth and create jobs.’

Finance Secretary John Swinney’s vision of Scotland’s independent economy comes with an acceptance that, under the SNP’s programme of independence, macro-economic policy would remain a UK matter. The Scottish government would have little control over money supply, exchange rates, interest rates or inflation. A currency union, it is argued, would provide mutually beneficial price stability and facilitate cross-border trade.³

The idea of a currency union – either with sterling or within the eurozone – has been mooted by the SNP for some time. Although there has been some political debate to this effect, the prevalent view among economists is that an independent Scotland could remain within the sterling zone if it so chooses. More disputed is the desirability of this currency union and the constraints it would impose on Scottish autonomy, e.g. with regard to management of the deficit, interest rates, seigniorage and possibly also some fiscal controls, including the ability to set differentiated corporation tax.⁴

Energy Union

Energy is a key focus of the SNP government’s economic agenda, and since the discovery of oil in the North Sea in the early 1970s, control over energy has been a key aspect of the demand for independence. In government, the SNP has also embraced renewable energy, setting out an ambitious policy programme including setting a target to generate 100% of Scotland’s demand for electricity from renewable sources by 2020, and developing a range of

² Criticisms have focused principally on the leading nature of the question, inviting people to agree rather than asking if they agree or disagree.

³ John Swinney, ‘Scotland’s position in the global economy and vision for capitalising on new opportunities in global markets’, speech to the David Hume Institute, 2 February 2012; John Swinney, ‘A Question of Independence – the Economics of Independence’, speech to the Scotsman conference, 19 June, 2012.

⁴ See the oral and written evidence presented to the House of Lords Select Committee on Economic Affairs Inquiry on ‘The Economic Implications for the United Kingdom of Scottish Independence’, May-June 2012.

policy initiatives and funding schemes to promote the transition to a low carbon economy. The term 'energy union' has not emerged in debates over independence, but one could reasonably argue that the SNP government's energy proposals amount to a form of union.

Giving evidence to a House of Commons select committee enquiry into the potential impact of Scottish independence on energy and climate change, Scotland's Energy Secretary, Fergus Ewing, stated his preference for joint regulation of the oil industry. Energy independence also assumes a continued UK energy market, a shared electricity grid, and shared market incentives to promote renewable energy, including a common subsidy regime.

"On the two issues of licensing and health and safety (in the oil industry)... the Scottish Government believe that we should broadly continue with the existing regulatory regime with as little change as possible..."
Fergus Ewing, 2012

Integrated energy markets are encouraged by the European Union, and there are numerous examples, e.g. the Scandinavian Nord Pool, the Iberian electricity market (MIBEL) and the Irish common market and integrated grid. But an integrated market may constrain the capacity for separate regulation in Scotland, while doing little, by itself, to address the bigger issue of how to incentivise and subsidise renewable energy production after independence.

Social Union

The social union is perhaps the most oft-cited, yet ill-defined, 'union' which the SNP argues would survive political independence. When used in SNP discourse, it refers to links between family, friends and colleagues across the United Kingdom, as well as representing an all-encompassing term to refer to broad areas of common interest that would remain post-independence. A more restrictive definition was used by the Calman Commission to imply shared citizenship rights and 'common welfare services' to which all citizens of the UK should be entitled.

"And when you consider our shared economic interests, our cultural ties, our many friendships and family relationships, one thing becomes clear. After Scotland becomes independent, we will share more than a monarchy and a currency. We will share a social union."

Obtaining powers over social security and redistributive taxation have long been central to nationalist goals, not least because of the interdependence between these and other areas already devolved to the Scottish Parliament, like health care, education, housing and social services.

But it is unclear whether there would be any substance underpinning the SNP's conception of a post-independence social union which would see some co-operation on social and welfare policies or a continuity of common services offered to citizens across Britain. In one of its National Conversation papers, the government set out some of the implications it saw from enhanced self-government over social security and other spheres which impinge on social policy, housing, and health care. The paper noted that **'devolution max and independence would not necessarily spell the end to arrangements with other parts of the British Isles'**. As an illustration, it pointed to the possibility of continuing UK-wide arrangements on a range of issues related to health policy, for example, NHS staff, pay and conditions, the system of organ donation, specialist treatment of rare diseases, and the regulation of human fertilisation and embryology.⁵

These continued associations imply the need for institutional arrangements to facilitate communication, co-ordination, and joint decision-making. The SNP envisages an expanded role for the British-Irish Council.

"The British Irish Council already provides a model of how all of the people of these islands can work together on issues of shared interest... The British Irish Council currently includes two independent states, three devolved governments and three island groups. Does anyone here believe that the Council would look massively different with three independent states rather than two?"

Alex Salmond, Hugo Young Lecture, 2012

⁵ Scottish government, 2009, *People and Communities: Taking forward our National Conversation*.

Explaining the New 'Unionism'

There are a variety of explanations as to why the SNP has apparently diluted its independence goal.

Changing nature of the state: There is an implicit acknowledgement that nation-statehood has itself been modified in the context of growing transnational interdependence across a wide range of spheres, including the economy, security, human rights and even citizenship rights. The SNP already embraced the idea of 'post-sovereignty' in its conversion to 'independence in Europe' in the late 1980s. Embedding independence in the union may be an extension of these ideas.

Pragmatic nationalism: But there is also an over-riding pragmatism to the SNP's proposals, based on two facts:

(i) Scotland is already deeply embedded within the United Kingdom, and disentangling those structures and services currently offered on Britain-wide basis – energy grids, pensions, child benefit, driving licenses, etc – is fraught with difficulty. Continuity of shared provision in certain areas where there may be policy consensus is therefore a sensible and pragmatic approach.

(ii) Using the Scottish government's own proposed question, opposition to independence outweighs support by some distance, and the gap has grown in the last six months (see below). Support for independence is weakest when framed as separating Scotland from the rest of the UK. The SNP is following the path of other nationalist movements in Quebec, the Basque country and Catalonia in defining independence, or sovereignty, as embodying a new partnership or association with the rest of the state, attempting to make the goal seem less stark and provide reassurances to would-be voters.

Table 1: *Do you agree that Scotland should be an independent country? (%)*

	Jan 2012	June 2012
Yes	37	32
No	50	55
Undecided	13	13

Source: Ipsos Mori Scotland

Shared Britishness: Finally, the SNP is acutely aware of the solidarity and identity ties that continue to bind citizens across the UK. Scottish national identity clearly takes precedence for people living in Scotland, but surveys suggest most Scots retain an attachment to a British identity too. Scottish government ministers and other senior figures in the SNP have recently been stressing that political independence is entirely compatible with continuing feelings of Britishness.

The Division of Czechoslovakia: Lessons for Scotland?

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Background

1. The division of Czechoslovakia was, from a democratic viewpoint, a model of bad practice. In national, Czech and Slovak elections held on 5/6 June 1992 the only party to enter parliament that supported independence gained less than 10% of the Slovak vote. Yet by the end of the year Czechoslovakia had been divided into two independent states. The decision to divide the country was made less than two weeks after the election by the leaders of the most successful Czech and Slovak parties in the election, Vacláv Klaus and Vladimír Mečiar, neither of whose parties had received more than 40% of the vote. This was because independence was second choice for both of them, and the first choice of each – a ‘functioning federation’ for the Czech Klaus, and confederation for the Slovak Mečiar - was unacceptable to the other. No referendum was held, although the public was clearly in favour of this. The procedures used to divide the state were also at times legally dubious: the national Federal Assembly and Federal Government, which were constitutionally superior to the parliaments and governments of the two republics in the federation, were in practice subordinated to the will of the republics’ governments.
2. The division of Czechoslovakia can, however, be regarded as a great success. Arguably, politicians who lead rather than follow public opinion are more effective at solving acute problems. Slovak economic collapse, widely predicted in 1992, did not take place in spite of the incompetence of Mečiar’s third government from 1994-1998, and Slovakia prospered and joined the Eurozone because of the radical reforms undertaken by the Dzurinda governments from 1998-2006. In spite of grave reservations about the undermining of democracy in Slovakia in the 1990s, which endangered its accession to the EU and NATO, independence helped Slovak society to confront its own political divisions and seek solutions to its own problems. Czech/Slovak relations are now excellent, both on a political, personal and cultural level.

Differences between the Czechoslovak and UK cases

3. The Czechoslovak experience is radically different from the UK/Scotland issue for a number of reasons. The first is that the Czechoslovak constitutional system was clearly broken and had to be fixed. It was dysfunctional under democratic conditions because the state had become a federation of two republics under communist rule in 1969, and the constitution gave the Slovaks a very strong veto: two-fifths of Slovak parliamentary deputies could block any major constitutional change. This was no problem under communism, since Slovak politicians were subject to the party discipline of the Communist Party of Czechoslovakia based in Prague. After 1989, however, the strong Slovak veto created gridlock in political decision making at a time when the need for post-communist reform was urgent.
4. Czechoslovakia had experienced infinitely more traumatic change during the twentieth century than the UK: there had already been five major regime changes in the twentieth century: from empire to democracy, from democracy to Nazi hegemony, from fascism to democracy, from democracy to communism, and from communism to democracy. Citizens were therefore more passive in the face of radical change, and for the international community, the indecent and constitutionally dubious haste with which Czechoslovakia was divided into two states was a model of democratic procedure compared with the Yugoslav wars then taking place.

5. Czechoslovakia was structurally different to the UK. It was a federation with two republics, one of which was twice the size of the other. Although Slovakia has a similar population to Scotland's, Czechoslovakia was far smaller than the UK and divided fairly easily into two successor states (despite the outside perception at the time that the Slovaks were seceding). There were no nation-wide parties, and both future states had a republic-level government. These demoted the powers of the national government with an ease unthinkable in Westminster.
6. Attempts to examine the Czechoslovak legislation hurriedly implemented for dividing the state with reference to the UK/Scotland case are dubious both because pressure group and press awareness of detail will be more knowledgeable and critical in the UK, and because the regulation of economic and social issues in a market economy is far more sophisticated and long-established in the UK, and because many of the issues addressed in 1992 are for the UK dealt with under EU legislation.

Interesting points of comparison

7. *Beware 'devo-max' and 'independence-lite'*. It was the idea of a confederation (defence and currency union) that that pulled Czechoslovakia apart: confederation meant everything good to many Slovaks, and everything bad to most Czechs. An undefined 'middle way' muddies the waters. The Slovak idea of confederation was complicated by Mečiar's insistence that it involved two sovereign states. However, the English are more experienced at dealing with complicated asymmetrical arrangements than the Czechs, and not in a dreadful hurry to reform their own country, so hybrid solutions might just work in the UK case.
8. *It's the economy that matters*. There was a lot of analysis based on public opinion polls about whether Czechs and Slovaks were more left-wing or right-wing, pro- or anti-communist, liberal or authoritarian, pro- or anti-reform, but in the end the differences were not that great. The only question where they had diametrically opposite views was 'who's subsidising whom'. Citizens are most strongly motivated by economic grievance, and in June 1992 the Czech PM Klaus accused the Slovaks of wanting 'Czech finance for Slovak independence'. When Czechoslovakia divided, the only element that span out of control and went even faster than the politicians expected was dissolving the currency union: the politicians intended to keep it, at least initially, but abandoned it and stuck stamps on their bank notes by 8 February 1993.
9. *Watch the English*. The Czechs divided Czechoslovakia. Independence was a far more contentious issue within Slovak society than among the Czechs as the constitutional structure of Czechoslovakia mattered far more to them. The Czechs genuinely wanted the Czechoslovak federation to continue, but were actually much more concerned by post-communist economic reform. Consequently, Czech public opinion was more volatile than Slovak when it came to independence. By the autumn of 1992, most Czechs were suddenly in favour of independence and accepted it as inevitable, and just wanted the whole issue settled. They tended to conflate Czechoslovak and Czech identity so it really didn't matter that much to them.
10. *Don't negotiate with the EU*. The UK is already a member, and unlike Czechoslovakia doesn't need to negotiate and end up with a worse agreement: just tell them what we're doing and let them re-do the figures and then allocate extra MEPs in due course. In 1990, Germany added an extra 16 million citizens, and they were poorer and not very used to democracy and hence a much bigger potential problem for other members of the EU.