



Political Studies Association

Scottish Independence Media Briefing

Thursday 5th July

The Economic Consequences of Scottish Independence

Political Studies Association
Breakfast Briefing on Scottish
Independence, 5 July 2012

Introduction

- Not an Economist!
- Politics of the economics of Scottish independence
- First point: phoney war
 - Focus on process issues; two consultations, when, what question(s), who referees?
 - But some of the issues that will play in yes and no (= 'better together') campaigns nonetheless visible

#1: Costs and Benefits

- Centrally about different visions of what is right and good for Scotland
- Also about cost and benefit
- Yes side: we would be better off
 - Own decisions, better knowledge, better effect
 - Economic decisions not made in interests of the SE quarter of UK; released from shackles
- No side: independence as risk, end up worse off
 - Lose guarantees offered by scale: e.g. financial crisis, banks
 - Miliband: lose 'solidarity community'

#2: Cost, Benefit and the Public

- What the public thinks of all this
 - 25-30% solid on either side, lots of votes up for grabs, economic arguments crucial...
- See ScotCen survey question:
 - If Scotland were independent and we were no better or worse off, would you be in favour or against?
 - If £500 worse off, would you be in favour or against?
 - If £500 better off, would you be in favour or against?

#2: Cost, Benefit and the Public

	£500 Better off	No change	£500 Worse off
	%	%	%
In favour of independence	65	47	21
Neither/nor	9	19	12
Against independence	25	32	66

- The economic debate will matter!

#3: Do the Claims Stand Up?

- No compelling evidence base
 - Either in systematic understanding of what happened in other places (Norway, Ireland, Cz-Slovakia, peaceful ex-Yugoslavia)
 - Or in robust economic modelling
 - Best we have is GERS: relationship of what we know about public spending to what we can estimate about public revenues in Scotland.
 - If geographical share of North Sea revenues = better fiscal balance than UK as a whole over last few years, but heavy dependence on oil price
 - Need for fuller evidence base to inform public debate

#4: A Shared Future, even with Independence?

- SNP emphasising likely continuities:
 - Queen, the pound, single market, defence, foreign representation, DVLA – shared services approach
 - Reassurance, mitigating sense of risk - tactical
 - Also; envisaging prospect of neighbourhood in a way that no campaigners are not able to do
- One key example (though issues similar in others): sterling currency union

#5: Currency Union

- John Swinney speech some weeks ago
 - Bank of England = lender of last resort
 - Some level of fiscal policy accountability vis-à-vis the wider sterling zone as quid pro quo
- Entirely feasible vision of a shared service with RUK
 - Untested assumptions as to whether
 - BoE happy with this
 - UK Govt as regulator of the BoE happy with this
 - Enormous significance: investor confidence, credit ratings, warding off currently unhappy prospect of Euro
 - But ...

#6: The Scottish:RUK Partnership

- On issue of Scottish:RUK partnership in this and other fields two and a half years of the sound of one hand clapping
 - Yes side – interest in reassurance of continued partnership
 - No side – no interest in thinking through possible terms of partnership
- If a yes vote, would this all change?
 - Scotland and RUK as closely allied states (e.g. EU), shared interests (value of integrated market, shared territorial defence, 'social union')?
 - Hard, but positively minded negotiations on terms of new relationship, but only after Oct 2014?



Independence in the Union?

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Breakfast Briefing on Scottish Independence debate, 5 July 2012

Renegotiating Union: the Currency Union

- Political independence within common sterling zone
- Full control over public expenditure, revenue-raising, including borrowing powers & all taxes
- Macro-economic tools left with Bank of England/UK Treasury
- Lender of last resort?
- Representation on MPC?

'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.'

John Swinney,
Scottish Finance Secretary

Renegotiating Union: an Energy Union

- Scotland's share of North Sea oil would be in Scotland's hands, but with regulation of the oil industry left to UK bodies
- Common energy market, grid infrastructure & shared incentives/subsidy regime
- EU promotes market integration and shared grids, but finance less certain
- Market integration > pressure for common regulatory framework > weakens energy self-government

“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
Scottish Energy Minister

Renegotiating Union: the “Social Union”

- Oft-cited but ill-defined
- Vague references to family, personal and professional ties, but also to “shared interests”
- Other conceptions – shared social rights & common entitlements
- Options for social union with substance:
 - Mutual recognition in entitlements to benefits, pensions
 - Co-operation in health care delivery and regulation
 - Shared investment in medical research

“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.”

Alex Salmond
Scottish First Minister

Explanations for the New 'Unionism'

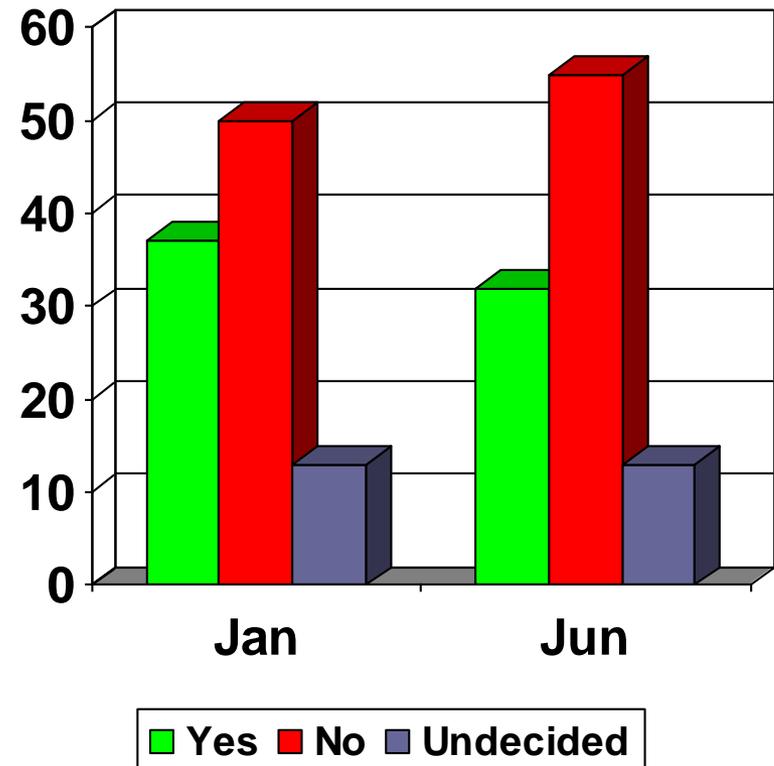
- 21st century states embedded in transnational networks modifying scope for independent decision-making
- 'post-sovereignty' already recognised and embraced with 'independence in Europe'
- SNP following well-worn path of nationalists in Basque country, Catalonia, and Québec



Pragmatic nationalism

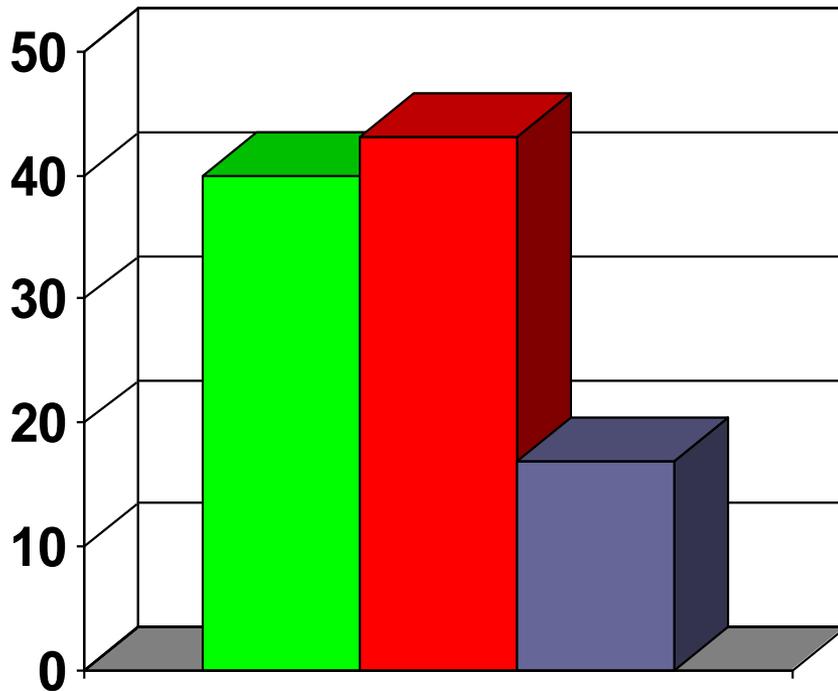
- Practical difficulties of disentangling Scotland from rUK
- Relatively weak support for independence
- Independence support weakest when portrayed as 'separation'

Do you agree that Scotland should be an independent country?



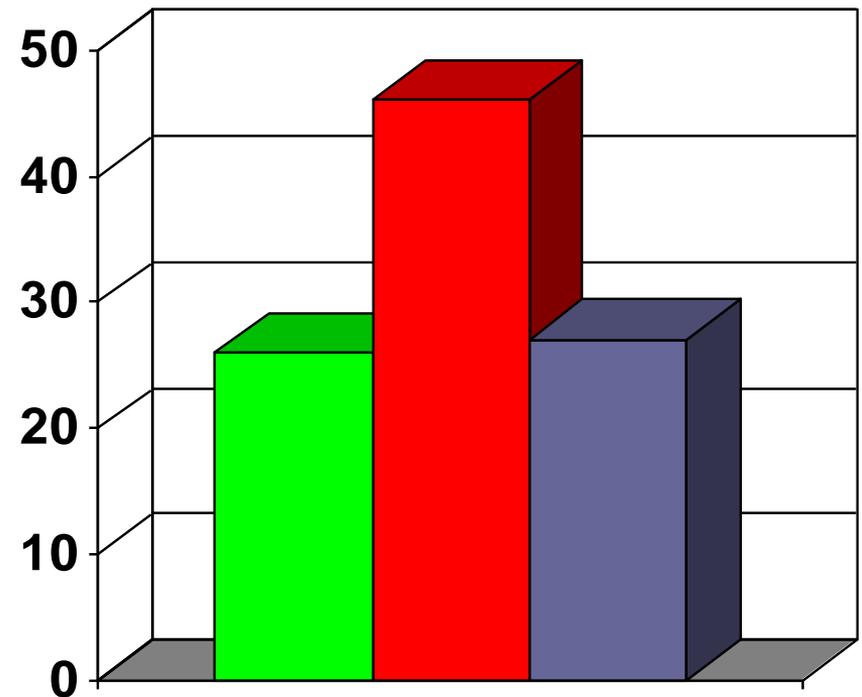
It's all in the question...

Would you approve or disapprove of Scotland becoming an independent country? (ICM 13/1/12)



Yes approve No disapprove DK

Would you approve or disapprove of Scotland becoming an independent country, separate from the United Kingdom? (Survation/Mail on Sunday, 14/1/12)

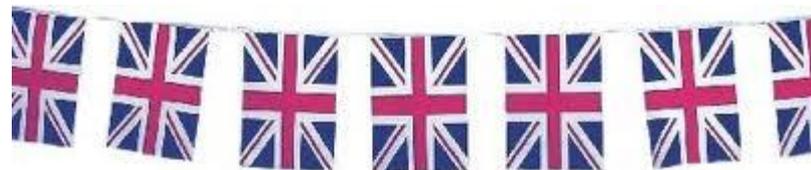


Yes, support No, oppose DK

Shared Britishness

(Scottish Election Study, 2011)

	Indep.	Scot Par + powers	No change	Scrap Scot Parl	Total (N=100%)
Scot n Brit	53	23	11	2	(536)
Scot > Brit	28	36	24	5	(575)
Scot = Brit	13	30	37	15	(525)
Brit > Scot	7	22	44	23	(82)
Brit n Scot	10	19	40	25	(183)



Challenges

- Renegotiating Union requires agreement with partner
 - But, 'partner' engaged in battle against 'separation'
- Institutional mechanisms to facilitate co-operation and joint decision-making – BIC?
- Nuanced interpretation of independence v nuanced interpretation of 'better together' >
 - recipe for voter confusion?

“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



**University of
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DEPT of POLITICS & IR

The Division of Czechoslovakia: Lessons for Scotland?

Karen Henderson

PSA Media Briefing

London, 5 July 2012

Model of bad practice

- Less than 10% of Slovaks vote for independence in June 1992, but state divided at end of that year
- Agreement to divide state made by leaders of largest Czech and largest Slovak party; it was second choice of both
- No referendum
- Dubious legal procedures at times



Great success

- Leaders' decisions in hindsight supported by public
- Slovakia joins Eurozone before Czech Republic
- Slovaks gradually resolve internal political conflicts
- Excellent political, personal and cultural relations between Czechs and Slovaks



Czechoslovak system was broke and needed fixing...

- Strong Slovak veto in communist constitution...
- ...caused gridlock in democratic decision making
- Rapid legislative changes imperative during post-communist reform

Czechoslovakia used to radical change

- Five major regime changes in less than a century
- This contributed to citizens' passivity
- International community accepted solution that avoided Yugoslav-style conflict

Czechoslovakia structurally different from UK

- Federation of two republics, with one federal and two republic governments
- 5 million Slovaks, (only) 10 million Czechs
- Both were successor states – no secession
- No nation-wide parties



Legislative process unlike in UK

- Pressure group and press scrutiny greater in UK
- Economic and social policy sophisticated and long-established
- Many cross-border issues subject to EU law
- Czechoslovakia divided at breakneck speed

Devo-max and independent-lite = confederation?

- The concept of confederation divided Czechoslovakia
- Meant everything good to Slovaks, and everything bad to Czechs
- Defence and currency union between sovereign states
- BUT UK politicians more experienced in managing complex arrangements



The alternatives

	Czechs	Slovaks
Unitary state	34	13
Federation	27	24
Confederation	6	32
Independence	11	17
Other/don't know	22	14



It's the economy...

- 'Who's subsidising whom' is the really divisive question
- 'Czech finance for Slovak independence'?
- Currency union ended earlier than expected



Watch the English

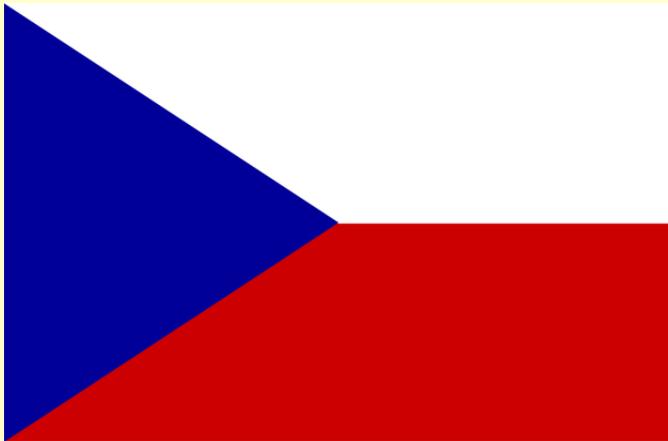
- The Czechs drove the division of Czechoslovakia in end stages
- Czech public opinion more volatile as issue less important
- Independence endorsed as considered inevitable

Avoid EU negotiating

- Czechoslovakia, as a non-member, had to renegotiate agreement and got worse deal
- UK citizens already in EU
- Germany added 16m new citizens as domestic decision

The flags...

Czechoslovak



Slovak



University of
Leicester

Czech flag

