

Scottish Independence

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The Independence Debate

Every few years, Scottish independence returns to the political agenda, usually following a rise in the fortunes of the Scottish National Party (SNP). This is not exceptional, since other stateless nations (such as Quebec, Catalonia or the Basque Country), which have kept their constitutional options open, have similar recurrent debates, while experience in central and eastern Europe and the Balkans have reminded us of the contingency and fragility of states. Yet there are some peculiar features of the Scottish debate, attributable to the specific nature of the United Kingdom, its history and institutions, and the way in which nation is linked to the state. There are three levels of analysis here, of mass opinion, of political elites and of the institutions. They are not independent, since elites and masses obviously have mutual influence. Institutions shape attitudes at both mass and elite level, they represent compromises among competing visions of the state, and they contain their own dynamics, which may be centripetal or centrifugal. The old unionist consensus has been undermined but there is no nationalist consensus to replace it. Two institutional options are currently offered by elites, devolution and independence-in-Europe. Public opinion does not recognize this clear distinction (and arguably never has). Both are constitutionally and legally possible and viable. A bigger problem is that both require a reconstruction of the nation in a wider sense, a task that the political parties have not addressed. Independence or not, Scotland faces many of the same challenges as a small nation adapting to European and global challenges.

The Strange Death of Unionist Britain

A striking feature of the debate about Scottish independence is that almost nobody questions its legitimacy. Even John Major (1993) wrote that no nation can be kept in a union against its will and Margaret Thatcher (1993) agreed that if the Scots wanted to be independent nobody could stop them. There is little emotional rejection in England of Scottish independence and indeed opinion polls have found similar levels of support for Scottish independence on both sides of the border. Elite and mass opinion accept that an expression of will of the people of Scotland will suffice, with only some quibbles about the size of referendum majority. This is in sharp contrast to debates in Spain and Canada where people outwith the historic nationalities are highly exercised about the prospects of secession, which they see as damaging to the interests of the state as a whole and to their own conception of the nation.

Colleagues elsewhere in Europe attribute it to the stereotypical British pragmatism. Within the UK, some argue that the union was never more than an institutional convenience for the constituent nations, to be dis-

carded when no longer useful. Yet a hundred years ago, the British Conservative party played with treason and armed resistance to a mere home rule scheme for Ireland. Nor is it true that Britishness was never invested with emotive force or affective loyalty. Wars and, in peacetime, the welfare state have tapped deep reserves of British national identity and polling evidence shows that Britishness, however, weakened, is still evident in popular sentiment. Political parties of both right and left have used British themes and iconography, especially to reach out beyond their natural class bases. The death of unionist Britain is not explained so easily.

The union and support for it must be understood at three levels. There is mass opinion, for which we have little evidence before the middle of the twentieth century and which even now is difficult to interpret. There is elite opinion within the political class and civil society, and the ideologies which elites produce to make sense of their choices. Then there are institutions, which filter mass opinion to decision-makers, transmit elite attitudes to the public, and represent compromises among competing aims and ideas. The three levels are linked together in an embracing ideology of Unionism. It does not entail the uniform and unitary state in which local identities are subordinated to a totalising nation-state identity. Rather it has always recognised the existence of the nations making up the United Kingdom, their historic traditions and their institutional continuities. Unionists straddle their local and state-wide patriotisms, using the term "nation" to refer to both levels (Kidd 2008; Ward 2005). Rokkan and Urwin (1983) called the result a "union state" but, while the term has gained new currency since the 1990s, there has been little systematic effort to investigate its nature (Keating 2001). One element is the institutional legacy, which has allowed Church, law and education to survive within the union. Another is the survival of the distinctive Scottish view of sovereignty (McCormick 1999). The constitutional practice of unionism has involved recognition of these distinctive features while refusing political devolution, precisely on the grounds that a nation equipped with self-governing institutions will assume sovereignty to itself. The British tradition of self-governing civil society allowed a measure of informal home rule for much of Scotland's history within the union (Paterson 1994) while other matters were taken to Westminster by territorial brokers charged with managing the union. This was an elite compromise, in which autonomy in Scotland was exchanged for access to the centre and opportunities for Scottish politicians. There was always a disjuncture with mass opinion, which consistently favoured home rule within the United Kingdom; yet the institutional compromise of administrative devolution allowed expression to Scottish sentiment, while linking it to a British project. In England, unionism took another form, illustrated by the ambivalent use of the term "England" itself. Sometimes this was a sloppy substitute for Great Britain; sometimes it referred to a specific territory within the union; and some-

times it implied that England was the defining core, with the peripheral parts not fundamentally affecting its constitution.

So it is not the unravelling of a unitary nation, nor the loosening of a marriage of convenience that we must address, but this peculiar doctrine of the union and its disappearance at the turn of the twenty first century (McLean and McMillan 2005; Nairn 2000, 2007; Gardiner 2004). One type of explanation focuses on Britain's external relations and the declining instrumental value and emotional hold of the union at both mass and elite level. A common one is to take Linda Colley's (1992) account of the rise of popular Britishness, forged in war with France and Protestantism and show how these factors are no longer relevant (Bryant 2006). This approach is open to a number of objections. Protestantism was divisive within the UK, marking first Scotland and then Wales off from England. War with the neighbours was the common European experience, not a British peculiarity. In any case, national identities forged in one era normally become self-sustaining and adapt to new circumstances and new issues.

An older version is that the UK was the creature of Empire and, after its disappearance, lost both its instrumental appeal and its ideological underpinnings (Marquand 1995; Weight 2002). This argument is drawn at too general and broad a level and downplays Britishness itself (Aughey 2001). Scots did participate disproportionately in the Empire, yet there were episodes of Scottish nationalism in the late nineteenth and early twentieth centuries, usually placed within a broader imperial narrative. The demise of empire did indeed force Britain (I leave aside the more difficult question of the United Kingdom) to reconstruct itself as a nation-state, but few people in the 1940s or 1950s, with the foundation of the welfare state, would have considered this problematic; on the contrary these were bleak times for anti-unionists. Decolonisation did not immediately question the nature of the metropolitan state in the way it did, for example, in Spain after 1898 or France in the 1950s and 1960s.

Another external explanation is that Britain has come apart under the influence of European integration. Yet Euroscepticism is something that we could expect to unite the UK, given its diffusion across the nations in rather equal measure (Keating 2009). The argument that Scots have embraced Europe while the English reject it (Weight 2002) finds little support from surveys. There may be more mileage in the European argument at the elite level, as it enables nationalists to construct an ideological and institutional alternative to the union, rebutting old arguments about the isolation of Scotland sidestepping issues about currency matters and borders. At a time when leading Labour politicians were trying to scare the voters by talking of border posts between Scotland and England, an opinion poll showed that just 10% of Scottish voters thought that an independent Scotland would erect border posts (YouGov and Sunday Times, January 2007). Similarly the confidence that England and Scotland would share

a wider security area is reflected in the fact that only 8% thought that an independent Scotland would be more vulnerable to terrorist attack, another fear raised by Labour.

Other explanations are internal. One is that the destruction of the welfare state has broken an essential bond of Britishness, especially among the working class. The welfare state was indeed critical in building Scottish working class support for the union (Keating and Bleiman 1979). Yet it has not been dismantled. Nor is there much evidence that this state-wide solidarity has disappeared, or at least that it preceded the decline of unionism as would be necessary to give it causal primacy. Neither Scottish nor English voters have rejected basic welfare values and surveys show Scots only marginally to the left of English as a whole and even that small difference is due to southern England, rather than Scotland, being the outlier from UK norms (Bond and Rosie 2007). What has happened, rather, is that a widespread support for threatened welfare values has mapped onto an existing sense of identity in Scotland, so giving new political significance to the nation.

Working class solidarity was, in principle, universal but in practice followed the boundaries of the British state, as Labour opposition to European integration in the years after the Second World War showed. As with unionism as a whole, this Labour unionism was not entirely assimilationist and allowed for various degrees of Scottish distinctiveness as well as the existence of an organized Scottish lobby crossing party boundaries. The old institutions of the Labour Party and the mass trades unions are no more and class and national identities are merged now in a new mix, with Scottish people, especially Scottish identifiers more likely to identify themselves as working class irrespective of objective occupational category (Brown et al. 2000; Surridge 2003). Between 1979 and 1999 there was a reduction in the percentage of Scots who identified more with an English person of the same class (from 44 to 24) and an increase in the percentage of those who identified more with a Scottish person of a different class (from 38 to 43) (Paterson et al. 2001). There is some evidence to suggest that Scottish identity and left-wing attitudes are related, especially among exclusive Scottish identifiers (Paterson 2002b). It appears then that, as pan-British class identities have declined, there is a section of the working class divorced from Britishness and no longer subject to the unionist pressures of Labourism.

While spending on public services has not been radically cut, there has been an important discursive shift, under both Conservative and New Labour governments. The emphasis on individualism and competition, and the move away from universalism, may have undermined the sense of political community. Rhetorical attacks on the state, bureaucracy and government mean that the state cannot work as the focus of national identity as it does elsewhere. New Labour's counter-point rhetoric of community and moral values thus lacks any institutional expression beyond vague

references to civil society. Traditional unionism is not a thick enough identity on its own when delinked from the state. The frantic efforts to reinvent Britishness merely expose the hollowness of the concept in the face of competing projects for prioritising identities.

On the right, unionism was represented for most of the twentieth century by the Scottish Unionist Party, which adopted the name Conservative only in 1965. While the convergence of voting behaviour in England and Scotland during the 1940s and 1950s looked like evidence of a broader social and political assimilation, the Unionist Party was a rather different coalition from its counterpart south of the border. Its largest element came from the old Liberal Unionists and its leadership was shared by the landowning upper classes and the urban bourgeoisie. It never secured a strong base in the cities and during the thirty years after the Second World War its parliamentary contingent became gradually more, rather than less, dominated by the landed upper class element (Keating 1975). These elites were instinctively unionist in the traditional way, often linked by family and landholding to other parts of the United Kingdom and their demise from the 1960s undermined one social pillar of the union. The rise of the middle classes did not, on the other hand, provide new recruits for Scottish Conservative unionism but rather for Labour and the SNP. Among the political failures of Thatcherism in Scotland was the building of a new indigenous Scottish bourgeoisie loyal to the union, although privatization might have provided the opportunity.

Survey evidence on these shifting identities and constitutional preferences is often difficult to interpret, given the subtleties of the issues, but some trends are clear. On the Linz/Moreno scale asking people about which identities they prioritize, there has been a shift over the years towards a stronger Scottish and a weaker British identity. Those prioritizing a Scottish identity went up from 56% in 1979 to 72% in 2003 while the British identifiers declined from 38 to 20% (Paterson 2002a). More recently, there is evidence for English people beginning to prioritize an English identity and for pride in Britain to weaken (Heath 2005; Curtice 2005).

There is no evidence of a widespread desire to break the union, but surveys do show a rather large measure of indifference and a belief that it will end at sometime in the future, evidence of its rather contingent nature. A YouGov poll for the Sunday Times in January 2007 showed 59% of Scots thinking that independence was likely within the next twenty years (31% within ten years). By contrast, Surridge (2006), using election study and social survey data, finds a fall from 59 to 31% of Scots thinking that independence was likely within twenty years. In 2003, 48% of them would be unhappy to leave the union, against 24% who would be pleased. A YouGov poll for the Daily Telegraph in June 2006 showed that 70% of people in Britain as a whole expected the union to survive. Yet only 25% would be unhappy if Scotland were to become independent, with 44% indifferent.

Much of this inconsistency is down to the ambiguous meanings of the terms involved. It is usually possible to get independence support in Scotland to 50% by the wording the question in a particular way. What is striking in comparison with other countries, however, is the general consistency between English and Scottish attitudes on reshaping the union. For example, on a rather "soft" question about Scottish independence in January 2007, ICM found that 51% of people in Scotland and 49% in England would approve of Scotland becoming an independent country. On a harder question posed by YouGov in the same month, English respondents divided 52 – 28 against Scottish independence. The same survey, on a similarly hard question, found Scots dividing 47 – 35 against independence. This is consistent with surveys over the years (Keating 2001).

Purely instrumental analyses reduce the question to one of economic advantage, which could play either way, depending on the circumstances of the time. By the late eighteenth century, a general consensus had emerged that the union was in Scotland's economic interests, a view that persisted until well into the twentieth century. In the earlier part of this period, the union and Empire were seen as positive opportunities for trade and careers and the heavy industries of the Clyde were highly dependent on imperial markets. After the First World War, however the idea took hold that Scotland needed the union to stave off economic collapse, that it could not afford to go its own way and that transfer payments from the south were the only way to sustain living standards and attract business. Hence during periods when Scotland was doing rather poorly (as in the 1930s, the 1950s and the 1980s), nationalism was weak while it strengthened during times of relative prosperity (such as the mid-1970s and the 1990s). This seems to fit the facts better than the old "relative deprivation" theory according to which nationalism was a response to adverse conditions. More specifically, Scots seem to make a judgement as to whether, in any given circumstances, the union is helping or hindering but still, in hard times, tend to fall back on unionism and particularly the Labour Party.

Although there is no correlation between supporting Scottish independence and being in favour of European integration at the individual level, the economic argument has been transformed by the EU context. Surveys show that SNP voters think that independence will make Scotland better off while supporters of the unionist parties think otherwise, but we do not know whether it is partisanship which has shaped the economic judgement or the other way around. The November 2006 YouGov poll asked people a fairly hard question about independence, then a series of questions in which they listed instrumental advantages and disadvantages to independence. At the end, they asked the independence question again, with support for independence barely unchanged (in fact it very slightly increased). Opinion about the economic advantages and disadvantages was rather confused, with a majority (67%) accepting that an independent

Scotland could boost the economy by, for example, cutting taxes while a plurality (48%) believed that Scotland might be poorer, losing investment and businesses. This suggests that the case can be made either way and that unionist efforts to scare voters will not work – apart from being a tacit admission they have lost the core ideological argument.

Whatever the reasons for the decline of unionism, it removes one of the principal obstacles to the consideration of Scottish independence, an entrenched doctrine favouring the existing state and rendering its break-up illegitimate. In comparative perspective, this is of immense significance; indeed I know of no similar case in the world. Nor does Scotland face a dispute about the boundaries which an independent state would adopt, except at sea and that for economic reasons rather than considerations of identity or history. There are no significant minorities on either side of the border who would seek a veto over independence or a special status after it.

We cannot say that British national identity and unionism have been replaced by a newly hegemonic Scottish identity, with clear constitutional implications. Unionism has nonetheless been weakened by a linked set of three processes. The first is attitudinal, with Scottish identities coming to prevail over British, but without the latter disappearing. The second is institutional, as the bulwarks of Britishness in state institutions, parties, trades unions and other bodies are weakened as integrating and socializing forces. The third is instrumental, as calculations of the value of and need for the union for security, economic development and social cohesion change. None of these is determinate and they work at different levels, but they serve together to open the field to other ways of imagining the nation and the state.

None of this is to say that Scottish independence is or would be uncontentious. The Labour Party, in particular, can be expected to mount a strenuous opposition, since Scotland's departure could not only undermine its position within UK politics, but decapitate the party leadership. It is tempting, as some commentators occasionally do, to reduce the whole question to one of partisan advantage, saying that the parties' attitudes to the union depend on their gaining or losing from it. Yet the Conservatives did not waver in their support for the union during the 1980s and 1990s when it brought them no political advantage and cost a lot of money. Party leaders in other established states have not acquiesced in secession of part of the territory merely because they did not get votes there. Unionism and state-based nationalism are deeply-rooted values in most states, to which parties can appeal in order to straddle the local and state-wide electoral arenas. In the absence of such values and a corresponding narrative, Labour is reduced in Scotland to scare-tactics or economic doomsaying, which do not seem to convince anybody.

The Independence Alternative

Unionism is elusive in its doctrines or implications. Its institutional form is protean, with its mixture of diversity and unity changing over time. Yet so is its competitor, nationalism and the independence option. We are used now to a distinction between home rulers (or devolutionists) on the one hand, and independence supporters on the other. Yet historically the line has never been entirely clear. In the nineteenth and early twentieth centuries, home rule for Scotland and Ireland was usually placed within the Empire, with Scotland sometimes presented as a co-motherland or as a Dominion. It was not until the Statute of Westminster in 1931 that the reality of dominion status as effective independence was clear. Even then, Scottish nationalists would often place their project in the imperial context (Finlay 1992). The 1930s have sometimes been seen as the time of birth of the first real Scottish nationalism. This was indeed the time of the first nationalist parties, but their very separation from the mainstream exposed their weakness. For years afterwards, nationalists like John MacCormick could oscillate between the SNP and all-party home rule movements. The question was only really clarified in the late 1980s with the SNP formula of independence in Europe, giving rise to a three-way division of the political offer in Scotland: independence; devolution; and centralisation. Since 1988 this has been reduced to two. Europe has now replaced the empire as the external support system for an independent Scotland and, according to the advocates of independence-in-Europe, resolves many of the tricky problems associated with statehood in the past.

The first requirement of a seceding state is recognition, by the host state and by the international community. In Scotland this seems secure. Although there may be arguments the necessary size of a referendum majority, no party now denies the right of Scottish secession. The argument has shifted as to whether an independent Scotland could be a member of the European Union. Opinions about the legal position have varied, with most people asserting that rump UK would be the successor member state of the EU and that Scotland would have to apply for membership (Murkens 2002). It seems unlikely that the EU would seek to expel a part of its territory that wished to remain. Nor is it likely that the EU, preoccupied with absorbing countries to the east, would worry about Scotland's conformity to the *acquis communautaire*. The main problem might not be EU legal considerations, but fear of other member states, such as Spain, that this would set a precedent.

This still leaves the question of whether Europe would really solve the external problems of independence and whether, in so far as it did, Scotland could really call itself independent in the traditional sense. Scotland would have to accept the full *acquis de l'union* including the Euro and common foreign and defence policy, without a right to the opt-outs enjoyed by the UK and Denmark. This might be a constraint on effective

independence but it is arguable that only by entering into the heart of Europe can Scotland as a small member state hope to gain influence. So we might argue that the historic Scottish dilemma has not been removed, only reframed. It is still that of retaining a margin of autonomy in a complex and interdependent world, while sustaining influence in a larger arena. Brussels would replace London as the main external arena but its autonomy would be enhanced to the extent that EU competences are less extensive and intrusive than those of the UK government under the existing devolution settlement.

At one time, SNP policy was for a Scottish currency, and its politicians would even boast about how high it would ride on the financial markets given the oil revenues – ignoring the devastating effect this would have on manufacturing industry. Now the policy is to retain the pound sterling, while preparing for a possible adoption of the Euro after a referendum. There is nothing to stop Scotland using sterling after independence. It would, however, tie Scotland to Bank of England policies and targets. There is no guarantee at all that the resulting policies will be in Scotland's interests. The Euro offers a way out, breaking dependency on London but adopting the convergence criteria on deficits, debts and inflation. Without a capacity to devalue, Scotland would have to restrain inflationary pressures in order to maintain competitiveness and in the longer term to align itself with the Euro-zone economic cycle. This would imply either labour market deregulation to gain flexibility, or new forms of concerted action in order to maintain competitiveness in wages and social expenditures.

Defence and security are among the classic competences of the sovereign state but it is remarkable how little they have featured in the Scottish debate. This is doubtless because an independent Scotland would, of necessity, be part of the Euro-Atlantic security zone. Border controls could result from the fact that the United Kingdom government has declined to join the Schengen area of free travel. So Scotland would have the option of joining Schengen and setting a border with England, or opting, like the Republic of Ireland, to retain the common travel area with the rest of the UK and keeping the border with the Schengen countries.

The Political Economy of Independence

The contention that Scotland could not “afford” independence, can be dismissed at the outset. Scotland is a middle-income west European country with a population and resource base larger than several existing EU states. There has been a spate of writing about Scotland's long-term economic decline, its failure to maintain economic growth rates equivalent to the UK average and the gloomy prospects for the future. Most of these exaggerate Scotland's woes by comparing GDP growth rates rather than GDP per capita, which is clearly a better measure of welfare. As Scotland's population has been declining relative to England, the latter needs a higher overall growth rate to maintain a per capita equivalent. In fact,

growth per capita has been broadly in line with the UK average. Another problem is the comparison with a UK average that is largely determined by London and the South-East. In comparison with Wales, Northern Ireland and the regions of England, Scotland performs slightly above the average. Its GDP per capita in relation to other parts of the UK has fluctuated over the last hundred years between the high 80s and just over 100 and is at present 96%.

Similarly, there have been wide discrepancies in the calculation of the fiscal imbalance, with the biggest difference over how to calculate the oil revenues. Assuming that the truth is somewhere between the nationalist and the unionist calculations, there might be an increase in Scotland's fiscal deficit, certainly putting it out of the range necessary to qualify for the Euro, but not an impossible one. There are, however, problems in relying on oil revenues. Oil prices are volatile as are rates of production, so that it would not be prudent to spend revenues at the peak. Independence would allow Scotland to husband the resource, in the way Norway has done, in order to use it for long-term development, but this would not permit an immediate oil-based boom after independence. Indeed the lack of the automatic stabilisers available in larger fiscal area would leave Scotland vulnerable to asymmetrical shocks and in need of an active anti-cyclical policy.

These arguments are mostly based on a static analysis of how Scotland would do if it were independent, but policies were otherwise the same. An independent Scotland, however, might pursue quite different policies. There are two broad views of the dynamic effects of independence. One holds that under conditions of globalization Scotland would not have any power to alter its basic economic orientation and would remain a policy-taker. The other is that it would be able to seize control of the "levers" of economic change. The conventional form of this argument is that London has pursued overly restrictive macro-economic policies in the interests of the financial sector of the City of London, to sustain an unrealistic exchange rate, and to avoid over-heating in the South-East of England. An independent Scotland could take a more expansionist line. However much validity this argument had in the past, it must be questioned now. A Scotland without its own currency would be subject to monetary policies set in Frankfurt or in London and fiscal policies would have to adjust to this. It might be necessary, at times of high oil revenues, to run a fiscal surplus as in Norway, where it currently amounts to 17% of GDP. An expansionary policy would certainly require an increase in the labour supply, through immigration or, more importantly, active labour market policies and a reduction in welfare dependency (see below).

One path to growth, now favoured by the SNP, is to cut taxes sharply, especially on business, in order to attract inward investment. This is seductive but misleading, and the claim that such tax cuts pay for themselves is reminiscent of the wishful thinking of the Reagan administration in 1980s

America with regard to personal taxation. In a broader comparative context, it is not obvious that corporation tax cuts are the best way to stimulate investment. (Krugman 2003) The manufacturing industries at which they have been aimed are now migrating to even lower-cost jurisdictions in central and eastern Europe, Asia and elsewhere. Multinational firms use low-tax jurisdictions to declare their profits by complex transfer-pricing ruses, and the repatriated profits sharply reduce the advantage to national income. Low taxes, since they do not really pay for themselves, imply a lower level of public services, including services of direct economic benefit such as infrastructure and education and training, as well as general welfare provision.

A sector of opinion now argues that this would be no bad thing, as the public sector in Scotland is currently "crowding out" private investment and growth (Mackay and Bell 2006). There are several versions of this argument, one of which is that taxation for public services is squeezing out consumer spending, hardly a plausible argument in present conditions. Another is that there it is creating a shortage of investment capital, again difficult to sustain at present; a more plausible villain here would be overinvestment in the property market. Then there is the argument that the public sector is absorbing too much of the labour force. Yet here what surely matters is what these people are doing, not whether they are employed in the public or the private sector (Kean and Cumbers 2007). There is a good argument to the effect that the very weakness of the private sector in Scotland means that the public sector must be both strong and efficient. For example, the poor role of the private sector in research and development is partly offset by the relatively good performance of universities. Scotland's poor health conditions are an economic as well as a social problem and require a large investment in both preventative and curative care, which will come only from the public sector.

Ireland currently has a public sector accounting for 35% of its GDP, compared with just over 50% in Scotland and 58 in Sweden. The scenario of combining Irish taxation levels with Nordic standards of provision is thus not a serious contender. Competing on low taxes is often described as the "race to the bottom", as jurisdictions compete to reduce costs to business and offload them onto other sections of society, or as the "low road" to development. The "high road", by contrast, involves higher levels of public investment and policies based on social inclusion and greater equality. While this two-way contrast is greatly simplified, an independent Scotland would have to make a strategic choice about its development model and how to carry it through.

Model cases of development usually seem to have occurred from a mixture of historical chance, muddling through, experimentation and some learning from mistakes. There is some evidence, however, of how small states can adapt to globalisation while retaining control of their own destinies. Alesina and Spolaore (2003) and Katzenstein (1985) have shown how

small states have used certain inherent advantages to adapt to world markets. They have short lines of communication, small and cohesive policy communities and practices of social concertation enabling them to respond rapidly to changes in external conditions. Since they cannot afford long-term and large-scale unemployment, they must engage in active labour market policies. The literature on local and regional development similarly now stresses the importance of social relations, practices and networks (Scott 1998; Storper 1997). Such productivist coalitions may be broader than the old tripartite corporatism, less strongly institutionalized and more fluid in their composition (Streeck 2006).

A common theme of this literature is the stress of the social construction of the market and the need in a capitalist economy to balance competition with co-operation. Development requires both private rewards for investors and public goods, such as infrastructure, an educated workforce and good environment. It also requires the capacity to generate and diffuse knowledge and innovation beyond the individual firm. Networks among firms, government, universities and others need to be strong enough to sustain themselves but flexible enough to adapt to changing circumstances. There needs to be broad social consensus on the development framework but lively debate on the policy options.

This might sound like the list of oxymoronic appositions beloved of third way politicians unless we can give it some more specific institutional form. One element is certainly a shared sense of national identity, which provides an overarching theme within which policy debates are possible. Beyond this, we see small states adopting practices of social concertation, bringing together business, trades unions and social actors with government to discuss development requirements. This bears some resemblance to the "corporatist" arrangements of the 1970s which have subsequently got a (not entirely deserved) bad name. Modern forms of concertation, however, are lighter and more flexible. Business and trade unions are no longer monoliths with defined interests and leadership, and governments are no longer committed to fixed plans, with targets for everything. Concertation, rather, provides a forum for agreement on positive-sum moves to improve performance, and a way of agreeing on how to distribute the burdens and rewards of change. In this way, a mechanism that could otherwise lead to blockage and a multiplication of veto points becomes a device for encouraging change.

Scotland is a long way from having this form of concerted action, or even the partners who could engage in it. Its interest group structure is a legacy of the industrial age and the welfare state and its public administration is a part of the UK government only slowly evolving into a policy maker. The old economic networks are now fragmented and integrated in transnational chains (Baird et al. 2007). There is a shared identity, long existent in a cultural and historical sense and now of increasing political salience, but it has not been harnessed to a development project in the way

found elsewhere (but see Bond et al. 2003 for variations on the theme). Scotland has not yet managed to distinguish clearly between nationality, which can be a unifying theme underlying social co-operation, and nationalism, which is divisive within the country and which the parties have chosen to make the main political cleavage. There is nothing, for example, comparable to *catalanismo*, a shared orientation that allows Catalan nationalists and the socialists to share an ideological framework of territorial development and social solidarity, while disagreeing on politics and policy. A similar spirit is visible in Quebec, where partisanship exists within an overall commitment to the shared frame of reference. It is possible that independence might be the catalyst for the construction of a new development coalition, a change in interest representation and a reform of policy-making capacity, but it will not happen by necessity. There may be strong incentives to adopt pro-growth policies in order to break the fiscal constraints but this does not mean that politicians would respond. After its own independence, Ireland stagnated under the domination of conservative and anti-development forces and did not learn how to break out of this for another sixty years. (Garvin 2004)

An independent Scotland could thus be not only viable but successful, but only with structural change accompanying independence. One form would be the deregulated, low tax model, open to international business. Another would be a concerted and networks economy, with a stronger emphasis on public services and high-value activities. Little of this, however, features in the political debate. Academic analyses of the Scottish economy still tend to rely on comparative statics and the use of conventional tools of management. The political parties either assume that after independence all will be well with low taxes and high services, or predict absolute disaster. None of this has helped serious thinking about the issue.

Is Independence what it is all about?

Public opinion has become detached from the union but not attached to the nationalist alternative. Evidence about the disintegration of Britain is ambivalent (Paterson 2002a). The press in Scotland periodically get excited about opinion polls indicating a majority for independence, most recently in early 2007. A series of ICM polls between 1998 and 2001 showed support running about 50%; but when it was put aside other options including devolution, support fell to around 30% (Keating 2001). In January 2007 a YouGov poll showed 40% support for independence on a straight choice, but when it was put against devolution options, independence support fell to 31%. Other quirky findings abound, such as an ICM poll in February 1999 showing that 82% of respondents thought that an independent Scotland should be defended by the British army. Scotland is not unique here. ICS polls in Catalonia over a longer period show that about 35% think of independence of Catalonia as a good idea, but when asked about constitutional options, support for independence falls to half of that. Evidence of

similar attitudes is abundantly available for Quebec, since the anti-nationalist parties have commissioned surveys precisely to expose what they see as a contradiction in the independence position. Support for independence in the Basque country has fluctuated around 30%, but surveys have repeatedly found that about half of Basques would like to have a Basque rather than a Spanish passport (CIRES 1991-6; Moral 1998). More careful reading, however, shows that these apparent contradictions hide some consistencies in attitudes. Voters in these places do not want their own armed forces or currency or closed borders. Majorities do tend to think that they have a right to recognition as more than an undifferentiated regional unit and would want to be able to renegotiate their place in the state and international order. There is a desire to control their own taxation but not a total rejection of social solidarity with the rest of the state.

Such findings are not as outlandish as might appear. Independence in Europe does not mean independence in the classic sense. The currency, defence and control of borders are not merely government competences, they are among the tasks that have traditionally defined the very meaning of sovereignty. Many nationalist movements in Europe have gone even further, questioning whether sovereignty itself has the same meaning in a modern and interdependent world. Instead, we might think of independence as a bundle of competences that could be separated from each other and considered individually. There is nothing particularly new in this, since doctrines of shared and divided sovereignty exist in political and legal theory in many parts of Europe. It is not by chance that most of these are small nations with big and historically aggressive neighbours, who have no interest in doctrines of absolute independence and every reason to support overarching systems of international law and order. In the present era, the combination of recovered tradition and the emerging European opportunity structure have given rise to forms of post-sovereign thinking, going beyond classical state formulations altogether (MacCormick 1999; Keating 2001). Catalan nationalism has always been ambivalent about its final aims, seeking to advance Catalan autonomy within Spain, in Europe and wherever it might be possible. In central and eastern Europe, national minorities look to Europe as a new space in which old conundrums about borders and identities can be resolved. The Basque Parliament in 2004 endorsed a scheme (the Ibarretxe Plan) for a "freely associated" state, which would have a large degree of independence but in close association with Spain (Keating and Bray 2006). The first Quebec referendum, in 1980, proposed "sovereignty-association", while the second in 1995, avoiding the now-discredited term, contained most of the substance. Quebec would be sovereign but use the Canadian currency, allow dual citizenship and share parliamentary and even some executive institutions. At one time the Quebec Liberal Party, competing with the nationalists, adopted radical proposals for decentralisation that amounted to much the same thing, the

main difference being that the nationalists proposed to declare sovereignty and then negotiate themselves half way back into Canada, while the Liberals proposed not to declare sovereignty but to negotiate themselves half way out.

A semi-independent Scotland is difficult but not impossible to imagine, drawing on existing elements and those found within federal and complex states. Since I have written so extensively about the politics of semi-sovereignty I will not enlarge on it here except in skeletal form. Scotland could control all or nearly its own taxes, subject to European rules, negotiating a transfer for common UK services, as happens in the Basque Country. The pound would remain the currency until such time as the UK decided to join the Euro. This might imply limits on Scotland's ability to borrow and run deficits, as happens in the Euro-zone; or it may be unregulated as happens with provinces within Canada. Defence, and foreign affairs would remain the responsibility of the UK government as would immigration although Scotland could have a way of selecting its own immigrants as happens in Quebec. The welfare state would be restructured, with most competences going to Scotland but there might well be a common unemployment insurance scheme. There would be negotiated reciprocal entitlements to benefits among the parts of the UK, a matter that will have to be addressed in any event, given the gradual tendency for entitlements to diverge under devolution. Many existing institutions and arrangements, such as public pensions, could remain unchanged, although perhaps with some changes in their management structures, so avoiding the disruption of having to set up new systems. Scottish MPs at Westminster would not have the right to vote on affairs concerning only the other parts of the United Kingdom. Representation in the European Union would be the responsibility of the UK government, but Scotland would have a right to participate in setting the policy and to take the lead on matters where it has the prime responsibility (such as fisheries). This seems to conform to opinion polls, which show that people want to transfer more domestic powers, including taxation to Holyrood but are not interested in it dealing with foreign and defence policy (Hebbert 2006).

This might be considered as a further evolution of the union, away from the parliamentary union that prevailed for three hundred years, to a more confederal arrangement. The United Kingdom has shown that it can tolerate a much greater degree of asymmetry than other federal and devolved systems even in multinational states, first in symbolic matters and latterly in substantive constitutional arrangements; and much more than unionists had believed before 1999. Such a system might be put in place in one reform, as a way perhaps of diffusing a crisis following an inconclusive referendum result. More likely, it will happen by way of evolution, as the desire in Scotland to take on more powers leads to an incremental devolution of powers and Scotland will gradually move to such an asymmetrical relationship with the UK state, as will Northern Ireland.

The possibilities and limits of this are governed again by mass and elite opinion and institutional dynamics. Mass opinion appears unconcerned about constitutional asymmetry in spite of efforts by politicians to make an issue of it. Elites and leaders are another matter. The party system in Scotland has been reconstructed around the union-independence dichotomy, replacing the traditional confrontation between two unionist parties who were able to incorporate the Scottish issue within their overall policy prospectus. Henceforth independence is an issue. The institutional dynamics of devolution are likely to produce further centrifugal tendencies as policy differences become more pronounced and different parties are in power at the two levels. This can probably be accommodated a long way yet with changes such as those suggested by the Liberal Democrat Steel Commission (2006) or the (Calman) Commission on Scottish Devolution (2009). At some point, however, this will push the union settlement to its limits. We can manage for most of the time with a minimum of constitutional law in the UK, but there is a growing gap between the predominant doctrine in Scotland, that it can negotiate its own position as a partner within the union, adjusting where necessary to the demands of England, and the prevailing Westminster doctrine that devolution is merely decentralization within the unitary state.

The role of Europe in loosening the union and allowing its reconstruction is ambivalent. The EU framework makes policy differentiation between Scotland and England less likely and less problematic, and the more Europe does the stronger this effect. Europe has also broken the myth of absolute national sovereignty and introduced a new form of politics and policy-making, based on negotiation and compromise. There was a lot of excitement in the 1990s about the possibility of a third level of European politics, in the regions and stateless nations, which could find a distinct niche in the emerging constitutional order. There was always a certain amount of wishful thinking here, and bodies like the Committee of the Regions were invested with an importance they were never likely to merit. The resulting disillusion was confirmed when the Convention on the Future of Europe and the resulting draft constitutional treaty focused on the delineation of the tasks of the states and the union, largely neglecting the third level. Consequently, some parties (such as *Plaid Cymru*) returned to a more traditional independence line and some observers pronounced the third level movement over. Yet even as they struggle to recover a pro-independence posture, these parties (such as *Plaid Cymru* and *Esquerra Republicana de Catalunya*) are driven back to attenuated forms of statehood, the need for a strong external support system and some continuing link to the existing state, just as the *Parti Québécois* was driven back into sovereignty-association in form if not in words.

Indeed the more Europe develops the less the United Kingdom is needed. Were Europe for example to develop a real foreign, defence and immigration policy, or to become a framework in which the various wel-

fare states could establish closer reciprocal links, then the tasks outlined above for the UK state would be less relevant. Moreover, the more policies governed by Europe, the stronger the need for Scotland and the rest of the UK to agree on the line to be pursued in the Council of Ministers and the greater the chances of Scotland being sidelined. At that point, direct Scottish participation would become necessary. So ironically it is Europe, which in one sense fudges the whole issue of sovereignty and independence, that might make a decision on formal independence necessary.

Independent or not, however, Scotland will face the same challenges as a small nation in a big international market. An obsession with the constitutional issue has diverted attention from the need for a viable project for society and economy. It is the political economy of independence, rather than the constitution, that remains the greatest challenge.

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