

# EDITORIAL

## Independence after the crash

James Stafford

---

The financial crisis has transformed the debate over Scottish independence – to the disadvantage of the SNP.

---

Here is a useful test that watchers of the debate on Scotland's independence might want to apply to the competing statements of the contending parties: 'Could you have said that in 2007, or even 1999?' If the answer is 'yes', then the statement might not mean much. The global financial crisis, and its corollary in the eurozone, should by rights have transformed the terms of what is now a decades-long debate on the possibility of Scottish independence. But it is not immediately apparent that they have done so. Activists from both camps paint rosy pictures of possible futures within and without the UK. Scotland's legion of cultural commentators ruminate on the politics of identity, much as they have done for decades. The Radical Independence Campaign and Common Weal excitedly speculate about deliberative democracy and economic justice. All participants have an interest in reducing the salience of the 'crises of democratic capitalism' (Streeck, 2011), since none are seriously dedicated to dispensing with it.

This is not to say that the reality, and central importance, of the crisis is straightforwardly denied. The SNP's decision to advocate a sterling union over euro membership for an independent Scotland has been its most notorious consequence, and one that has drawn a huge amount of critical attention from campaigners for the union. But the back-and-forth about the pound addresses the symptoms, rather than the root causes, of this monumental *volte-face*, which repudiated decades of nationalist economic analysis (Jackson, 2012). It is widely acknowledged that the

crisis has critically undermined Britain's attempts to sustain a post-industrial economy within an increasingly global division of labour (Hay et al., 2013). But it has also devastated Scottish nationalists' political economy. The euro crisis exposes nationalists' demands for social democracy as being irreconcilable with their vision of Scotland as a 'post-sovereign' state in a confederal Europe.

## The revenge of sovereignty

Those who point out the risks attendant on a Yes vote this September are commonly accused of 'talking down' to Scots; of declaring Scotland to be 'too wee, too poor, too dumb' to 'go it alone' (Wishart, 2014). This is ironic, because intelligent Scots have always privileged co-operative strategies for the advancement of their country's interests in an uncertain world (Kidd, 2008). Since the 1980s, the SNP has consistently argued that autonomy within Europe would be a better fit for modern Scotland than incorporation within the United Kingdom (see Robert Saunders' article in this issue). 'Independence', as such, does not mean absolute sovereignty of the sort the British Crown-in-Parliament claimed to enjoy prior to EEC accession.

Perhaps the best exposition of this mature nationalist position was to be found in the elegant legal and political philosophy of the late jurist and SNP MEP Neil MacCormick. Here, a careful theorisation of the European Union's pluralistic legal order was allied to the attractive claim that the United Kingdom, conceived as it was in an era of 'Westphalian' or 'Hobbesian' absolute sovereignty, had outlived its usefulness as a vessel for Scottish aspirations (MacCormick, 2002, chapter 8). By removing the threat of empire and war from the 'European commonwealth', the legal order of the EU could permit the UK safely to disaggregate, in accordance with the properly democratic principle of subsidiarity and the inherent ethical value of the historic nation (MacCormick, 2002, chapter 12). For MacCormick, Europe offered a canvas not for the assertion of a Westphalian sovereignty for Scotland, but for the proper recognition of a milder Scottish legal personality within Europe's family of nations.

According to MacCormick, this latter-day nationalist alternative to the incorporating parliamentary union of 1707 was redolent of Scottish attempts to negotiate 'an federal union' within the British Isles in 1705-7. This alternative arrangement would have preserved the parliaments of England and Scotland intact, but established a permanent treaty governing the royal succession, as well as diplomatic and economic affairs. On MacCormick's reading, this treaty, like the latter-day European

Union, would have outlawed Anglo-Scottish wars and guaranteed free trade between the two realms. But it was dismissed out of hand by English negotiators, stymied by the huge disproportion of size and power that existed between England and Scotland. Fresh from the 1688 revolution that had established the untrammelled sovereignty of the Crown-in-Parliament, and standing on the cusp of global empire, English elites had little interest in formally sharing power with a smaller and poorer neighbour. They thought it better to remove the possibility for conflict altogether, by transferring Scottish representation to a single parliament at Westminster (Robertson, 1995). According to MacCormick, the disproportionate power of England remains such that it could never be disciplined by the construction of a federal state based on the nations of the United Kingdom. Scotland and England could only attain equal status within the broader *confederal* order of the European Union, under which Scotland, England, Wales and Northern Ireland might establish a looser relationship.

The puzzle of modern sovereignty has always been how to combine the flexibility and decisiveness required to respond effectively to moments of crisis and threat with the restraint and decentralisation necessary to guarantee individual liberty, economic resilience, and a lively political culture. The importance of maintaining this balance was immeasurably increased by the development of competitive trade and public debt among the European and American states during the eighteenth and nineteenth centuries; since this period, matters of constitutional design have come to have a substantial influence on the material well-being of millions of human beings. MacCormick's sketchy history of a malign and imperial Hobbesian state tellingly neglects to mention the role played by fiscal crisis in forging the archetypal state sovereignties of France and the United States during the 1780s and 1790s, when the administration of public debts incurred in war made it necessary to identify a single sovereign body – 'the nation' – as the ultimate borrower of its citizens' economic resources, to the detriment of older federal or 'mixed' constitutions (Sonenscher, 1997; Mason, 1996; see also Stafford, 2012). MacCormick's inattention to these matters of political economy can be ascribed to his disciplinary background, but it was also a matter of historical context. The turn of this century was defined by optimism about the 'great moderation' and the benefits of globalisation, which continued to be shared by Scottish nationalists until embarrassingly late in the day (Salmond, 2008; Nairn, 2008). This optimism was also reflected in the construction of the eurozone, the institutional design of which left almost no provision for unpredictable adverse shocks requiring a rapid, unified and decisive response.

Now that Europe's mixed constitution has strayed into the field of macroeconomic management, it is replicating the crises of revolutionary France and post-revolutionary America on a vastly bigger scale, and under the merciless gaze of a finance capital which enjoys vastly greater power and independence than that of the eighteenth century. The crisis has revealed that, through the device of monetary union, the EU's pluralistic legal order has stripped effective economic sovereignty from individual states without transferring it to institutions that are legally or democratically authorised to write off debt, bail out banks, or engineer fiscal transfers on behalf of Europe's citizens (Blyth, 2012). The collection of states, treaties and indirectly authorised bodies that regulate monetary union are no match for the tightly woven web of hierarchies, oligarchies and incentives that organise and protect the interests of the banks ultimately responsible for its crisis. The euro's strategy for survival serves the interests of the latter by default, offering free ECB credits to the continent's banks and imposing permanent austerity on its poorest citizens. At least within the eurozone, the formal equality of Europe's member states under the legal order described by MacCormick is rendered practically meaningless by the haphazard and arbitrary power of the Troika. The real contest in Europe, between the markets and the streets, is defiantly extra-legal in character.

## Destination austerity

In Scotland, the practical upshot of the euro crisis has been a substantial reduction in public enthusiasm for the European project; according to the 2013 Social Attitudes Survey, a majority of Scots now support either Nigel Farage or David Cameron's views on Britain's relationship with Europe (Eichhorn and Kenealey, 2014). But while the euro crisis has transformed the electoral calculus of the SNP, it has found it irretrievably wedded to the ideal of 'post-sovereignty' in the economic realm. In a bid to minimise the fears attendant on a transition to Scottish statehood during a period of global financial crisis, the SNP has rashly promised to seek a formal currency union with the rest of the UK.

Stripped of the glowing alternative of Europe, the nationalist position now eerily replicates that advocated by Scottish patriots in the run-up to the union; one wonders what MacCormick, who sadly passed away in 2006, would have made of it. And it has come up against exactly the same problem that Scottish opponents of union encountered in 1705-7: the unwillingness of Westminster elites to share power with others, except in cases of absolute necessity. Today, Westminster's case is considerably stronger than it was before the Anglo-Scottish Union, since it relates to

the economic organisation of democratic societies, rather than the competing legal claims of quasi-feudal oligarchies. In economics, as in democracy, individual preferences are supposedly accorded equal status. Numbers consequently matter. The demand that Scotland be recognised as a state is a demand that attaches to a single, abstract, legal personality. While ‘Scotland’ might reasonably demand equality of status with ‘rUK’ as states under European and international law, the material well-being of 5 million Scottish human beings cannot fairly be granted equality of status with that of some 58 million English, Welsh and Northern Irish in the formation of shared economic policies affecting the population of these islands.

It is evident that any durable currency union would entail the creation of exactly this sort of exorbitant national privilege for Scotland’s population, although the terms of such of a union would simultaneously prevent Scotland’s voters from doing anything worthwhile with it. The demands of technocrats and financial markets – who would gain further unaccountable power under this system – are crystal clear (Carney, 2014; Muscatelli, 2014). Under a formal sterling union that international finance, spooked by the euro crisis, would find ‘credible’, Scotland would have to be permitted an effective veto over the fiscal policy of the rest of the UK through a system of mutually binding treaties restricting deficits and debt to suitably low levels; a British *Fiskalpakt*. If this were not the case, and only one party (most likely Scotland) had to submit to fiscal rules, then the arrangement would come to resemble what was once called ‘empire’: a situation where one political community can ‘give laws’ to another external to it (Reinert, 2011). The latter outcome would be a very poor exchange for a parliamentary union in which Scotland’s interest in economic policy is abundantly, if far from perfectly, represented.

The central irony of the SNP’s insistence on this implausible arrangement is that, far from allowing Scotland to escape from Tory cuts, it would entrench them as a permanent article of a new British economic constitution. Understanding why this is so requires a comprehension of the politics of austerity that extends beyond the claim that it is a merely a malign invention of ‘Westminster’. While it is rarely true that ‘there is no alternative’ in a given political moment, it is the case that a range of political and economic factors – globalisation of finance, declining growth rates, squeezed wages, international tax competition – have produced objective constraints on the ability of governments in advanced economies to raise and spend money in ways that benefit their populations. These developments have brought about a decline in even the Nordic social democracies that Scottish nationalists claim to want to emulate (Streck and Schäfer, 2013). The SNP’s policy would expand the

strength and reach of these unwelcome global trends within the British Isles, and grant them deeper structural purchase. As Keynesian critics of George Osborne's fiscal policy have frequently pointed out, the British state has the ultimate ability to print money to honour its debts, since it is the sovereign possessor of a unique currency (Wren-Lewis, 2013). The mere existence of this facility grants policy-makers valuable room for manoeuvre, since investors' money is unlikely ever to be in existential danger. The break-up of the UK and the institution of a sterling union would significantly complicate and limit the possibilities for this sort of co-ordination of fiscal and monetary policy. These constraints would be further reinforced by the imposition of 'hard' limits on deficits and debts under the terms of the international treaties that would govern the currency area. In combination with the decisive supranational role granted to the Bank of England, and Salmond's programme of competitive corporate and high-income tax cuts, the SNP's vision of Scottish independence looks disturbingly like an attempt to force the rest of the British Isles into Ireland's twilight zone of technocratic 'governance' and permanent austerity (Finn, 2011). This is extremely difficult to reconcile with a nationalist rhetoric of democracy, solidarity and social justice.

Nothing could be more indicative of the intellectual crisis of Scottish nationalism than the fact that this political movement, which set out criticising the British state for its attachment to feudal totems and international finance, has ended up relying on the monarchy and the Bank of England as the guarantors of a Scottish 'independence' that approaches parody (Scottish Government, 2013). The only aspect of the British state that the SNP is now dedicated to dismantling is British democracy itself, and particularly Labour's core electoral coalition in South Wales, the North of England, and the West of Scotland. This is fitting, because, if enacted, the SNP's policy programme would administer irreversible structural damage to the prospects for social democracy in these islands.

### **A civic nationalism?**

No wonder, given this unrepossessing prospectus, that more honest and radical voices in the Yes campaign have argued that an independent Scotland would be better off with its own currency (Carrell, 2013). But the requirements attendant on the establishment of a new currency in international markets, combined with the objective likelihood that Scotland's fiscal position would be still more parlous than that of the UK today, would produce harsher austerity than that currently foreseen by Osborne (Institute for Fiscal Studies, 2013; Armstrong and Abell, 2013). Escaping

the iron cage of international political economy through a *chaviste* economic strategy of nationalisation, investment and redistribution would necessitate capital and exchange controls, as well as the swift abandonment of EU membership. This is a recipe unlikely to meet with either success or popularity in a small, open, wealthy and European economy like Scotland's; even less so during the brief initial period when the framing conditions for Scottish independence would be decided (Ramand and Foley, 2014). Even to consider these alternatives is to find a ready-made answer to critiques of the SNP's timidity. Clinging to the pound at least allows the dominant force in the independence campaign to claim that they can preserve a superficial 'stability' in the event of a Yes vote.

The SNP's ultimate unwillingness to prepare the Scottish electorate for what might be a difficult few years, even decades, speaks to the contradictions of its 'civic' and incremental nationalism. Having accepted long ago that the current situation of Scotland is not one of material and violent oppression likely to produce determined revolt, the SNP has sought to render Scottish independence a painless outgrowth of benign political and economic trends, the European movement towards 'post-sovereignty' foremost among them. This has permitted it to become a vessel into which deferred and worthy aspirations to Nordic social democracy can be thoughtlessly poured, without serious attention to the real conditions of their realisation (Keating, 2012).

The conjunction of European and global economic crisis with the long-awaited referendum campaign has pushed this nationalist politics to new heights of disingenuousness. But it has also allowed it to become a repository for justified discontent and anger with the discredited political leadership and economic model of the United Kingdom. Tacitly, a new Scottish nationalism has emerged from the crisis. In comparison to the Scottish nationalism of 1999 or even 2007, that of 2014 lacks a coherent account of either the state or the economy. In its place, a politics of assertion, rejection and blind hope has emerged. The style and mode of the SNP's argumentation has become correspondingly vague, simplifying, and wilfully obfuscatory. Both its fabled 'positivity' and its quickness to blame arise from a comfortingly voluntaristic conception of politics, in which Scotland's problems can be attributed to malign foreign institutions that are wilfully frustrating the natural genius of its people.

That Alex Salmond conceitedly posits democracy, inclusiveness and social justice, rather than Farage's repugnant 'common sense', as the distinctive properties of Scotland's imagined community should not blind social democrats to the reaction-

ary orientation of the SNP's politics. The claim to good intentions is a necessary, not a sufficient, condition of successful political action, and one with a peculiar ability to dissemble and mislead. While no-one should deny that the United Kingdom's democracy and economy are in need of deep and urgent reform, it does not follow from this that Scottish statehood is likely to improve matters. On the contrary. The ease with which its advocates deny the risks that confront them suggests a dangerous combination of chauvinism with naivety.

**James Stafford** is a Commissioning Editor of *Renewal*. He is studying for a PhD in the history of economic and political thought at Emmanuel College, Cambridge.

## References

- Amior, M., Crawford, R. and Tetlow, G. (2013) *Fiscal Sustainability of an Independent Scotland*, London, Institute for Fiscal Studies.
- Armstrong, A. and Ebell, M. (2013) *Scotland's Currency Options*, London, National Institute of Economic and Social Research.
- Blyth, M. (2012) *Austerity: The History of a Dangerous Idea*, Oxford, Oxford University Press.
- Carney, M. (2014) 'The economics of currency unions', at [www.bankofengland.co.uk/publications/Documents/.../speech706.pdf](http://www.bankofengland.co.uk/publications/Documents/.../speech706.pdf).
- Carrell, S. (2013) 'Scotland's currency row: a critical moment for the yes campaign', *Guardian Scottish Independence Blog*, at <http://www.theguardian.com/politics/scottish-independence-blog/2013/may/01/scottish-independence-currency-conflict>.
- Eichhorn, J. and Kenealey, D. (2014) '(Mis)understanding the public? An independent Scotland and the EU', *LSE EUROPP*, at <http://blogs.lse.ac.uk/europpblog/2014/03/29/25009/>.
- Finn, D. (2011) 'Ireland on the turn? Political and economic consequences of the crash', *New Left Review* 67: 5-39.
- Hay, C. et al. (2013) 'The British economy: A crisis of Anglo-liberal capitalism?', *Renewal* 21 (2/3): 65-86.
- Jackson, B. (2012) 'The moderniser: Alex Salmond's journey', *Renewal* 20 (1): 5-8.
- Keating, M. (2012) 'The political economy of Scottish independence', *Renewal* 20 (2/3): 87-90.
- Kidd, C. (2008) *Union and Unionisms: Political Thought in Scotland, 1500-2000*, Oxford, Oxford University Press.
- MacCormick, N. (2002) *Questioning Sovereignty: Law, State and Nation in the European Commonwealth*, Oxford, Oxford University Press.
- Mason, C. (1996) 'The Revolution, the constitution, and the new nation', in Engerman, S. and Gallman, R. (eds.) *The Cambridge Economic History of the United States: The Colonial Era*, Cambridge, Cambridge University Press.
- Muscattelli, A. (2014) 'A currency union would be best for all of Britain', *Financial Times* 01.04.14.
- Nairn, T. (2008) 'Globalisation and nationalism: the new deal?', at <http://www.scotland.gov.uk/News/Releases/2008/03/03152617>.
- Foley, J. and Ramand, P. (2014) *Yes: The Radical Case for Independence*, London, Pluto.



- Reinert, S. (2011) *Translating Empire: Emulation and the Origins of Political Economy*, Cambridge MA, Harvard University Press.
- Robertson, J. (1995) 'An elusive sovereignty: the course of the union debate in Scotland', in Robertson, J. (ed.) *A Union for Empire: Political Thought and the British Union of 1707*, Cambridge, Cambridge University Press.
- Salmond, A. (2008) 'Free to prosper: creating the Celtic Lion economy', at <http://www.scotland.gov.uk/News/Speeches/Speeches/First-Minister/harvard-university>.
- Scottish Government (2013) *Scotland's Future: Your Guide to an Independent Scotland*, Edinburgh, Scottish Government.
- Sonenscher, M. (1997) 'The nation's debt and the birth of the modern republic: the French fiscal deficit and the politics of the revolution of 1789 (Part 1)', *History of Political Thought* 28 (1): 54-103.
- Stafford, J. (2012) 'Histories of debt: Graeber, Sonenscher and Nakhimovsky', *Renewal* 20 (4): 78-86.
- Streeck, W. (2011) 'The crises of democratic capitalism', *New Left Review* 71: 5-29.
- Streeck, W. and Schäfer, A. (eds.) (2013) *Politics in the Age of Austerity*, Cambridge, Polity.
- Wishart, R. (2014) 'Scotland is already another country', *Observer* 30.03.2014.
- Wren-Lewis, S. (2013) 'Ken Rogoff on UK austerity', *Mainly Macro* 3.10.2013, at <http://mainlymacro.blogspot.co.uk/2013/10/ken-rogoff-on-uk-austerity.html>.