

THE BROOKINGS INSTITUTION

THE SCOTTISH QUESTION:
SCOTLAND'S INDEPENDENCE REFERENDUM

Washington, D.C.

Friday, September 12, 2014

PARTICIPANTS:

Introduction and Moderator:

FIONA HILL
Senior Fellow and Director, Center on the United States and Europe
The Brookings Institution

Panelists:

GEOFF DYER
Journalist
Financial Times

CHARLIE JEFFERY
Vice Principal for Public Policy and Impact
Director of the Future of the UK and Scotland Program
University of Edinburgh

JULIET KAARBO
Senior Lecturer of Politics and International Relations
University of Edinburgh

JEREMY SHAPIRO
Fellow, Foreign Policy
The Brookings Institution

* * * * *

P R O C E E D I N G S

MS. HILL: Ladies and gentlemen, I'd like to welcome you all here today to actually one of the very first events in our new revamped Brookings conference space. So I'm actually thrilled now that I've put the microphone on that it actually works. And it seems very fitting to inaugurate our new facilities or revamped facilities with the big question of certainly next week which is the potential revamping of the United Kingdom and perhaps not in ways that many people would like that to be happening. What simply if the referendum in Scotland moves towards a "yes" vote be a renovation it will be a complete overhaul of a system that we've all known for a good 300 years and many of us on this panel here are the product of.

We're absolutely delighted today to welcome two colleagues who have flown under their own steam from Edinburgh to be with us. Charlie Jeffery and Juliet Kaarbo, both from the University of Edinburgh who have been spearheading as they will tell you a major study of the implications of the referendum and of what will happen on and after September 18th. This has been a huge study and this has actually been very much symbolic of the whole debate about the Scottish referendum; it's been very heavy on process. And as we know many people around the world are watching this extremely closely because this is a rather unique event. It's something that's been negotiated painstakingly over a whole period of time. It's the product actually of decades of interaction between Edinburgh and London on issues of devolution and autonomy and governance. And now we're actually at the big date and the rest of the world is really paying closing attention. And of course a lot of events that could not have been anticipated when British Prime Minister David Cameron and Scottish First Minister Alex Salmond sat down to thrash out the details of what was going to happen on September the 18th have really now framed this. We've had all kinds of input from unexpected

places including Crimea and the leadership of Crimea weighing in on their interest in the outcome. That's obviously something that wouldn't have been anticipated in Edinburgh several years ago. And of course we're also against the backdrop of events in Catalonia and Barcelona and Spain. So there's an awful lot of interest in what happens next in places outside of the United Kingdom. But the big consequential questions that we're going to look at today and hopefully give you a sense of really about the implications of the future of the United Kingdom, Scotland, and Europe and also what the implications are for the United States. And we're very grateful to everybody for participating in this panel.

We're also joined on my right hand side by Geoff Dyer who is one of the senior journalists and editors of the *Financial Times*. He's based here in the United States. Geoff is originally from Scotland. He'll be the one person here with a genuine Scottish accent. So this actually shows the diversity of the whole issue. Juliet is originally from the United States, from Kansas and Oklahoma, but she is a resident in Scotland and a lecturer at the University of Edinburgh. And Charlie can tell you himself about his own origins. Because this is not a debate about ethnic particularism in Scotland either. It's been framed in terms of civic nationalism and in terms of political choices. And that's also important. And then finally we'll be turning to my colleague here at Brookings, Jeremy Shapiro, for the United States perspective. Before coming back to Brookings where he's been a Fellow for some time Jeremy also served as the Special Advisor to the Assistant Secretary for Europe in the State Department and also on the Policy Planning staff. He was not assigned to think about Scotland and the United Kingdom then, but we're hoping obviously that somebody might be thinking about this at this particular juncture and we're going to ask Jeremy to give his perspective on what this means to the United States.

So again thank you very much for joining us. And I'm going to turn over first to Charlie who's going to give us a sense of the whole perspective of the referendum, the paradigm, the framework, how this has all evolved. And again I'd like to thank Charlie and Juliet for coming because they've actually used their own research money to come here to be able to explain all of this to this audience and we're very grateful.

MR. JEFFERY: Thank you very much indeed, Fiona. It's a great pleasure to be here at Brookings and a great pleasure to see so many people here. We are indeed representing a broad program of research on what's happening in Scotland and the rest of the UK called Future of the UK and Scotland. If you type future, UK, and Scotland into Google you'll find us. What we're looking at is the big question, should Scotland be an independent country, yes or no. That's what Scot voters will have before them next week as they enter the polling booths. That's a momentous decision by any standard. It's a decision which could end what's generally seen as one of the most successful unions of nations in world history and if we do end it there will be immense domestic and international implications. So quite rightly the eyes of the world are on Scotland. We will have in Scotland by the end of this weekend some 400 camera crews in Edinburgh and I think thousands of print journalists covering the events of the next week which is quite extraordinary.

What they will see is a nation exploring its rights to self determination with great seriousness. 4.3 million Scots have registered to vote in the referendum. That is 97 percent of the eligible electorate which is utterly unprecedented. We expect on that basis to see a turnout of at least 80 percent and we haven't seen turnouts at that level in UK politics since the immediate period after the second World War. What I think is striking is how the debate is being conducted. Now we have seen and have lots of press coverage of occasional bursts of on-line abuse and there have been a small handful of

confrontations on the streets, but that's just a very, very minor part of the debate. More generally we have seen an extraordinary flowering of civic engagement of people in their communities, in church halls, in town halls, even more informally committing themselves to thinking about Scotland's future. I think this is by some way the biggest civic engagement process in Scottish history. And I think from that we're going to have a very well informed electorate as we go to the polls this week. So you might ask, well what do they think. Well, up on the screen here we have the poll of polls, a moving average of the last six opinion polls at various points in time. And you can see that at the end of last year, on the far left of that slide, the pink line at the top which is "no" was at 60 percent plus and the blue line "yes" was below 40 percent. You can see in a rather uneven process a significant narrowing of the polls in the spring of this year, but what you can see most strikingly is a rapid narrowing in the last couple of weeks. The last six polls carried out over the last eight days show "yes" support for independence at respectively 47 percent, 51, 50, 47, 48, and 49. That's already out of date by the way. It's narrowed by one further point. The average is now 51-49. Expect a close outcome on Thursday this week.

A few words on the big themes that each side in the debates have put forward. And I'll use the framing of negative and positive campaigning for this because I think the negatives probably outweigh the positives. On the "no" side largely led by the UK government but also by the cross party campaign, Better Together, we have had an essentially negative message. A message which all about risks, uncertainty, loss, you will be worse off, and the refusal to accept some of the ideas the Scottish government would like to pursue if Scotland became independent, including various forms of partnership with the rest of the UK. To quote several figures on the "no" side, "It is not going to happen." What we've seen there is quite a dismal vision. Dismal in terms of

content. It's all going to go terribly wrong. Dismal in terms also of presentation. I think there's been a certain level of difficulty in getting the message across. And I think that message of risk and loss has shown a diminishing return. It's lost its impact and I think that's one of the reasons why on this graph you see a fall in support for the "no" side. What we're seeing now is a big echo of those concerns from the private sector, from finance, and other areas of industry. Today's U.S. version of *Financial Times* is carrying lots of stories like that. That may have an effect on opinion in these last days, but that may be double edged. I think Scots can be rather averse to people telling them what to do. On the "no" side we've seen little positive campaigning. Very little about why it is good and certainly very little about why it would be better, why Scotland would be better if it stayed in the Union. We've seen a bit of the change in the last week on this as the "no" sign has firmed up an offer and more specifically a timetable for additional powers for the Scottish Parliament should Scotland remain in the UK. But the negatives have outweighed the positives.

Big things on the "yes" side. Generally a positive message, generally aspirational, generally talking about the possibility of a better society, social justice, democratic legitimacy, a different kind of role in the international area which Juliet will talk about in a few moments. Better policy, policy attuned to Scotland's needs and not driven by the interests of the heartland of the UK economy in London and the southeast of England. And an aspirational message about continuing friendly partnership in many areas with the rest of the UK after independence. All very aspirational, positive, but also I'd have to say very vague and often quite unconvincing, especially in that emphasis on partnership because it relies on the willingness of the partner and the partner has said well, we're not really very willing. In the last weeks we've seen a much stronger negative message from the "yes" side. In fact I think they've managed to conjure up a

presentational perfect storm which has three elements. If we stay the National Health Service, that icon of post war British society, will be privatized. If we stay social inequality will increase. If we stay we will continue to be governed by a political party, the conservatives, which is deeply disliked in Scotland. NHS privatization, inequality, conservatives have been brought together in a very effective way which has had real traction which I think again is one of those reasons why the polls have closed. So I think there we can boil down the big decision to pretty much this, the "no" side says if you leave you will suffer economically; the "yes" side says if we stay we will have a future of social injustice. That's the choice.

If we vote "yes" what's next? Well, we'll see a negotiation of extraordinary complexity. It will deal simultaneously with the disentanglement of Scotland from the rest of the UK. No easy task but make much more difficult by the complications of the domestic political timetable including a UK election in May next year which will be held while those negotiations would be underway. The same time as that the Scottish government will be working with the UK government to work out the process and the terms of Scotland's membership of the international community; no easy task. Both negotiations will have a number of key issues. Currency arrangements will be at the heart. That will no doubt be connected to discussion about Scotland's share of assets, in particular oil and gas reserves, but also liabilities, in particular the Scottish share of the UK's accumulated public debt. My sense is on that cluster of issues the two sides after a "yes" vote would discover a mutual interest in messages of reassurance and stabilization to markets. Some of the hard rhetoric that we've heard before may well ebb away into a common endeavor to calm things down. EU negotiations will be challenging not in the least because of other countries which have similar situations to that of Scotland and the rest of the UK. NATO membership will be challenging not least because of the Scottish

government's commitment to remove the UK's nuclear weapons bases, part of the wider NATO deterrent from Scotland. We could expect package deals, perhaps extending across different areas. Currency and nuclear weapons is one package which is often evoked in that sense. I imagine we would actually see quick agreements on some of the key issues not least because of that pressure for economic stability, but also long transition periods for implementation of the working out finer detail. Final big challenge there will be how to insulate all of that very, very sensitive, lots of different simultaneous negotiations from what would be a febrile political atmosphere in the UK

If we vote "no" what next? Well, there will be less urgency if we vote "no". There will be a limited challenge if we vote "no" to economic stability and there will be minimal international dimensions to the question. We do have a timetable for the delivery of the additional panelists of the Scottish Parliament which the "no" side has recently set out and that starts on the 19th of September and a rapid process would follow so that draft legislation would be in place prior the May 2015 UK election involving decentralization of tax powers and powers in welfare policy. There will be plenty of issues around that not least because the pro union parties are divided between themselves but also within themselves on the content of the additional devolution powers. And there's a big question as to whether any compromise they come up with will actually satisfy demand in Scotland. And I say that because whatever happens, close to half of Scots if we vote "no" will have voted to leave. If we vote "no" this is not an endorsement of the UK as is. There will be tremendous pressure to placate that drive which has led practically half of Scots to vote "no". Placating the Scots won't be easy. But also if you placate the Scots you might well stir up resentments in other parts of the UK and we're already beginning to hear that a little bit in Wales, but in particular in England where there is I think a growing sense of resentment about the cushy deal Scotland is perceived to

have.

So to conclude if "yes" you will be observing, and some of you no doubt will be participating in, a process of enormous significance and no little drama with important international ramifications. If it's a "no" you'll be observing an inward looking debate no doubt with its own drama as the UK casts around for a set of internal arrangements that might offer some constitutional stability. I doubt actually we will find them. But whether we get to that situation we'll have to wait until next Thursday.

Thank you, Fiona.

MS. HILL: Thank you very much, Charlie. I think you've laid that out wonderfully for everyone. So, um, Juliet, the larger implications?

MS. KAARBO: Okay. Thank you, thank you, Fiona, and thank you to you and your colleagues here at Brookings for inviting us and letting us talk about these issues today. I'm going to briefly talk about foreign policy and the referendum debate. What the "yes" side says about what an independent Scottish foreign policy would look like and then both internal and external reactions. And then I'll conclude by challenging a couple of assumptions on both sides in this debate. I should say that foreign policy is not a key issue in which voters are likely to decide and cast their vote on next week. But foreign policy is the most distinct area that would change with independence. Given that Scotland already has devolved powers in many areas of public policy, health, education, others, it is foreign affairs that sovereignty would give Scotland considerable new powers. And this has also been a part of the discourse at least at the elite level.

So what would an independent Scottish foreign policy look like? The "yes" side has outlined some directions although not completely specific that it would take a Scottish foreign policy. And I like to characterize state's foreign policies, aspirations in terms of four pillars, profits, protections, principles, and pride. So let me say a few things

about what an independent Scottish foreign policy would look like along these pillars. On the pillar of profits the "yes" side clearly embraces a liberal pro-trade economic foreign policy in its discussion of the advantages of continued EU and WTO membership. So we would see continuity in economic foreign policy very similar to current UK economic foreign policy although with a much smaller economy. And there could be a big difference if Scotland gets in the EU and the UK vote to leave the EU. There you would see quite a difference between a UK and independent Scottish foreign policy. On a pillar of protection the "yes" side makes the case for continued membership in NATO, something that's partly rejected until the referendum campaign began. This and the Scottish defense force would be the cornerstones of Scotland's protection. Its military would focus on its territorial integrity but would also take a regional defense role in northern Europe in the North Sea for example. Its defense budget is modeled after other small European states and it proposes a focus on maritime forces. It rejects the trident submarine. As Charlie mentioned the UK's current nuclear deterrent that it resides in Scottish waters. And it says that it wants the weapons removed as soon as possible after independence but has not given a deadline. So that's a protection. It is with the principles pillar that the "yes" side seeks to put the most daylight between itself and how it characterizes the UK's foreign policy. The "yes" side emphasizes that it would have different international priorities from Westminster, most clearly in their words, in matters of war and peace. The anti nuclear argument is also based on value statements such as, "Trident is an affront to basic decency." The "yes" side is clearly laying out aspirations for an ethics based foreign policy with talking about Scotland being a champion for international justice and peace, international development, human rights, and climate justice. But there are just a few clues in how these values would actually be implemented. Scotland would not be an isolationist country but it's participation in

international peacekeeping would be governed by principles of the need for international legitimacy and respect for international law. And many times along these lines we've heard asserted the hypothetical argument that an independent Scotland would not have participated in Iraq. Pride plays a place in most states' foreign policy and it is a state's projected self image. There's little talk of pride in "yes" campaign materials, but occasionally they talk about Scotland as an outward facing nation exporting goods, people, and ideas around the world, and refer to Scotland's proud military tradition as well.

So what's the "no" side's reaction? Well, the "no" side stresses, as Charlie mentioned, uncertainty, risk, and constraints on Scotland as a small state. The "no" side argues that the international memberships that Scotland seeks are not automatic. EU membership might be vetoed and even if granted is not likely to come with the opt outs that the UK currently has and Scotland says it wants. The "no" side points out that membership in NATO could come with responsibilities, possibly including retaining the UK nuclear deterrent in Scotland. The numbers for defense and intelligence in terms of spending and personnel says the "no" sided just don't add up and could create a security risk. The "no" side is very familiar to those of us who study international relations, reflecting the realist perspective that small states don't matter, can't have the influence that big states have, are dependent on military alliances, and must often compromise their values in exchange for security. Thus according to this view Scotland's interests are better represented and protected at home and abroad by a UK that has a permanent seat in the UN Security Council and has high profile, well respected large diplomatic service with considerable expertise.

The "yes" side had some counter reaction to the "no" side's position on the foreign policy. They argue that membership in cooperation with others will come

because it's in others' interests. A stable intelligence environment in Scotland for example with shared intelligence is critical to the UK's own safety given the shared geographical space and less cooperation is likely. The "yes" side also argues that small states don't need the equivalent protection as big states, don't need a broad global profile, and don't attract the enemies and threats that sometimes big states do. And consistent with research on small states the "yes" side points out that small states can often punch above their weight and have influence because they are small states. They are often, for example more trusted because they are seen as less a threat to others.

So what has been the international reaction to this? Well, publicly at least most states have conformed to international norms of non interference in democratic processes and said this is a matter for the UK or for the Scottish people. But where external actors have weighed in this has largely been on the "no" side. Comments from external actors included states such as the United States, but also international organizations and businesses. And these comments largely see Scottish independence as an unwelcome and puzzling disturbance. And the negative international reactions have many sources, but chief among them are states' own concerns about their domestic problems, worries that a Scottish secession would spill over into their countries. There's other that have voiced general concerns about precedents and a so-called Balkanization of Europe that the Scottish independence move would set off. And there are concerns about the weakening of a stable ally, the UK. And this is probably the basis of both the U.S. and French expressions of concerns about Scottish independence. Now I don't think the international commentary has much of an impact in the internal debate and on the vote next week. Perhaps the financial market reaction this week was more important. But when states intervene they risk some backfiring among the Scottish population.

So I will end by questioning two assumptions I see in the debate on

independence and foreign policy. And to be fair one assumption on the "no" side and one assumption on the "yes" side. First the "no" and international reactions that support the "no" side. In the arguments that an independent Scottish foreign policy would fare poorly there is an assumption that all else is static and only the question of Scottish independence is changing. The UK for example is presented as a major power that better represents the people of Scotland and the world. But this is not an uncut and tested view and not one invulnerable to change. Power balances in the world are changing, emerging powers are more important, and big powers also don't always have influence. The UK defense is in the midst of downsizing and likely to face further budget cuts as well. And there's an assumption that UK foreign policy is also statically a faithful ally and a nuclear power, but here too there are signs of change. The House of Commons vote on Syria last year showed a real lack of trust in international intelligence, a lack of enthusiasm for humanitarian intervention, and there are real disagreements even in the current governing coalition in the UK over the worth of Trident. Certainly the pro U.S. position in the UK is still strong but arguable not as strong as it used to be and may not be in the future. My point here is that these are not just issues that divide Westminster versus Scotland, they are debated within Westminster too and even without Scottish independence they may affect the UK's role in the world.

On the "yes" side there's been a strong assumption of rational intraspace cooperation by others. They argue that of course Britain will share the pound and intelligence, and that the EU and NATO will let Scotland in because it is in their interests to do so. It probably is in their interests to do so and it's not a bad starting assumption, but we know that states don't always act according to their interests or they have competing interests which can complicate external relations. Consider the rest of UK as Scotland's most important negotiating partner in a post independent world. The UK will

hold national elections next year and if the conservatives win they have promised a referendum on the UK's EU membership. The negotiations with Scotland on Trident, on the pound, on the division of assets, on the military division, on everything will be happening in the middle of these political and likely very contested campaigns.

I'll stop there.

MS. HILL: Thank you, Juliet. We're going to turn now to Geoff Dyer from the *Financial Times*. And the *Financial Times* has been running a whole series actually for quite some time now on the contours of this debate and many of the issues that Charlie and Juliet have laid out on the table. And clearly Geoff and his colleagues are going to be very busy in the next few weeks, especially as Juliet has laid out that no matter what the outcome this is going to feed into a much bigger debate in the United Kingdom in the run up to what is going to be a very contested general election next year in May 2015. And I think one of the issues that Juliet has mentioned here we should put out on the table which is the continuation of the UK claim over its UN Security Council seat. I know that here in the corridors of Brookings I've heard from a lot of my colleagues who cover other areas of the world, particularly come of the rising powers, that there will be a big demand for some of them for rethinking of the UK National Security Council seat. There is anyway as well all know and certainly the outcome of the referendum will raise that even higher. So as Juliet has said nothing will be constant in this debate and there will be more issues on the table as we look forward.

But, Geoff, we've asked you to give a big perspective on these issues and obviously you have quite a lot to say on this matter so over to you.

MR. DYER: Well, thank you very much, Fiona. Thank you very much to Brookings for inviting me here today. I really appreciate the invitation. Charlie and Juliet have really laid out very effectively the issues that are on the table here and that some of

these are underlying thinking beside sides of the campaigns. I don't really want to go over the same ground but if I may do what I'll just try and outline what -- you know, the sort of issue of what an independent Scotland might look like, what happens if there is a "yes" vote next week. Even though it's completely touch and go, it's a toss-up, just try and ask the question of what that will actually mean, what would it look like. And I think they key point to understand is that a "yes" vote next week is almost the start of the issue it's not the end of the issue. A "yes" vote will be the start of a very complicated divorce proceeding. It might be quite an amicable divorce proceedings, it might be a very nasty divorce proceedings, but it's going to be a very complicated proceedings and it's going to be the start of the end of the process. And as we speak today the basic outlines of what an independent Scotland might look like are still very unclear. There's core questions about its place in the world, what the state will look like. There will be institutional question. They haven't been resolved, there are still a lot of questions marks over them and that's one of the key issues in the debate. Charlie and Juliet have already mentioned that an independent Scotland would like to be part of the European Union. That's a key part of the SNP's sort of sales pitch to the country. That Scotland likes to think that it is actually more pro-European than the rest of the UK. That wasn't necessarily always the case but that's part of the sales pitch at the moment. Opinion polls show that that's sometimes -- some polls show that's true, some polls say that's not true. But it's very much a core part of the kind of platform for the SNP, this idea that we can be a small independent country but still part of a bigger, broader world that the EU allows us to be. And it's also -- it's very important to them because it's crucial for trade relations in an independent Scotland and just this general idea that business as usual can carry on even if we take this big risk of voting for "yes", lots of things can carry on as normal.

However, it's not necessarily majorly clear that Scotland could become a

member of the EU. It would reach most of the qualifications of course but there are three big potential obstacles. The first one is like the Spanish question. There are other countries in the EU that might object but Spain is the one that most likely to have a real problem with Scotland becoming a member of the EU. It doesn't want to encourage its own separatist movement in Catalonia. And so even though it might be unlikely to ultimately reject Scottish membership it has quite a big incentive to drag things out, to make things difficult, to show to the Catalans that there is a price to be paid for taking this move. And so that would be a very tough negotiation that Scotland would face. There is the question of whether the UK would ultimately back it. Again it seems unlikely that at the end of the day that UK would say no, but as there is going to be this complicated negotiation ahead this is one of the bargaining chips that the rest of the UK government would have as the -- you know, Scotland cannot become part of the EU until both sides have signed off on the separation agreement, on the divorce agreement. And so that's another factor. And the third bit is the euro factor. In theory these days new members of the EU are supposed to become members of the euro as well. Now given the crisis in the euro the last few years one might imagine that there's be a little, you know, more reluctance to really push that rule wholeheartedly, but in theory Scotland would have to become a part of the euro if it wants to be part of the EU and that's not something that the Scottish National Society want to do at the moment. Again I think most of these issues would ultimately be resolved, there would be -- a sort of sensible compromise would be fine but it's going to be a painful and difficult negotiation.

Similarly Scotland says it wants to become part of NATO as we've heard. And again this is part of the sort of general, you know, business as usual. We're not going to rock the boat too much. You don't need to worry that, you know, an independent Scotland is going to cause radical changes. But that's not going to be a completely

simple negotiation either. As Juliet mentioned the Scottish National party are very, very anti nuclear. You know, there's this quote, they say it is a basic affront. There's also a sort of anti American populism that's part of the SNP pitch as well. You know, they talk a lot about America's illegal wars. Now an independent Scotland that didn't want to have nuclear weapons and played up against American foreign policy in the Middle East would not be unique in NATO. There are other countries that have a similar profile but that's at least, that's a wrinkle, a complication. They'd have to do something one would think to kind of soothe some of the American concerns about that. And then America would also presumably have concerns about what the defense spending might be under an independent Scotland. So it's committed to maintain a certain amount of defense spending but it's also entirely possible to imagine all sorts of pressures on an independent Scottish government in its first years that would push it in a direction of trying to cut defense spending. Everything the U.S. wants from NATO at the moment is for not to have another country that's going to really fall substantially below the two percent mark. So that's another slightly tricky issue. And then potentially NATO -- Spain is also, you know, a possible -- some may welcome in NATO as well. Again I don't think that ultimately, you know, these problems, these potential obstacles would block Scotland from becoming a member of NATO, but again it's going to be a difficult drawn out negotiation where things are not going to be quite as simple as they're being projected in the campaign.

You know, Fiona mentioned the UN issue that might come up, but the final one that I want to talk about briefly is the currency issue which has become one of the core issues of the campaign and is really the most difficult issue that's going to face an independent Scotland if we vote "yes" next week. Charlie mentioned that he thought that ultimately there would be a sort of a sensible establishment compact between

independent Scotland and the rest of the UK to sort things out. I'm not at all so clear about that. Actually I'm much more skeptical of that. And I think that this is the key issue because I think there's really no easy path for independent Scotland on the currency issue. I'm just going to quickly lay out the various options that Scotland would have. There would be if it became a member of the EU there'd be the euro option, but for obvious reason that was preferred option of the SNP for a certain time but that's very much not the preferred option or the very basic reason of all the problems the euro has had in recent years. Other options would be to have Scotland issue its own currency. And ultimately that would be the economic mechanism that would give it the most autonomy, which would give it the best chance in the long run to have an independent effective Scottish economic policy. But the path to establishing its own currency would be complicated, very difficult. You have to establish credibility, build institutions. There will be lots of worries about mismatches on certain liabilities and assets, lot of currency risk. There's a real risk of quite a lot economic turbulence in the short and medium term before Scotland ever got to the stage of having a credible independent currency. There's the sterlingization option which would essentially involve Scotland just continuing to use the pound sterling but not being part of the institutional arrangements of the UK similar to the way that a country like Panama uses the U.S. dollar. That's technically entirely possible but there are lots of problems with that as well. Obvious ones being that Scotland wouldn't have a central bank. And so to defend its banking system or to have a back stop for its banking system they probably need to build up some kind of reserve fund which mean essentially cutting spending for a number of years in order to build up this fund. That's a sort of an economic cost to Scottish welfare spending effectively that hasn't really been discussed but would be implicit in the sterlingization option.

And so for all those reasons it's entirely understandable why the SNP is

putting all its money on the option that we can stay part of a currency union with the rest of the UK. We will vote for having independence and then we will renegotiate the terms for existence within essentially the current currency union so that Scotland would ideally under the SNP's terms would have membership with the Bank of England and become one of the shareholders essentially of the Bank of England. So the Mungers Policy would partly reflect conditions in Scotland. And they would have access to all the facilities that the Bank of England could offer, the lender of last resort facilities that that would offer to the broader Scottish economy. From the SNP and for the independent Scotland's point of view makes complete sense. Where I probably dispute it, Charlie, is it's not all clear to me that that really makes sense for England to feel like for the rest of UK. And I think that both from economic reasons and for political reasons. The economic reason would be that all the risks essentially would be on the one side. And the way to think about this is if Scotland got into trouble -- if an independent Scotland got into trouble England would have the resources to bail it out. If England got into trouble Scotland wouldn't have the resources to bail it out. So it's classic moral hazard. All the risks would lie on the English side. There's very little reason I could see for them to actually want to sign up to this type of currency union. They're exposing themselves to huge potential risks down the line if Scotland was to run a different economic policy. It's essentially a kind of free ride on the back of the stability that the Bank of England could offer them. And even if they did decide to sign up to a currency union the price that they would ask for would be very, very rigid fiscal rules, limits on Scottish public spending, financial rules essentially asking for Bank of England regulation of the entire Scottish financial system, and possibly even pooling of fiscal resources. But even though Scotland would get in theory control of all this revenue from North Sea oil we would have to then make some of that money available back to broader UK. The implication of that is that a notionally independent

Scotland under currency union would actually not have a great deal of real autonomy, real independence in the way it runs its economic policy. Again that's something that hasn't really been -- in my time in Scotland a few weeks ago that was something that wasn't really coming through in the argument about what a currency union would mean for independent Scotland.

But even if you accept that Charlie is right, that the establishment would ultimately want to kind of do a deal between England and Scotland because they wouldn't want a crisis north of the border, politically it's not at all clear to me that that would be possible for them to do so. And one way to think about that is the following: the striking thing about this referendum is just how little England actually seems to care what's going on in Scotland. And one of example is that is when the Quebec, you know, had its last referendum, on the weekend before hand there was several hundred thousand people I think marching the streets of Montreal, Canadians from outside of Quebec asking Quebec to stay. There will be no demonstrations like that in Scotland this weekend. That's not happening; that's not part of the debate. In England the sentiment is the complete opposite, it's of resentment, it's of well if you want to go -- the words are words that I couldn't really use at the Brookings Institution, right. (Laughter) It's not a very polite atmosphere. There is going to be a general election sometime within the next year if Scotland votes "yes", maybe quite soon but certainly sometime in the next year. It seems to be impossible for a non Scottish political party to get elected on a platform saying yeah, we should do right by the Scots. They will need us. I think the opposite will be the case. I think the English electorate will demand of their political parties very, very tough conditions. Because from the English point of view currency union seems -- from their point of view it seems to be Scotland saying we want out but we want all the benefits of staying in. That's the way it plays in English politics. And I don't think that's a political

and sustainable argument. So for both those reasons I'm a little more pessimistic as to how that will play out. I think it will be very complicated, very difficult, and will probably not be the kind of answer that Scotland or the SNP would like.

And finally, just as another sort of little door of pessimism, I'm -- you know, these very tight opinion polls, they're fantastic for journalists, right. This is a great story for my newspaper. It seems to me to be a terrible outcome for Scotland and Britain. I don't have no other -- you know, I have no sort of alternative to a referendum to a majority vote. I'm not suggesting that that's the wrong way to do things, but 51-49 result, whichever way it goes it's a terrible result because it shows a very divided country and a very fragile political consensus in order to take this very, very big step. That's if we vote "yes". But also it cuts the other way as well, 51-49 is not by any means a rounding endorsement of the Union either. So either way I do feel we're entering the period of some considerable political fragility and volatility where lots of different things could buffet us.

So I'll leave it there and we can get into all these things I'm sure in Q & A.

MS. HILL: Thanks, Geoff. And I think that last point that you've left us with it actually makes the United States -- where we're having this big debate as well about our own divisions internally between, you know, the various political constituencies -- actually seem quite mild which is quite an achievement. And with that I'll turn over to Jeremy to give us the perspective on how things look from here in D.C. where we're all sitting.

MR. SHAPIRO: Thanks. And thanks to all the previous panelists for coming. I think Geoff gave us a very good view of just what an optimistic presence Scotland would be on the international scene. What I would like to cover is what the U.S. government essentially is thinking about the Scottish referendum and also how the U.S.

would react if there is a "yes" vote. I think as Juliet mentioned the U.S. doesn't really talk about this very much. They've talked about some concerns over specific issues, particularly nuclear issues, but haven't really taken a position on -- or at least an official position on the referendum. And this for, you know, rather clear reasons. In the first instance it would just be rude to comment on the internal deliberations of a democratic country. It's not unprecedented shall we say for the United States to do so (laughter) but it is impolite and I think it's in general a principle for the U.S. not to do that kind of thing particularly for allies which it recognizes have a legitimate system and are engaged in a legitimate process. And I think it's very clear in the U.S. that that is what's going on for better or for worse. But of course the United States has an opinion. I think they recognize, however, that stating that opinion is not always even very helpful to promoting it. The U.S. weighed in semi accidentally I think on the question of British membership in the European Union a year or two ago and it created quite a firestorm in Britain. And one of the things that it did is sort of align both sides on -- it turned out that both sides cared very much what the U.S. thought and it just became a lightning rod. And so I think that they have since that time taken the approach that it can actually predict very well what U.S. weighing into the debate will even do in terms of public opinion and so it's best to stay out of it. And I think that's reinforced by the sentiment that was already mentioned that Scots are somewhat averse to being told what to do and I think they're probably particularly averse to being told what to do by Americans. But I think despite that absence of opinion we can still make a fairly educated guess about what the U.S. government thinks. The United States is a status quo power. I think that's something we often forget as we talk about crises and U.S. action, but in fact as the sort of leader of the world there is a strong bias toward stability in U.S. foreign policy and a strong bias against secession of any sort really. Secession is for a status quo power nearly a

complete collapse of policy. Here again the United States is not entirely consistent in this regard -- Kosovo comes quickly to mind and there are a few other examples. But in each of the examples I think if you look at U.S. policy you'll see that they very strongly sought to avoid any idea that there was a precedent set toward secession, or that there was any right of secession by provinces. And I think that that view is reinforced in this particular case because the U.S. essentially sees this as two of its best friends divorcing and that is never a joyful experience.

I think though that even beyond that sort of general principle of a status quo power there are some real issues for the United States, some of them have been alluded to already but I'll sort of go over them more directly from the U.S. perspective. I think that probably the critical one is the idea of the weakening of a key U.S. ally, the UK. The UK is clearly from the U.S. perspective a very active, very effective ally, and there are precious few of those these days. There is a general view that in the sort of tumult that's been described after a "yes" vote the UK or what remains of it would turn inward as it negotiates the exit of Scotland. It would be more likely to get out of the European Union in the putative referendum in 2017 which would further shrink British influence and British activism in the world. There is also a view that Scottish exit would put yet greater pressure on the British defense budget and the British armed forces, and overall might mean that the UK would no longer be able to play the kind of lead role in NATO that it traditionally has. Related to this I think that there's a fear of a weakening of NATO and of the EU. The EU would turn inward yet again as it had to negotiate the question of secession in general and Scottish entry specifically and because it would make an "Brexit" more likely it -- a British exit from the European Union; that's the term of art for that. Sorry, I've just been at a very long conference about that. This gets at what the U.S. said when it took a position against British exit from the European Union, it's looking

for a strong Britain within a strong European Union. And it's very clear that Scottish exit weakens that strong Britain and British exit from the European Union would weaken that strong European Union.

For NATO I think contrary to a little bit of what has been said, this is less about the nuclear deterrent than about demonstrating weakness and disunity at a critical point in NATO's history and in the face of a sort of newly resurgent threat from Russia. If you look at the NATO Summit last week and the President's trip to Estonia you see a very strong urge to assert NATO unity, to assert NATO strength in the face of the Russian threat. And the whole idea of one of its key members breaking up and then the type of government that was described taking over in Scotland and all of the difficult negotiations over NATO doesn't really appeal to the United States at this critical moment in dealing with Russia. I think that -- well, I'll get to that a little bit later, but I think that the third reason that the U.S. would be against this is the question of precedent. As Fiona mentioned the leader of Crimea has already mentioned Scottish independence as a precedent for what he would like to do and we've also heard expressions of this. Just this morning on NPR I heard a resident of Donetsk asking the question, you know, if Scotland can do it why can't we. And that's going to be I think an increasingly hard question to answer. And this of course spreads also across the EU and so Spain and other key U.S. allies could well face this question. Fiona and I have a piece about this which I think we distributed out front which talks about the precedent that this sets and the difficulty that that might cause for the European Union.

So what will the U.S. do in the case of a "yes" vote? You know, it's always a fair bet in the face of dramatic international developments that the United States will urge calm. So I think that that will be the first reaction. But what that really means is that they will broadly accept the outcome and be urging in order to sort of make the best

of a bad situation a fast resolution of a negotiated agreeable divorce, specifically to create a sense of reassurance and to minimize the disruption that I talked about that they fear. So they will I think quietly and to some extent from behind the scenes push for EU NATO membership for Scotland on reasonably fair terms. There will be as Jeff implied very, very hard negotiations on the nuclear deterrent. But I do think that they are ultimately looking for a solution. They would certainly prefer a weak member of NATO to a non member. There are as was mentioned plenty of NATO members which have sort of romantic anti American notions particularly about the nuclear deterrent. And this fits into a wider debate. The United States won't welcome a new one but I think it will prefer it to a non member, to a sort of Irish solution. The key point is that it has to be a negotiated solution and a transition. I think very clearly the United States will push back against the idea that this referendum represents a precedent for places like Crimean, Donetsk, or even Catalonia. And the way that they will do that is by emphasizing the mutual decision nature that this was agreed by both sides and that that was the critical feature which allows this type of referendum and this type of separation. It must be agreed both by the region that is holding the referendum and by the state in which the region belongs. And they will say that this is totally different from Ukraine or the breakaway provinces of Georgia in which this is under dispute.

I think also and somewhat more speculatively if the Scots vote is "yes" the U.S. will reevaluate its decision to play a fairly hands off role in the British exit question for the European Union. They'll still have the problem that I mentioned that it's not clear how weighing in will really help, but they'll have the precedent of having not weighed in, having not helped and typically the United States, you know, doesn't make the same mistake twice, it makes a new mistake. (Laughter) And so I think we'll see them play a more active role and the argument that they'll use is that because they have

a stake in British membership in the European Union just as, for example, a country like Britain would have a stake in the United States' membership in NATO. They have every right to weigh in. I think they'll be willing in the run up to that referendum to make their opinion much more known if Scotland votes "yes".

MS. HILL: Well, thank you, Jeremy. Obviously we've got a lot of issues here and as we only have half an hour left I'd like to bring in you, the audience. I can see already lots of questions formulating, particularly as I recognize quite a few people in the audience have a stake in this issue. So I'll take maybe three questions right away. We have microphones which will come out so if you just wait a second. And then I'll come back to our panel to ask them to comment on whichever the questions they like and this. Two questions immediately here and then at the opposite side of the aisle that we'll take. And then also please at the back wave and let me know about your questions too. And please identify yourself for the audience.

MR. ROSEMONT: Thank you. My name is Hugo Rosemont. I speak for myself as a British ex-pat Englishman conscious that Englishman's words at this point are potentially not that helpful. But I do just to take up something that Mr. Dyer said if I may which is that the English don't care on this matter. I would really hate for that impression to be left with this audience and more widely. In fact if you look at Twitter more generally and you do see today plans for a day of national unity from outside the borders, from outside of Scotland coming next Wednesday. You'll also see -- and I recommend it very strongly, and forgive me for getting slightly emotional on this matter, *The Spectator* magazine launching a campaign from people outside of Scotland writing in very personal words about why it is that they would want the Scottish people to vote, and it is their vote, to stay in the United Kingdom. That's probably all I've got to say apart from my question which obeying the rules of this seminar which is it has been suggested that perhaps a

"no" would be less urgent. You know, the situation in terms of what would happen afterwards. Please could I ask the panel though if the referendum has not shown and the campaign amongst it that there is a wide feeling of disenfranchisement both in Scotland and in England and Wales, and therefore if it is in fact urgent that there is some sort of constitutional settlement, not just in Scotland but more widely in the event of a "no" vote. Thank you.

MS. HILL: Thank you very much. And perhaps across the aisle and then the other side, yes. Please, sir.

MR. CHANDLER: Gerald Chandler, independent. Could you relate to everything you've said in this situation to Ireland? First of all could there be an Ireland, Northern Ireland type of situation where some area of Scotland voted two thirds to stay in the UK and it would stay with the UK? And would Ireland and Scotland have better relations because they might end up using the euro or could there even be a closer drawing of Ireland to the UK because it's now kind of a club that it's relatively bigger in?

MS. HILL: Thank you. And across the aisle to Professor Birnbaum. Thank you.

MR. BIRNBAUM: Yeah. I'm Norman Birnbaum from *The Nation*. I thank the panel for this marvelously instructive survey of current matters and wish to regret the absence through the panel of the eloquent Governor of Texas, the Honorable Rick Perry who has some views on secession as well. But everybody knows that in --

MS. HILL: Can you speak a little closer to the mic because I'm not sure that the cameras are picking this up, Professor Birnbaum. Yeah, you've got --

MR. BIRNBAUM: Okay. Okay. I just regretted the absence of Rick Perry from the panel. Everybody knows that in England, that is in metropolitan England, Scots play an enormously disproportionate role in leadership and institutions, cultural,

academic, economic, and of course politics. And one wonders about the composition of the social composition, age composition also of the two -- maybe even religious composition -- of the two parties, a "yes" and "no" box in Scotland. Is there a class gradient of some kind? It appeared so from some of the discussions on television but it would be good to know something simply about the social composition of the opposing parties. Thanks very much.

MS. HILL: Thank you very much for all of these questions. We'll come back again. This last question I'd like to amplify a little bit because in many of the meetings that we've had at Brookings, we've had several sessions on this, that's actually been one of the issues that has confused I think a lot of people from the outside. Because Scotland's referendum is framed in terms of civic nationalism a lot of people are trying to grasp at, you know, kind of who are the people on either side in terms of how they're identifying themselves. And issues of identity have not really been put on the table here but they've come up in many other issues. Geoff and I have talked about this and, you know, I think this panel also reflects it. I myself hail from northern England but my family have moved around the border area between Scotland and northern England for hundreds of years. Charlie, yourself you're from England originally but living in Scotland. Juliet, you're from the U.S. and living in Scotland. And Geoff is from Scotland and living in the U.S. and is obviously representative of a larger UK entity. And that's really the history of the United Kingdom, is one of constant migration. And I think, you know, obviously the previous efforts at national self determination Scotland had really founded on the fact that there wasn't enough people who identified themselves ethnically or culturally as Scots to really kind of carry the day. And the SNP platform now has been very much based on this idea that it's the residents of Scotland, no matter who they may be and how they might identify themselves, but they are residents of the polity of

Scotland. So this whole issue of identity still remains very important. Obviously it's playing out as Geoff was trying to suggest here in England and as our question of Hugo Rosemont has raised people in England actually do care about this because again it does put the identity of Great Britain on the map. And many people in England are having a backlash about the idea of Scotland wanting to leave. But there is also a larger issue that I'd like to put out as you think about responding to this, about the identity of Britain and British identity. The United Kingdom is a kind of rather anodyne description for the country that is Great Britain. Great Britain is not the official name of the United Kingdom but everyone talks about it being as this question has raised about what the United Kingdom of Scotland, Wales, and Ireland as well as England, Northern Ireland that being. And this becomes quite complicated because of course the United Kingdom is also a country of immigration and many people who have come from outside of the British Isles are wondering how they're going to identify themselves on September 19th depending on what's happened as well because there are all kinds of identities there. If you're from say Romania -- or Bulgaria is a more recent immigration -- or you're like many of the members of the British Parliament where you've come from somewhere else, and we have many prominent members who are from Germany or from Portugal and many other places, how do they identify themselves, or the South Asian community in Great Britain? So these are all issues that haven't really kind of come out on the panel but they have been part of the debate one way or another. And I just wonder as we go back along whether Charlie and Juliet and then Geoff you can also comment on some of this. But these are great questions. Thank you.

MR. JEFFERY: Thank you. Thank you very much for the questions. I'll try and tackle at least some of them. One of my areas of personal research interests are what the English think. And I've done quite a bit of survey work in England and I can

endorse your comment that in a sense the English do care. When we asked in April we found 19 percent of people in England in a very large survey who thought Scotland should be an independent country. So a very, very big majority who do not think that. However, and a little bit more in line with what Geoff was saying, if Scotland does vote "yes" what we know from that survey is that people in England would be quite strongly in support of a tough line in negotiations towards Scotland. So wanting Scotland to stay, but if Scotland decides to go then perhaps a little bit of backlash.

When I said no urgency if "no" that wasn't my no urgency. I think there would be a great danger of the UK level political system thinking phew, we sorted that, we've done that one now, we'll move on and we'll start thinking about Europe. I do think if we vote "no" a more stable set of constitutional arrangements for all parts of the UK would be a strong priority.

Who's voting "yes" and "no", there are some clear patterns which are quite interesting. Men more likely to vote "yes" than women. Younger people except the very youngest, younger people generally more likely to vote "yes" than older people. People from disadvantaged communities clearly likely to vote "yes" than people from more affluent communities. And then the national identity question. One of the best predictors we have of voting intention is around those people who feel primarily British in Scotland. Doesn't work quite so well on the other side, those people who feel primarily Scottish. This doesn't lead directly or so directly to supporting a "yes" vote. There's a territorial dimension to that. A poll was released from the Scottish borders this morning which showed two-thirds in favor of remaining in the UK. So there would be territorial differences between different parts of Scotland. I don't think that's going to lead to a kind of Irish partition situation. I think given that level of voter registration, given that likely level of turnout, the formal rules which say 50 percent plus 1 either way wins I think we'll

have a sufficient legitimacy.

MS. HILL: Thank you. Juliet?

MS. KAARBO: Okay. I'll just answer a couple of questions quickly so we can get more questions from the audience. On this issue of identity I guess partly being an outsider I've been struck at how the identity, the nationalism, the ethnic identity has not been part of the debate as much. It's been a very functional political debate. It's about policy preferences on foreign policy and healthcare and spending issues. And so I think the way the electorate has been defined in terms of residency has taken away some of that. Although some of us can't vote even though we're resident there. It doesn't extend to Americans.

On the question of Ireland it is interesting. Ireland has kind of looked more towards the UK in this debate than looks toward supporting Scotland and independence. And Scotland really hasn't reached out to think about cultivating Scottish-Irish connections too. Scotland's more looking towards the Nordic countries and thinking about the connections there and with the Arctic Circle and the North Sea. Those countries have largely stayed on the sidelines too in this debate, probably not just after the referendum but in the case of a "yes" vote after negotiations will wait to take up the offer of Scotland to be partners and alliances in that.

MS. HILL: Thanks. Geoff?

MR. DYER: I think this identity question is incredibly interesting because as several people have mentioned it's not formally part of the debate at all. It's not really on the table, but it is absolutely the underlying fabric of the debate I think. Which is the sense that Scottish identity has shifted in the last couple of decades. I mean there are two keys about Scottish identity, one that very sternly held view of almost all Scots that Scotland is a very distinct, different place, based on the fact of different education

system, different church, different legal system, all these kind of profound deeply rooted aspects of Scottish society that make it a different place. And the other concept is the idea that the one country in the world with whom we share the most is England. But there's always been as sort of tension between these two. In the last two decades that Scottish bit of identity has really become much stronger I think for all sorts of reasons because the things that bound the UK together for lots of reasons have declined. And, you know, the UK was really founded on the empire in a sense. That was one of the things that kept Scots interested in the UK for a long time and was the post war settlement, the memories of the second World War, fighting together against, fascism. The trade union movement was another very powerful thing that binded Scotland and England together. I think you have the experience of the Thatcher years where something really kind of broke in Scotland. There was a very profound sense in Scottish society that Margaret Thatcher had really broken up some of the checks and balances of the way that the UK, the kind of political grammar of the way the UK worked. All these things have played out over the last couple of decades to give Scotland I think a much stronger sense of identity than what it had. So even though that's not what is officially on the platform, that's very much kind of one of the driving forces behind the fact that we've got to this stage. And you also have the globalization and individualism that, you know, created this environment. Sometimes people do retreat a bit more into more tribal identities. I mean if you go to a wedding in Scotland these days for instance all the men of my father's generation in their 60s and 70s were wearing a suit. All the men 50 years and under we were wearing a kilt. I mean that's something that's really kind of -- that is sort of an anecdotal way to explain that kind of shift that's happened in Scottish society. So identity is not in the manifesto but it's absolutely key to understanding what's going on.

And then if I quickly respond to the gentleman in the front, Hugo, all I would say is personally I generally hope you're right, what you're saying about the sort of grand swell of English opinion trying to make the case for Scotland to stay. I would say that you've perhaps been leaving it a little bit late.

MS. HILL: I don't think he means you personally.

MR. DYER: No, not you personally. (Laughter)

MS. HILL: Just to clarify. Jeremy, do you have anything to say on this or do you think -- yeah?

MR. SHAPIRO: Yeah. Well, just briefly. I mean I'll mention that on your point about general disenfranchisement I think that's a sort of important point. Fiona and I make it in the piece I already referred to that what Scotland is expressing is it's often phrased as sort of anti English, but it's actually more if you think about it anti London. And it expresses frustration that I think a lot of the hinterlands of the United Kingdom, northern England, and Wales and a lot of other areas of the European -- actually all of the areas of the European Kingdom outside of the sort of metropolitan London area and the south feel about the English government that the UK government, the sort of disenfranchisement that they feel from the city, the cultural distance that is being created by the very different evolutions of London and the rest of the United Kingdom. What the identity of Scotland gives them is a language, a vocabulary, and an institutional platform to express that disenfranchisement that the rest of the United Kingdom doesn't really have. And so that's why we see this disenfranchisement coming forward most clearly and most strongly in Scotland. But I think it is a general problem in the United Kingdom and I think it is something, "yes" or "no", that the United Kingdom really should deal with and I guess urgently. But I would share some of the pessimism that was expressed that they really will.

MS. HILL: Yeah, I think, Geoff, the *FT* and, you know, many other British newspapers have always also pointed out that those divides obviously within the United Kingdom are not neat either. Within London itself, although there may be this sense of disenfranchisement from the rest of the UK to London, London itself is also a divided polity. One of the features of the Thatcher era was the abolition of the Greater London Council and which was always leaning very much to the left of government. And one of the great famous battles of that period was Margaret Thatcher fighting with the erstwhile leader of the London Council. And a great deal of effort inside of London now for a certain amount of self determination. So I think that this issue is going to take on some very interesting dimensions as we move forward. And I'm sure the *FT* and others will be telling us a lot about them.

I'd like to get some questions at the back because there's a lot of people who've been waiving furiously. So we'll take three questions at the back please. Thank you. And please again identify yourself.

MS. BOURBON: Hi. My name is Contessa Bourbon from the *New York Times* and *London Times*. What is the impact on businesses like pension and banks if Scottish people vote "yes", and what is the impact on the economy considering many Scottish people are dependent on UK for social welfare, social security, and other benefits?

MS. HILL: Thank you.

MR. GULLAN.: Hi. My name is Savir Gullan with Catalonia Radio, Catalan Public Radio in Barcelona. My question is do you think that people should have the right to decide their own fate? As a general matter we had two million people that were (inaudible) Barcelona yesterday, but as you all know the Spanish government does not allow the Catalan vote to go ahead. That's different than the situation in Scotland.

So as a general matter do you think that any people should have the right to decide their own fate? Thank you.

MS. HILL: Thanks. There was question from the gentleman standing right behind you here. Yeah, thank you.

MR. LICHFIELD: Thank you very much, Fiona. I'm Charles Lichfield. I work for the EurAsia Group and I wouldn't like anyone to think that my accent reflects any bias. I have a purely methodological question to the panel. It seems that most of the polling organizations have published the proportionate "don't knows" every time they've done a poll. But quite often the press has recalculated the polls to reflect them as an absolute confrontation between "yes" and "no". I saw the Brookings succumb to this tendency and show the "yes"- "no" behind you -- it's disappeared now -- but as far as I know the "don't knows" are quite a big proportion of the polls still now, really surprisingly big for a referendum that takes place next week, 20 percent approximately. So I was wondering if the panel could comment on this and perhaps give some indication as to whether they think these hesitant voters will vote "yes" on it. Thank you.

MS. HILL: Great. Well, um, that's actually been Charlie and Juliet's domain in the survey work so we'll start again with Charlie to respond to the questions.

MR. JEFFERY: Thank you. I'll start on that one. That's fairly standard practice when you're predicting elections to get rid of the "don't knows" and report figures without them. But it does raise a question of which way the "don't knows" are leaning. Different polls are reporting different levels of "don't know". It depends a little bit on the polling method. If people do face-to-face polling you get more "don't knows". I think people are more reluctant face-to-face to give their opinion. The picture we have had from some academic survey research which is using the same panel of votes as different time points, which is perhaps the most reliable evidence that we have, was that between

the two time points which were early this year and then in the early summer, "don't know" were breaking towards "yes", but in a ratio of I think 25 to 18, so more or less 4 to 3. And that is perhaps one of the things that we have been seeing in the tightening of the polls. But beyond that it's very difficult to say.

I wanted to take -- nobody's asked about currency but I wanted to take the opportunity to come back to Geoff and to clarify. I am skeptical that there would be a formal currency union. And I'm sorry if you thought that that's what I was saying. I do think that the sides in the debate have become really quite polarized and the "no" side has been so definitive and some parts of the "no" side have gone beyond that by saying the next UK manifesto of the labor party will say we will not have a currency union. That it will be very, very hard to move away from that position. What I was suggesting was that there would be an interest in a stabilization process most likely around an informal use of sterling by independent Scotland. Perhaps we've seen the first stages of that stabilization process in the announcements of all of the major banks with headquarters in Scotland yesterday saying that in the event of a "yes" vote they would move their registered headquarters, if not necessarily many of their activities to London so that they would be a lender of last resort which is one way of managing some of those transitional issues. And my broader point was that both sides including the UK, which would be bearing uncertainty around currency, would be bearing uncertainty about continuity of business for many firms headquartered in the rest of the UK would have an interest in stabilizing, in reassuring, in saying it's all going to be okay. I'm not sure if I coined the phrase or somebody else wrote it and I've sort of just absorbed it for myself, but the idea of "sterlingization plus", "sterlingization plus" some additional stabilization arrangements appears to me to be a more likely outcome than currency union.

MS. HILL: Thank you. Juliet?

MS. KAARBO: Let me take the Catalanian question at the back there and use it as a platform to come back to something Jeremy was talking about on precedents and secession. There is a strong international norm for people to have the right to decide who governs them. The principle of national self determination is not always obeyed, not always supported by outside groups, but it is a strong and ever growing norm of power in the international system in the international system and that's why you see outside actors even if they're against Scottish independence or have worries or concerns about the implications of Scottish independence are not interfering, are staying on the sidelines, are not making many public comments on this. I think this concern about the spillover of Scottish independence to other secessionist movements is sometimes exaggerated. I was at a really good conference about this at the Glasgow University last year. We brought in several experts on secession of movements and how they related to each other. And most of the research shows that they really don't domino effect; that it may be that other secessionist movements use an instance as precedent to push their case but it's not really successful. And that the result of secessionist movements are determined more by local factors rather than what's happened next door or across the world. And I think secessionist movements around the world will probably use the Scottish independence referendum in their movements for secession regardless of the outcome of the referendum and I think there is -- as Jeremy was talking about -- is a clear difference. This was a case of a mutual decision by Westminster government and the Edinburgh government to allow this to happen and this is a fully democratic process without any real conflict which is quite an amazing thing and quite a unique thing in international history.

MS. HILL: Geoff?

MR. DYER: I'll take the economic question then if I may. I mean divided

between like short term impact and medium term impact. I mean the short term impact the only real impact is of uncertainty just because it will create a huge number of questions about the future of arrangements of the country and that can have some economic impact. You know, you could see, you know, you've already seen sort of some pension fund money being moved south of the border. If things go very uncertain you could imagine people starting to withdraw money from Scottish banks possibly if they started to get worried about future arrangements. But I think -- on this one I have to agree with Charlie -- I think there will be a very strong sort of self preservation institutional movement on both sides of the border to try and overcome that to try and stop, you know, uncertainty from causing big eruptions in the economy. And medium term outlook will really depend on what sort of currency arrangements independent Scotland eventually ends up happening. In my reading most of them would involve a new Scottish government having to really enforce as her period of austerity to establish credibility, to maybe build up reserves, depending on which particular arrangement they have. The wild card though will be the oil price because an independent Scotland would have -- a much larger part of its revenue would come from oil. If you did have a period of a very high oil prices then that could counteract that. So it's a mixture of those arrangements and the oil price would really define whether Scotland could keep spending that amount of money in the medium term. In the short term it's just about uncertainty and that's a big issue at the moment.

MS. HILL: Thanks. Jeremy?

MR. SHAPIRO: Yeah, I'll somewhat analyze the weigh in on this self determination question. I think that the norm of national self determination is one in which the rhetoric of states has always exceeded the practice. It's very common for statesmen to get up and extol the rights of self determination, but actually if you look at

the history of thing it's always been very clearly and I think somewhat consistently limited in the sense that people have a right to self determination but they don't have a right to determine the size and the scope of the political community over which that self determination runs. And so it's not legitimate for the Brookings institution to suddenly decide that it wants to be an independent country, vote to do so, and secede from the United States, although occasionally we've considered it. (Laughter) And of course this is the issue on which the U.S. Civil War was fought. And quite clearly determined that even if there is a right to self determination there's not necessarily a right to secession especially secession which isn't agreed by the larger political community. And that's been a fairly strong practice -- although certainly there are many exceptions -- a fairly strong practice even since the sort of rise of the self determination movement after World War I.

MS. HILL: Thanks. I want to bring in a last set of questions. There's a gentleman standing at the very back, a gentleman over here behind the cameras has had his hand up for a long time, and the lady at the front. And I'm sorry to everyone else. It's just that these individuals have their -- yes, please. And please identify yourself. And then there's the gentleman who is hidden behind the cameras as well. Thank you.

SPEAKER: My name is Kevin and I'm an intern here at Brookings. And if I understood correctly I heard that if Scotland gains its independence England will not have enough power and influence to play a prominent role in NATO. What does this mean for the United Nations? Would in the future -- and if Northern Ireland gains its independence -- would England be kicked out of the position it now enjoys in the United Nations and probably be replaced by an emerging power like Germany or Brazil?

MS. HILL: And the gentleman behind the camera here please and then the lady at the front. Thank you.

MR. GROBE: I am Stefan Grobe with EuroNews, European television. I covered the referendum campaign two decades ago in Canada when Quebec voted by I think 50.01 percent or something like that to stay in Canada. Now ever since this issue has totally disappeared from the political discussion in Canada. So my question is if Scotland votes "no" by a similar outcome are we going to see a next referendum next year, in two years, or will this issue fade away? Thank you.

MS. HILL: Thank you. And this lady here.

MS. ORCHOWSKI: Thank you. I'm Peggy Orchowski; I'm the Congressional Reporter for the Hispanic Outlook and read a lot about immigration. So in the immigration debate when people start talking about nativism and nationalism even there's the connotation of xenophobic and anti immigrant, but I'm not hearing that in this conversation. And yet I went to a political science conference two weeks ago and international and European scholars told me that the whole concept of multiculturalism is dead now in Europe; people don't talk about it. So I'm wondering if this debate is more about big government versus small government. That these huge multicultural governments like London are -- they just can't identify to them anymore, they don't feel like they can control them. So again multiculturalism, xenophobic, or big government versus small government?

MS. HILL: Great. Thanks. A good set of last questions. Unfortunately we don't have a lot of time left and it seems that there's actually a crowd of people outside the door. Hopefully not demonstrating one way or another on this issue (laughter); I hope it's just another event. But in any case I'll give the last word to all of our panelists. Charlie?

MR. JEFFERY: Thank you very much. Quebec, well, Quebec did have very recently a government led by the pro independence party which was hoping to

secure sufficient support to move towards a further round of constitutional discussions. So I don't think things are over in Quebec. If it's a "no" vote I don't think they would be over in Scotland. The First Minister Alex Salmond has said this is a once in a generation issue. I suspect the definition of generation could be reasonably flexible depending on how other events go. For example if Scotland votes "no" the UK then has a referendum on EU membership which has a UK wide majority to leave, but a Scottish majority within the UK to stay. I think that's terrain which is a very short political generation away which would revive that debate. I'll leave the other questions to the others.

MS. KAARBO: Let me say something quickly on the immigration debate. I think it hasn't been part of the Scottish nationalist independence movement at all. In fact the SNP promises a more liberal immigration policy in an independent Scotland than the UK has. And it may be that you're seeing the tensions within the United Kingdom more broadly that Jeremy spoke of, about London versus the rest, or divisions within London. In Scotland this may be seen in the independence referendum. In the rest of the UK it may be seen in the rise of more anti immigrant populist parties like UKIP.

On the question of the UN, just quickly, I think a smaller rest of UK after a "yes" vote would raise more questions about whether the UK has the right to be represented on the UN Security Council. Those questions are already raised and that Pandora's Box is already open with no simple solutions in sight. So I don't see that it would add to the call, but I'm not sure it would provide any more answers.

MS. HILL: Thanks. Geoff?

MR. DYER: Yes, on the UN. The day after a "yes" vote for Scotland the Brazilians and the Indians will be out publicly saying this is the moment to reform the UN. The Germans will be a bit more polite about it I suspect, but they would probably make the same case. But the logic for reforming the UN Security Council has been very

powerful for a long time and it hasn't happened. And it hasn't happened because you need to organize consensus between the existing five members and that's never been possible and it doesn't seem to me any reason one would think it would be even more possible after a Scottish referendum vote.

And in the fade away question Charlie is absolutely right. You know, even if the national side loses they've absolutely made a very powerful case that there is a strong, you know, grand show of support for independence within Scotland. If they lose it will probably be -- they won't get 30 percent, they'll get 45, 45, 48, 49 percent. The issue will very much be back on the agenda maybe even, as Charlie says, sooner than you might imagine.

MS. HILL: Thanks, Geoff. And, Jeremy, any last words from the U.S.? We're going to try to refrain from trying to tip the scales. Well, I hope that nothing that we have said here will tip the outcome one way or the other now that those poll charts have gone. We all know how inadvertently, you know, one can weigh into a debate and make a mess of it and hopefully what this has done instead is enlighten people on some of the key issues in the debate. We're extraordinarily grateful again to Charlie and Juliet for flying in from Edinburgh, obviously, you know, just a week ahead of these momentous events to tell us what's going on. And I hope that everybody will be watching this very closely. And thank you so much for participating, you in the audience, in this discussion today. Thank you very much again. And to Geoff and Jeremy too. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

)Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016