

How to Start a New Country

How to Start a New Country

a practical guide for Scotland

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A note from the author

This book and the work behind it have taken up much of the last 18 months of my life – but it is almost all based on the work of others. Common Weal has relied on the invaluable support and contribution of an enormous number of people in many different fields of life in Scotland. They have written policy papers for us, written detailed notes for us to work from, sat patiently with me talking me through subjects as diverse as professional approaches to complex project management to the intricacies of EU trade law. I have had to learn the meaning of concepts from Transmission System Operators (the organisation that manages how electricity flows round the national grid) to ‘roulement cycles’ (a military strategy for troop rotation). It has been one of the most intense and enlightening projects I have ever had the pleasure to be involved in.

In writing this book I have tried to take the many expert pieces of work and fit them together into a coherent plan for creating an independent nation state. This has meant some slight adaptations in detail and creating some new solutions for managing the process. One of the most difficult things for me has been always to stick to the brief of not projecting into the work my own hopes for a more innovative, radical future for Scotland and instead present (as best as possible) a ‘future neutral’ option which largely leaves innovation and radicalism for the years after our independence day. In trying to do all this it is my sincere hope that I have accurately captured the meaning of what the many experts have told us must happen (and in most cases the text of the book has been checked with those experts). Any failures to capture that meaning properly are mine alone, as is the blame for any errors in how things have been phrased or summarised. So while I am the author of the words in this book, I do not truly consider myself to be its author but more honestly its editor.

It has been a privilege and (at many points) a pleasure to have had this opportunity – though if I never again have to try and disentangle some

issues like the complex web of European Union regulations I shall be grateful. Writing it has helped me to understand much better the mechanics behind my long-standing belief in Scottish independence. It has been sobering to realise just how much needs to be done and the overwhelming need for good preparation and effective management of the transition to independence. But perhaps above all, it has galvanised my belief that this is an opportunity we should grasp. Between the lines of the detail I have seen emerging a picture of a future nation state of which I very much want to be a citizen.

I hope that, whatever your political or constitutional belief, this work will be taken in the spirit in which it is intended. And I hope that it will prove useful to you as you think for yourself about the options for Scotland's future.

Robin McAlpine

With sincere thanks to...

I fear that in trying to produce a list of names of all the people who have helped to make this project possible I will inevitably omit someone given how many people helped with advice and other kinds of support. However, I do wish to offer very sincere thanks to the following people:

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Introductory notes

The purpose of this book is to explore the practical steps that Scotland would have to take if it wanted to become an independent country. It will take as its starting point the day after a referendum at which a majority of the population of Scotland have voted for that independence. It ends, three years later, on Scotland's independence day.

But it is perhaps as important to explain what this book is not. It is not a final statement of the precise series of actions which would be necessary. Inevitably, there are some things we simply cannot know. Perhaps foremost among those (at the time of writing) is the enormous uncertainty about the UK's relationship to the European Union once the Brexit process has been completed. This will have substantial consequences for a whole range of trade and regulation issues – the closer the UK remains to the European Single Market, the easier it will be to resolve this range of policies. And of course there are economic factors which change constantly and so may well not be the same in three years as they are now. So this book could not be the final word, even if it sought to be; the world will change between now and Scottish independence and as it does, so will the steps Scotland needs to take on its path to full nationhood.

Nor is this book intended as a final word on the exact shape and nature of an independent Scottish state. It is based on the work which has been done as part of Common Weal's White Paper Project. While this project set itself the demanding aim of being as 'future neutral' as possible (ensuring that different political futures are equally possible in setting up new systems), it is impossible not to bring principles, prejudices, preferences and other baggage to the task. This book envisages an internationalist Scotland set up on the basis of liberal human rights and within the European model of a social democratic welfare state. That in itself means it may not be exactly the model of an independent Scotland every person who votes for independence envisages.

But even within that broad model (which has very much been the

dominant vision for an independent Scotland) there are many, many variations and questions still to be answered. Those closely involved with the White Paper Project will be very aware of lengthy debates on much of the details. What degree of political independence should a central bank have? Should the financial regulatory function sit with the bank or a stand-alone regulator? How should a bank's governors be appointed – and by whom? Each major task ahead contains within it dozens of questions, and there are few of them which have only one possible answer. Both in terms of broad outline and fine detail, there is plenty of scope to agree with the broad purpose of this book but to have differences of opinion over this aspect or that.

This book is not an attempt to downplay or gloss over the hard work which will be required of Scotland if it wishes to become an independent country. In fact, quite on the contrary, this book seeks to be as comprehensive as is reasonably possible, setting out honestly and transparently the amount of work ahead. The book begins with the assumption that those reading it do so seeking a true picture of what the years after an independence vote would look like. It absolutely does not seek to take a doom-mongering approach of presenting the tasks ahead as torturous or unbearable. It clearly does not present them as insurmountable or unachievable. But it will not pretend that they are negligible or 'matters of mere detail'.

In fact, the driving spirit of this book is that most people, when voting in the 2014 Scottish independence referendum, did not have a clear sense of what the weeks, months and years after a Yes vote would look like. It seeks to be an optimistic book, but it seeks this optimism from an honest assessment of achievable hard work. Throughout, it will aim to be clear about the difference between 'hard' and 'difficult'.

Digging a large hole is hard work, but it does not involve complex skillsets or intricate decision-making. If one decides to dig a hole, it is a matter of determination and commitment, not of complexity. Hitting a target with an arrow, on the other hand, is not particularly taxing work in terms of exertion or time – but it is difficult. It requires skill and practice. Any able-bodied person who wishes to dig a hole will eventually succeed if they work, but not everyone would be able to hit a distant target no matter how much they tried. This book seeks to persuade that establishing Scotland as an independent country will be hard work but that, on the whole, each individual task is not difficult to achieve. It begins from the premise that any nation state which wishes to set itself up as an independent country will eventually succeed, given determination and commitment.

What this book will not seek to do is to suggest that any of this is 'easy'. Often what must be done is straightforward, easy to understand, routine even. But telling people that the route ahead is 'easy', nothing for them to concern themselves about, is the wrong approach. In 2014 Scotland's electorate showed great maturity in how they engaged with an

independence debate in which many eventual No voters simply felt unable to make a decision because they lacked an understanding of the road ahead of them if they voted Yes. So this book is an attempt at an optimistic but honest look ahead at that road.

This book is obviously not able to predict, let alone provide guarantees about, how others will behave. It is possible (though unlikely) that the UK, or the EU or the UN would act utterly unreasonably and irresponsibly. It is also possible (and in this case likely going on certain) that they will claim or pretend to be unreasonable and obstructive, either as part of a referendum campaign or as a negotiating tactic in the period after a vote for independence. And it is important to be clear that being irresponsible and unreasonable is entirely the prerogative of these bodies, so long as they remain within the law. So if the remainder of the UK was determined to erect razor-wire fences for the length of the Scottish border and they did so on their own territory, there is nothing Scotland could do about it, just as Scotland would have the right to do the same. If almost all obstructive behaviour is at least theoretically possible it becomes impossible to propose any way forward. This book shall therefore assume a degree of reasonableness from those with whom Scotland is negotiating. This means that while it is not possible to promise what outcomes will be agreed through negotiation, it is possible to propose an outcome which is fair and reasonable to both sides. That is what this book will seek to do.

Finally, what this book is not is an attempt to assuage the more energetic critics of independence. If, fundamentally, you do not believe in Scottish independence or strongly believe in a united Britain, then there are no technical arguments one way or another which are likely to change your mind. And if you are an anti-independence activist then you will no doubt continue to believe that every word on every page of everything ever written by a supporter of independence is false, fatuous, dishonest and stupid. You will continue to claim that Scotland is an aberrant national formation, unlike every other nation which has its own state, and so unable to follow any of the paths or precedents set by those countries. If everyone else needs a foreign currency reserve of a certain level, Scotland will need twice as much, three times as much. Sure, lots of countries which aren't Great Britain have access to BBC programming, but Scotland is different and so won't be allowed. Scotland will be a magnet for foreign invasion so simply couldn't build enough warships to protect itself even if it wanted to.

This book does not believe in 'Scottish exceptionalism'. It does not believe that life will be easier or more forgiving to Scotland than it is to any other nation. It does not believe that the world is waiting to do Scotland a giant favour. It does not believe that Scotland is somehow 'special'. But nor does it believe the corollary – that Scotland is somehow a nation cursed with the inability to exist.

So this book is for two kinds of people. It is for those who believe in Scottish independence but want to understand better how it would happen. And it is for those who are open-minded (even if they begin sceptical) and simply want to be able to make a personal assessment of the merits or otherwise of independence based on an understanding of what would happen next.

Where there is uncertainty, this book will be open about it. It will explain the cause of the uncertainty and make the best assessment it is able to make. Where there are policy or value choices to make, it will explain what choice was made – and what choice rejected. It cannot know the future and so where it is projecting ahead it can only work from where we are now – it will avoid guesswork about what is going to happen and instead behave as if this was all being done now in circumstances we can verify. It is inevitable that there will be some aspects of the finer details of setting up a nation which are not covered here; the book is not intended to be utterly comprehensive but rather to give a clear overview of the main challenges.

So... let us begin. It is Monday morning. At the end of last week Scotland voted in a legally binding referendum approved by both the Holyrood and Westminster Governments. The result was a win for the pro-independence campaign. The weekend has been a celebration (for many at least). Now the proper work must begin.

Becoming real

The first step is both practical and symbolic – and that is to gain legal personality. Legal personality simply means that something is recognised in law as being an entity fit to engage in legal activity. It means that somebody or something is capable of holding legal rights and obligations. A citizen has legal personality – they can hold bank accounts, have recourse to the law, can enter into contracts, can be jailed and so on. A constituted organisation (from a local club to a multinational corporation) has legal personality – they can sue and be sued, can borrow money and be put into liquidation if debts are not paid. A nation state has legal personality – it can enter into treaties, join international organisations, is subject to international law, has the right to set domestic law.

The Scottish Government has legal personality in domestic law but Scotland does not have international legal personality – which means it is not recognised internationally as having the rights and obligations of a nation state. This means that a Scotland which has recently voted to become independent still has no ability to begin to talk to other nations or international organisations. This book proposes a fairly short timescale for achieving full Scottish independence after a successful referendum vote, but to achieve that it must be able to progress a range of issues quickly and in parallel. To do this it will be extremely helpful to be able to begin negotiations with international partners as soon as possible. This is especially the case for discussions with the European Union and potentially the countries which make up the European Free Trade Association (EFTA), but may also be relevant to some trade negotiations, as well as initial exploration of full membership of the United Nations.

It would of course be unreasonable for Scotland to demand status as an entirely independent country without going through the proper negotiations with the remainder of the UK with the aim of achieving an outcome acceptable to all parties. But it is possible for the UK to agree to recognise Scotland as an autonomous nation-state-in-waiting, subject to final negotiations. If this was

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agreed, it would grant Scotland international legal personality which would in turn make it possible for discussions with international organisations to begin. Ideally, an agreement on this form of legal personality could be agreed before the vote (that the UK would recognise legal personality for Scotland in the event of a pro-independence referendum result). Either way, it should be sought as quickly as possible.

And, of course, this would be an important symbolic moment for Scotland. It would not be the moment Scotland became its own country, but it would be the first moment Scotland was clearly recognised as being on its way to being its own country.

Three years ahead

In 2014 the Scottish Government set out an ambition to make the official date of Scottish independence 18 months after a successful Yes vote. This was acknowledged by many at the time as being potentially an optimistic goal. It was probably achievable, but it could only be achieved through negotiations to share a substantial amount of the UK's infrastructure for an indefinite period after independence. This meant that by far the most substantial element of a post-2014 independence process would have been negotiation.

As well as dividing up and settling assets and liabilities respectively and agreeing international relationships between Scotland and the remainder UK (to be referred to here in the shorthand rUK), Scotland would need to agree a deal for a currency union, access to the Bank of England and protocols around revenue, deficit and macroeconomic policy – as well as a number of smaller sharing deals such as the BBC and the DVLA. This approach avoided some of the more time-intensive tasks that would face a proto-independent Scotland and therefore did reduce the amount of time necessary to reach independence day.

However, this had a number of substantial side effects. First, and most obviously, it meant that while Scotland would be an entirely legally independent nation, it would have chosen to accept a high degree of dependency on another nation state to maintain core national infrastructure. This could be argued to have substantial perceptual impacts – on the one hand appearing to minimise disruption while on the other making an independent Scotland seem substantially less independent than it otherwise would be. In the aftermath of the 2014 campaign there is substantial reason to believe that of these two perceptual impacts the latter was more significant; people do not report a reduction in their level of uncertainty as a result of the 'sharing strategy' but do report a sense that Scotland would have remained overly-dependent.

There are other reasons that reliance on UK institutions can be seen

as detrimental to the transition process. Perhaps prime among them are the limitations that would be placed on the fiscal approaches to setting up a new nation with a rUK likely to seek restrictive approaches to borrowing, tax policy, development of the many governmental systems which would interface with or rely on UK systems, the knock-on impact this would have on developing an IT strategy for an independent Scotland and more. In all of these cases, the set-up process for an independent Scotland would be much more flexible if Scotland was to develop self-sufficient infrastructure. Certainly, soon into the existence of a Scottish nation state governments would constantly discover that dependency issues would substantially restrict what those governments could do. It is likely that pressure would grow almost immediately to reduce the restrictions by reducing the dependency.

But there is another equally important issue here – which is that the more you are seeking from negotiations, the weaker your hand in those negotiations. The weaker your hand, the less you will get out of negotiations and the longer they will take, in part because there is more to negotiate and in part because the other party can string things out much longer if they seek to be obstructive or even simply to extract the most beneficial deal possible (or alternatively, set very tight deadlines to put Scotland under maximum pressure to reach agreement). The rUK is unlikely to want to see negotiations for Scottish secession extend indefinitely or be rushed, but there may be real incentives either to slow the process down as much as possible or place arbitrary deadlines on Scotland.

Therefore, throughout this book the approach taken is, as far as possible, to establish Scotland as a fully autonomous nation state in charge of its own infrastructure and core systems and policies in line with most other independent nation states. This means having control over currency, central bank, full taxation systems, international relations with a consular network, a unique citizen identifier (to replace National Insurance numbers) and so on. This does not mean that Scotland would not be a collaborative nation – there are a number of smaller issues where agreeing a non-controversial sharing process may make sense. For example, few would probably find any concern in an agreement to share the UK DVLA if it was felt that this was the easier solution. However, having an alternative option (such as simply being ready to set up our own) would be of great benefit during negotiations.

On other collaborative issues, naturally Scotland will want to participate in an interconnected world. Whether that is access to the European Single Market or full EU membership or joining the many international treaties Scotland would wish to participate in, Scotland, like any other nation state, would voluntarily cede aspects of its sovereignty to international agreements. However, it is primarily assumed throughout that this is done along the lines of other fully autonomous nations – that Scotland is designed to function effectively alone and independently and then cedes aspects of its autonomy

to shared agreements. This will put Scotland in a substantially stronger negotiating position throughout the independence process than it would be if it was wholly reliant on these negotiations simply to be viable.

This all strongly suggests a ‘maximalist’ approach to Scottish nationhood, with proper investment of time, money and effort being put into creating a central bank, a currency, an integrated public IT system and so on. The effect would be to extend the technical set-up period but to reduce both the importance of and the time taken to complete negotiations with rUK (as much less would remain to be negotiated).

This in turn raises the question of what timescale is necessary to complete a proper set-up process for Scottish independence. On the assumption that Scotland does not go into the transition period entirely ‘cold’ but rather has done a little basic preparation, it should be possible to begin the nation-building process fairly quickly after a referendum (the preparation required will be considered in the next two chapters). It is assumed that the many tasks required to achieve full Scottish independence will run in parallel – while one project team is creating a central bank, another is building a tax collection system and another developing defence infrastructure. Defining the necessary length of a transition period therefore comes down to identifying the most time-consuming of the individual tasks and ensuring that it can be completed in time (allowing for the inevitable interaction with other tasks and perhaps especially the impact on IT systems).

Having looked at all the necessary tasks and assessed the likely timescales required to complete each, probably the most time-intensive is the establishment of a Scottish currency. As we shall see, this requires the creation of a digital version of the currency, a central bank, new payment systems, the production of printed money and its distribution and the replacement of Sterling, among other tasks. A lot of this work is perhaps the definition of ‘hard, not difficult’. For example, all vending machines need to be adapted to take the new coinage. This is time-consuming. However, this is a task that is completed UK-wide on a regular basis every time the UK issues a new or replacement coin (at the time of writing one of these processes remains ongoing as the UK adapts to the introduction of a new design of pound coin). There is very well established expertise on how this is done – there is nothing mysterious about it.

Of course other aspects of currency set-up do fall into the more difficult category – the creation and management of foreign currency reserves will require more technical skills and specific knowledge. But even here we’re dealing with technical skills which are fairly widespread and well-understood. As we shall see, achieving this task and many others like it is primarily a recruitment issue of finding the right people with the right skills to complete the work.

Taking into account each of the stages which would be required to set

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