

Secession Demands and Implicit Calculations: The dynamics driving the secession crises in Scotland and Catalonia



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Abstract

This study aims to unpack the dynamics which have precipitated the current secession crises in Scotland and Catalonia. In doing so, it applies existing secession theories in an effort to explain the “why?” and “why now?” of the crises in these two places. There is virtually no precedent for democratic secession from established market democracies, and yet in Scotland and Catalonia, two constituent regions of consolidated, Western democracies will have held self-determination referendums within two months of each other. This study undertakes to explain why in these two distinct communities, members of effective, democratic host states, independence is a compelling enough objective to trigger a secession crisis.

Organized under the framework of Viva Ona Bartkus' secession cost-benefit balance and oriented using assumptions of rationality, this study conceives of secession as the result of the combination of identity and community interest.

The research finds that the increasing importance of international institutions, as well the retreat of the central state, has increased the viability of small states in the international system while simultaneously eroding the exclusive benefits of host state membership. From this similar foundation the cases diverge. The Scottish crisis is the result of long-term shifts in the cost-benefit framework, decisively given voice through the Edinburgh agreement and the legalization of secession, but the situation in Catalonia comes after concrete, contemporary events suddenly altered the secession calculus in a context of host state opposition to autonomy and independence.

Given the rarity of democratic secession in the developed world, these crises and this study represent a unique opportunity to apply and evaluate existing theories of secession. The experience of these two communities is illuminating for both possible future secession movements, as well as the central governments of the states that host them.

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Chapter 1 - Introduction

There are literally thousands of potentially secessionist communities in the world today, yet only a fraction of them mobilize politically. An even smaller fraction of those mobilized distinct communities are able to express their demands and trigger a secession crisis. Out of all those fractions of a fraction, in the developed West only one has managed to peacefully, democratically secede. In 1905, Norway voted to secede from Sweden. It has been over a century, but since then there has not been a single non-violent, democratic secession from a developed western market economy. Deliberate, democratic secession is an exceptionally rare event in international politics. Yet Scotland and Catalonia are in the midst of secession crises, Quebec has held two referendums on secession, and lively independence parties are growing in Belgium, Italy, and elsewhere. Preeminent scholars like Eric Hobsbawm (1992) expected deepening economic integration to weaken nationalism, and yet the allure of nationalist political parties actually seems to be growing. In Scotland and Catalonia, two distinct communities with strong identities and storied pasts, but almost no history of mass secessionist political activity, are now holding referendums to express their popular opinion on continued membership in their host states. Considering the extreme rarity of successful democratic secession, and that these communities are members of consolidated, pluralistic host democracies within which they should theoretically be able to further their community's political and economic goals, this is a phenomenon that merits further examination. What factors have pushed the Scottish and Catalan communities into making secession demands, and why are these secession crises happening now? In this paper I will explore the factors which have influenced the secession calculus in Scotland and Catalonia, precipitating secession crises and independence referendums. Overall, I expect that the major factor encouraging these secession crises is a gradual reduction in the advantages of host state membership, caused by the success of multilateral international institutions which have superseded some of the powers of the traditional nation-state.

Despite its timeliness and increasing salience in the developed world, secession has been relatively overlooked by academics in favor of theories of ethnic conflict and nationalism. As a result, theories of secession tend to group many variants of secession together, from violent ethnic conflict in Sudan or

Yugoslavia to the peaceful referendums in Quebec to the low intensity, protracted violence seen in pre-independence Ireland. Conflating secession with theories of nationalism has swept secession into the debate about the primordial, instrumental, or constructed nature of nationalism. Additionally, scholars have become entangled in debates over whether secession fundamentally constitutes state disintegration, argued by John Wood (1981), or that secession is explicitly not state disintegration, which Michael Hechter (1992) proposes is an entirely different concept.

However, I would argue that in regards to secession, the opposing sides in these debates are actually describing wholly different phenomena. Given the undiminished appeal of secessionist movements in the market democracies of the west over the last 40 years, democratic secession has developed into a unique concept. It no longer makes sense to examine the democratic, participatory secession flourishing in wealthy Western market democracies with the same tools one uses to examine secessionist conflict in Cabinda or religious secession in Mindanao. There are no pressing existential threats in democratic secessions and no mass violence. Democratic campaigning for secession is legitimized, which transitively legitimizes the goal secessionist movements work towards. While some of the same fundamental identity and interest factors are relevant to ethnic conflict, violent secession, and minority nationalism, the opportunity structure within which those identities and interests are expressed are so radically different as to be incomparable. By splitting democratic secession from the rest of these fields, both Hechter (1992) and Wood's (1981) disintegration arguments have merit, but now one can be interpreted to describe democratic secession and the other contested secession. The nationalism paradigm debate is sidestepped as well, because regardless of whether its origin is primordial or constructed, the communities in question have an identity, the primordial factor, and have interests, the instrumental factor. Yet democratic secession these are expressed through an institutional environment in which acceptable codes of conduct are so strictly adhered to that it makes the root source of these factors less relevant for examining the impetus and dynamics of secession. In democratic secession there is inherently some measure of trust and negotiating experience between the distinct community and the host state, reducing the information failures crucial to ethnic conflict, and the lack of an existential threat allows the secessionist movement's demands to take on characteristics of multi-round

bargaining and interest group politics. This relieves some of the sociological factors affecting secession, such as group apprehension, fear, and envy, reducing the impact of individual irrationality. Thus, in light of these differences, and because one can already identify states which could conceivably face democratic secession crises in the near future, it is reasonable to address democratic secession as a phenomenon of growing importance which should be separated from its current theoretical environs.

Therefore, to examine the factors encouraging democratic secession in Scotland and Catalonia I will apply Bartkus' (1999) framework of the costs and benefits of secession. This will be rooted in an understanding of democratic secession as a rational response to group preferences from an implicit, continuous analysis of the costs and benefits of secession by a distinct community. I will start by considering the benefits and costs of membership and the costs and benefits of secession in the case of Scotland before doing the same for Catalonia. I hypothesize that the main dynamic in both cases is a gradual reduction in the benefits of membership in the host state. I also hypothesize that the costs of secession will be higher in the case of Catalonia relative to Scotland, due to the hostility of the Spanish State. My third hypothesis is that the benefits of secession will be greater in the case of Scotland, in light of its resource wealth.

Chapter 2 - Literature Review

In this section I will give an overview of the dominant literature in the field of secession, and evaluate the theories' applicability in relation to this study.

2.1 – Wood's Secession Framework

The first comprehensive theoretical framework was developed by John R. Wood in 1981. Wood wanted to encourage other political scientists to develop an explanatory theory of secession applicable regardless of state size or makeup. Wood conceives of secession as the result of a dynamic interaction between conditions and collective action, identifying five components crucial to the secession dynamic: preconditions of secession, rise of secessionist movements, central government response, direct precipitants of secession, and the resolution of secessionist crises through armed conflict. Of the first component, preconditions of secession, Wood identifies a host of potential preconditions in areas ranging from geographic to political to

psychological. However, he states that these preconditions are neither sufficient nor necessary for secession, but are rather just features of most secessions in practice. The second component, the rise of a secessionist movement is made up of three parts: ideology, leadership, and organization. Nationalism is singled out as the dominant ideology of secessionist organizations, powerful through its versatility and used to convince and mobilized the target population. Leadership comes from political entrepreneurs who use ideology to mobilize support and pressure the central state, while secessionist organizations are used to overcome cleavages within the secessionist community. The central government response, Wood's third component in secession dynamics, falls within two categories, coercive suppression or political accommodation. The end goal of the state must be to reassert legitimacy within the secessionist community, because if the population regards the central government as both legitimate and functional, secession is virtually guaranteed to fail. The fourth and fifth components of the secession dynamic are the direct precipitants of secession and ultimately, resolution through armed conflict. Wood understands the direct precipitants of secession to be, at their root, a direct security threat to either side in the conflict, but describes them as all but impossible to predict. At the armed conflict stage, which is rarely reached, the situation has passed out of the secession framework and into broader guerrilla warfare or political conflict theory. Fundamentally, Wood's framework outlines the stages through which most secessions pass, but does not attempt to explain why or predict which communities are prone to secession or when secession crises occur. Wood's framework is ultimately an academically interesting descriptive typology useful as a starting point in examining secession, but lacking causal links or testable hypotheses. It is important however, because it represented the vanguard of future attempts of explaining secession.

2.2 - *Ethnic Secession: Smith*

Two years before Wood published his framework for the dynamics of secession, Anthony Smith (1979) promulgated an explanatory theory of ethnic secession in Europe and North America. Smith identified three necessary preconditions to secession. First, the central state must develop a scientific bureaucracy, which promotes homogeneity and uniformity based on the dominant culture of the host state, disadvantaging the citizens of the minority culture. Second, that discrimination then turns the intelligentsia of the minority

culture away from the state and advance through the ethnic community. Third, the intelligentsia must embark on an ethnic revival which unites the community under an emotionally powerful and potentially political narrative. That narrative sparks political demands from the ethnic community under two conditions, a further contraction of government employment opportunities and the neglect of the ethnic community by the central government. Smith argues that the community will first attempt to rectify this mismanagement by making demands within the existing political system, but will resort to secessionism if that fails. Thus, a host state's failure to accommodate minority demands is therefore causally necessary for secession. This final conclusion is problematic, as one can point to a host of secession crises where secessionists continued demanding independence even after the central government attempted to accommodate the community's demands. Although Smith's theory fails to hold up to empirical scrutiny, given its attempt to provide an explanatory explanation for secession in the developed world it represents an influential ancestor to later explanatory theories of secession, particularly those laying the theoretical foundation for this paper.

2.3 – Ethnic Secession: Horowitz

A few years after Smith, Horowitz (1985) also developed an explanatory theory of secession predicated upon ethnic groups, with the explicit aim of attempting to predict the timing of ethnic group secession. According to his theory, secession comes from the combination of ethnic group apprehension plus a calculation of the gains expected from secession. This group apprehension is rooted in an ethnic group's fears about their ranking relative to other ethnic groups within the state. Horowitz identifies four different ways these apprehensions and economic interests can combine: a backward group (relative ranking) in a backward region (economic interest), an advanced group in a backward region, an advanced group in an advanced region, and a backward group in an advanced region. In the first combination, a backward group in a backward region, Horowitz argues the ethnic group would secede as early as possible, and continue their secession efforts if they fail at the first attempt, because with independence they would no longer compete with the advanced groups within the host state, decreasing their group apprehension by gaining control of their new state apparatus. The second combination, an advanced group in a backward region, would not secede because they are well-placed to compete in advanced regions of the state. An advanced group in an

advanced region would also refrain from seceding because of their high relative standing and their ability to access the state's plentiful resources, so would attempt to secede only if existentially threatened. Lastly, a backward group in an advanced region would attempt to secede early so as to gain control of the region's economic resources and prevent outflows to backward regions, but are unlikely to have enough control to actually secede. Therefore, they would make early and frequent secession attempts that are likely to fail. In addition to these potential routes to independence, Horowitz also identifies three conditions which will universally trigger secession: an ethnic group which is blocked from exercising any political influence whatsoever through autocratic government or demographic domination by the dominant culture, an ethnic group exposed to mass violence, and an ethnic group which loses members due to mass assimilation or mass migration of other groups into their territory. From this theory, Horowitz posits two testable hypotheses. First, backward groups will secede earlier than advanced groups, and second, that backward groups in backward regions will be the most secessionist. This theory does not hold up well when scrutinized with empirical evidence from the rash of secessions in the 1990s and 2000s. Despite that, both Smith and Horowitz's theories represent the theoretical forefathers of the theories applied in this paper, in light of their portrayal of interest-calculating ethnic groups whose secession demands are motivated by the combination of those economic interests with their group preferences.

2.4 – Theories of Rational Secession

These three theories of secession, heavily influenced by rational choice theory, emphasize the economic aspect of the decision to secede. While theories discussed earlier tackled secession from a political, sociological, ethnological vantage point, these three attempt to explain away inconsistencies of the previous theories by introducing, or at least examining, the economic factors which can encourage independence and trigger secession crises. While they attempt to explain secession from different levels of analysis, with Hechter focusing on individual economic benefits, Bookman on regional economic characteristics, and Collier and Hoeffler taking the elite perspective, all three portray secession as a phenomenon heavily influenced by the potential economic costs and benefits.

2.4.1 - Hechter

Michael Hechter (1992) conceptualizes secession as the result of individuals' private pursuit of private interests. His principal hypothesis is that for a group to secede it is causally necessary, but not necessarily sufficient, for members to believe that secession will bring greater private benefits than staying in the host state. According to him, aggregated private interests result in secession after two collective decisions are made. First, the population of a territory must decide to secede, and second, the host state must decide that allowing the territory to leave is less costly than keeping it. For Hechter, the decision to secede is the rational result of an alignment of group identity with the dominant private interest. Group identity comes from a group with a common interest in production or consumption sharing a common language which allows them to communicate within the framework of a common culture. This group then self-identifies as an agent capable of collective action. Given the rarity of secession, this group identity dynamic is not sufficient to explain secession attempts, thus the addition of private interests. Hechter points out the free-rider problem faced by secession movements, and proposes that to tip the benefit balance and mobilize the population in favor of secession the movement must incentivize participation, most explicitly by offering government jobs in the new state. After a group identity has been forged, private benefits calculated, and secession demands made, the host state must make a decision whether it is more costly to keep the territory against its will or allow it exit. The host state can offer other incentives or engage in forcible repression in an effort to retain the want-away region. If a state is effective, it should be able to make secession costly enough to ensure staying is the rational option for group members, which is why secession is extremely rare, particularly in the developed West. This theory is explicitly not predictive, as Hechter highlights a data gap on the private interests of individuals in relation to secession that precludes predicting secession attempts. He also distinguishes between independence as a result of state disintegration, like the collapse of the Soviet Union or postwar waves of decolonization, and independence as a result of secession. Therefore, according to his theory of secession, there have been only two successful secessions in the past hundred years, Norway in 1905 and Ireland in 1922. This conclusion is questionable. Norway's secession was caused by the provision of state services at an unacceptable level, which could be considered as part of private interest calculation at

a stretch, but Ireland's secession came after a punishing violent conflict which damaged the economic health of the new state and its population.

2.4.2 - Bookman

Even more so than both Hechter and Collier and Hoeffler, Vivica Bookman (1993) takes a heavily economic perspective when examining secession. Bookman leaves theoretical space for secession for other reasons, but attempts to address previous theories gaps and quantitatively explore some specific economic determinants of secession. She suggests a three stage framework of the secession process. It begins with the reevaluation stage, in which the population rethinks their relationship to the host state and eventually makes demands. These demands do not have to be exit demands, but they can be. She proposes perception of economic injustice as the root cause for the secessionist aspirations which spark reevaluation of the host state relationship. After reevaluation, the secession attempt moves to the redefinition phase, in which the region breaks its existing ties with the host state and formulates new ties internally and externally. This disassociation phase involves practical considerations like the creation of an army, currency, and government, but can also include host-state negotiations if the redefinition is peaceful. The final stage is the re-equilibrium phase, which occurs in the aftermath of a successful secession. Economic viability of the new state is the most important factor in this phase. After presenting her secession framework, which like previous theories is not predictive, Bookman evaluates five economic factors for their relationship to secession attempts: 1) relative income of the breakaway region, 2) the region's absolute level of development, 3) the region's trade dependency on the host state, 4) net resource and capital flows from the region, 5) economic decentralization. Ultimately, she finds relative wealth highly correlated with secession attempts. Across the 37 cases she examines, she concludes that economics is definitely an important factor, but in some cases other variables have a greater impact. Bookman's work is crucial because it represents one of the first and most in-depth efforts at comprehensively incorporating and examining the economic factor into secession theory.

2.4.3 - Collier and Hoeffler

Paul Collier and Anke Hoeffler (2002) take the most rigidly economic approach to examining secession. They propose that secessionist political communities invent themselves when part of the population perceives secession to be economically advantageous. When economic advantages are spatially concentrated, either through natural resources or a relatively rich population, secession will be desirable in order to gain control of said wealth and eliminate outflows to poorer regions. Secessionist actors will use identity politics to mobilize supporters, but the economic rewards are the prime motivation and identity politics are a tactic to achieve that goal. As the best example of this dynamic, the authors point to the jump in SNP support following the discovery of North Sea oil and the price spike due to the 1973 Oil Crisis. Attempting to address both peaceful and violent secession, the authors apply regression analysis and conclude that high levels of natural resources and low education levels encourage secession. Secessions lacking those factors, such as those of Eritrea and Slovenia, are described as tax-exits. However, empirical evidence repeatedly contradicts the theory, in light of examples like Macedonia or Ukraine, in which independence did not result in tangible economic profit for the new state, as well as the continued appeal of secession in places like Quebec, where a post-independence rise in private economic benefits is difficult to imagine.

In sum, these three rational, economic variants of secession theory provide useful context for the exploratory secession framework used here. The influence of economics on the dynamics of secession crises perhaps has not received the academic scrutiny that it deserves, particularly in light of the strong correlations highlighted by these papers. Although their tenability is undermined by empirical evidence from secessions crises over the past two decades, by expanding the theoretical map into previously overlooked fields these theories provided valuable tools for examining contemporary democratic secession crises, particularly because democratic secession has markedly different determinants than contested ethnic secession, making the economic aspect potentially more important.

2.5 - Trade, State Size, and Viability

Alberto Alesina and Enrico Spolaore (1997; 2003; 2005) are the foremost scholars on the relationship between state size, number, and economic integration. Using models and regression analysis, they argue that as economic integration increases, the equilibrium number of states will increase, along with the viability of small states. Crucially, in their framework the size and number of states is a product of the international system. New state creation is not a deliberate response by actors to changes in international economic integration, but rather that changes in the international trading regime raise the capacity for number of viable states, and these states eventually win their independence through changes in their particular situations. They identify myriad benefits to large country size. First, they have advantageous economies of scale in the provision of public goods. They also find a correlation between large states and the usage of more efficient means of taxation, like income tax in comparison to customs duties. Additionally large countries are able to moderate regional economic shocks, through transfers from relatively better off regions to the affected region. If the international economic environment is protectionist, a large country offers market access unavailable to smaller states, and the regulatory coherence provided by a large state inhibits deleterious externalities from tax competition. However, larger states must deal with coordination difficulties, as well as the difficulty in providing public goods according to local preferences in a large, heterogeneous state. With the ability to institutionally ensure market access through multilateral economic integration, country size is irrelevant to market size, decoupling size and economic productivity. Borders are not frictionless, and still have an inhibiting effect on trade (McCallum, 1995), which makes the economic disadvantages of small states salient, so states cannot be infinitely small and numerous. It is suggested that this border affect can be due to information failures, coordination failures, or currency factors. They also find an inverse correlation between country size and the size of a state's government, which is interesting in light of previous secession theories' hypotheses regarding the patronage opportunities presented by independence. If small countries are more likely to have larger governments, supporters of the secessionist movement can privately benefit through increased job opportunities relative to those offered within the host state, complementing Hechter's (1992) theory of secession.

Chapter 3 - Methodology

This study takes the form of an explanatory comparative case study in order to address its research questions, deploying strategies developed in the literature on qualitative case studies (Yin, 1994; Peters, 1998; Robson, 2011). In identifying and evaluating the factors which have triggered secession crises in Scotland and Catalonia, it is crucial to examine the phenomena within the broader empirical context because of the blurred boundaries between the secession phenomena and their context, encouraging the development of a case study research design (Yin, 1994; 13). In comparison to other research strategies, a comparative case study has benefits in the level of depth in the analysis, as well as the engagement of a variety of sources for data triangulation (Yin, 1994), which is particularly crucial to this study given the rarity of secession and the unclear determinants of the phenomenon. Within case study research strategy, this study takes the form of an embedded comparative case study, with the distinct communities of Scotland and Catalonia as the primary level of analysis. In order to encourage analytical coherence and rigor, analysis in this study was directed by the theoretical propositions of existing theories of secession (Yin, 1994; 103), most specifically the cost-benefit framework developed by Bartkus (1999). Directed by these theoretical propositions, an explanation building strategy was applied because the causal links encouraging secession in these two cases are complex and resistant to measurement (Yin, 1994; 110). Analysis within delineated sublevels for each case is interpreted at the distinct community level and then compared across the two cases (Yin, 1994; 120).

3.1 - Data Collection and Analysis

The study relies on document analysis of primary and secondary source materials concerning the secession crises. The qualitative type of these materials consisted of official central government reports, sub-state government reports, official policy documents, academic journal articles, third party reports, newspaper articles, public interviews and speeches, and campaign literature. On the qualitative side, this analysis takes into account economic and financial statistics, public opinion polls and surveys, and secondary academic statistic research. This mix of qualitative and quantitative data supports the type of data triangulation which is a relative strength of comparative case studies (Yin, 1994). In order to encourage data accuracy, secondary data was culled from reputable organizations such as Eurostat, the National Center on Social Research, the

Institute for Fiscal Studies, etc, as well as established media members such as the Financial Times, La Vanguardia, and the BBC. Data was collected over a six month period from April 2014 through September 2014, and data was mainly collected online.

Using secondary data, as well as primary data developed in the midst of contentious secession crises, has some disadvantages. The potential of bias is the biggest danger. In order to diminish that possibility, I have done my best to mobilize data from both sides of the secession debates in order to provide a more balanced and holistic overview, as well as take into consideration each sides' rebuttal of their opponents arguments. This was rendered somewhat difficult in the case of Catalonia, because the central government has not produced reports to the same extent as the Scottish, British, and Catalan governments have because the Spanish state does not recognize the possibility of an independent Catalonia. I attempted to rectify this imbalance by incorporating data from sources close to the Madrid government or those skeptical of Catalan independence, but this is an imperfect solution.

3.2 - *Delimitation*

The crucial limiting factor when exploring the dynamic of secession is the immense difficulty in collecting accurate, precise data about the secession preferences of a population and the determinants of why they have those preferences. This data gap is consistently bemoaned by scholars in the field (Hechter, 1992; Wood, 1981), however it has not yet been rectified. Surveys and opinion polls provide a useful approximation, but they are of less use in illuminating the factors which have gone into the formation of those opinions. Other scholars have adopted secessionist political parties as an acceptable proxy for the secession sentiments of a distinct community (Sorens, 2005), but this also has its disadvantages. This data gap induces a level of assessment bias, as potentially incomplete diverse information is collected in an effort to infer the unmeasurable.

Additionally, the assumption of rationality and the appropriation of Bartkus' cost-benefit framework represents a specific perspective through which this study is made. This perspective bias is important to note

considering the divisiveness of the paradigms of nationalist theory, because a primordialist could examine the same phenomenon and identify completely different dynamics behind these secession crises. The application of a cost-benefit framework in particular could cause crucial factors to go unnoticed because they do not fit within the abstracted conception of costs and benefits of secession.

Finally, this study does not attempt develop a predictive theory of democratic secession as it is outside the scope. Preeminent scholars in the field have highlighted the extreme difficulty or seen their models discredited by empirical evidence (Hechter, 1992; Wood, 1981; Horowitz, 1985; Collier and Hoeffler, 2002). This study does not even undertake to definitively explain the determinants responsible for the triggering of these secession crises; in light of the lack of accurate data, this seems virtually impossible. Instead its goal is to apply existing theories of secession to two rare occurrences of democratic secession crises and hopefully explain *some* of the determinants at work here, and raise questions and ideas for future research.

3.3 - Case Selection

When unpacking the dynamics of democratic secession crises in the developed West, the extreme rarity of the phenomenon means there is not exactly an overabundance of cases to choose from. Besides the cases of Scotland and Catalonia, one can really only point to Quebec's referendum in 1995 as a comparable case in the last fifty years. Unfortunately, this extremely restricted list of cases prevents the selection of cases according to the ideal of a most different or most similar comparative case design, but there are a host of illuminating parallels and a few striking differences which make the comparison very much worthwhile. The concurrent time period in which these two cases occur is a very useful control, ensuring the broader international context has a similar effect on both cases. Table 1 is an overview of some relevant factors in the Catalan and Scottish cases.

	Scotland	Catalonia
Population	5.2 million	7.6 million
State system	Unitary	Unitary / Semi-Federal
GDP per Capita	\$44,881 (with geographic share of oil) / 36,923 (onshore only)	\$33,328
GDP per capita relative to host state	117% (geographic share of oil) / 98% (onshore only)	117%
% of Host State economy	9.8%	19%
Resource wealth	Oil and Gas	None
Openness to trade	High	High

Distinct Language	Scottish Gaelic – 1.1%	Catalan – 75%
Nation type	Civic nation	Civic nation
Tax Power	Minimal	Minimal
Fiscal flows	Minimal inflows	Significant outflows
Devolution since	1999	1979
Devolved Government Composition	Secessionists in power since 2007	Secessionists in power since 2003
Hostile Central Governments	Margaret Thatcher government, 1979-1990	Jose Maria Aznar government, 1996-2004
Legal secession	Yes	No
Host state opposition	Yes	No
Host state member since	1707	1714

Table 1: The Context of Scotland and Catalonia

Source: OECD; CIA Factbook; Institute of Fiscal Studies; *Goodbye Spain*, 2014; Ljiphart, 1999

Chapter 4 - Theory

Before beginning to lay out the theoretical framework of secession I will be using, we must define what constitutes secession. In contrast to the mechanics, determinants, and morality of secession, academics defining what actually constitutes secession work with generally reconcilable definitions of the phenomenon. Secession is the formal, intentional withdrawal of a territory from an effective, established state and results in the establishment of a new sovereign entity. It differs from decolonization, in which the colonial power leaves a territory which was not a fundamental constituent part of the state. It also differs from state disintegration, in which the state can no longer effectively control its constituent regions. This can be the result of economic collapse or war. The collapse of the Soviet Union is the textbook example of state disintegration in the modern period.

This paper will not address the moral perspective on secession. While there is much debate on this point, with regards to this paper the existence of an active secession movement presupposes the belief by the distinct community that their secession is morally valid. Normative considerations are therefore irrelevant.

In light of the rarity of actual democratic secession, with the separation of Norway from Sweden in 1905 the only remotely comparable case, this paper will specifically interpret the situations in Scotland and Catalonia as "secession crises". A secession crisis occurs when leaders representing a territoriality concentrated, distinct community within a larger state translate discontent with the status quo into demands for secession,

and possess the power, through sufficient mobilization of the distinct community, to force the host state to respond to those demands (Bartkus, 1999; 10). However, it must be noted that for the members of a distinct community, secession is a means to an end, a relative value (Meadwell and Martin, 1995). If there is another mode for the community's preferences to be fulfilled, that should be sufficient to end the crisis without secession.

In this paper, I will use the rational choice paradigm to examine the phenomenon. The rationality of the members of the distinct community must be recognized as "bounded rationality". It is constrained by information failures as well as the risk-averse nature of voters that previous studies of the topic have discovered (Howe, 1998). However, considering the massive disconnect between potentially secessionist distinct communities and the number with significant independence movements, it is fair to say that the existence of an identity is not sufficient to spark a secession crisis. This paper will not attempt to address the conflict between the functional, instrumental, and primordial paradigms of the nation and nationalism; it is far beyond the scope. Rather, nationalism and the existence of the nation is relevant here insofar as it is but one part of the nexus which can result in a secession crisis (Bookman, 1993:14). Both identity and a rational self-interest on the part of the distinct community are necessary to promote secession, thus encompassing all three of the current paradigms (Sorens, 2012). This rational self-interest is abstracted. It is not the dollar and cents cost and benefit analysis adopted by Hechter or examined by Bookman. I will use a broader notion of utility. This balancing of the costs and benefits of secession is an implied calculation on the part of the members of the distinct community. There is not an overarching balance sheet that members use to inform their decisions (Bartkus, 1999: 25).

Another consequence of the rarity of secession is that secession theorists generally group electoral secession together with ethnic conflict in order to have a broader empirical base. This also widens the number of cases to which the theories can be applied. However, in light of the continuing appeal of secessionist movements in effective, democratic states, I believe this conflation of theories of secession and those of ethnic conflict no longer makes sense. There are undeniably many parallel factors which impact both ethnic conflict and

democratic secession. Compare Lake and Rothchild's (1996) argument on the effects of a central government's ability to make credible commitments to avoid ethnic conflict to Sorens' (2012) argument that one of the major factors in secession is the central government's inability to credibly commit to enacting policy advantageous to a distinct community. That said, democratic secession and ethnic conflict are fundamentally incomparable in today's developed world, when the state can no longer credibly violently repress the community in question.

4.1 Preferences

Considering this understanding of secession is oriented by rational choice theory, individual preferences are key. As independence is a relative value, a means to a more culturally secure, economically prosperous end, these preferences are a crucial factor to consider when examining how secession will cost and benefit the members of a distinct community. The consideration of these preferences within the context of a cost-benefit analysis introduces the concept of the conditional secessionist (Sorens, 2004: 730; Meadwell 2009). The idea of the conditional secessionist comes from an understanding of secession as the result of the interaction between identity and interest (Sorens, 2012). At its core, the argument asserts that secessionist impulses cannot come solely from economic incentives, but neither is just the existence of a (primordial or imagined) community sufficient to spark a crisis. Therefore, conditional secessionists are members of a potentially secessionist distinct community whose secession preferences are made in the margins, based on the implicit calculation of the costs and benefits of independence (Meadwell and Martin, 1995: 83). The idea of a conditional secessionist helps explain the demonstrated difficulty of achieving secession, thus implying that for a secession crisis to occur, the expected benefits of secession have outweighed this difficulty in the internal calculations of conditional secessionists. It also helps demonstrate why secession has been so rare historically, despite the existence of thousands of potentially secessionist distinct communities. Rather than something solely identity-based, the conception of conditional secessionists as a swing group amenable to secession only when the cost/benefit equation has shifted in favor of secession helps explain why so few of those distinct communities have thriving independence movements.

4.2 – Relation to Separatism

For the purposes of this paper, I differentiate between separatism and secessionism. Separatism is a movement which seeks to reduce the power of the central government in favor of a different institution or level of government (Pavkovic and Cabestan, 2012: 2). Secessionism seeks to reduce the power of the central government in relation to a distinct community, with secession as an explicit potential goal. Secessionism is a variant of separatism, and can be seen as the radical endpoint of separatism. Regionalism can also be considered a variant of separatism. Extrapolating from Sorens (2012) understanding that secessionism comes from the confluence of interest and identity, regionalists can be understood as separatists to whom independence would be costly, whereas for secessionists, the costs and benefits of independence are finely balanced. It should also be noted that separatism, secessionism, nationalism, etc., can all be politically loaded vocabulary, but in this paper they are used neutrally without political connotation.

4.3 - A note on timelines

Secession is a dynamic process. It can involve repeated iterations of group formation, mobilization, negotiation, and response. However, by focusing on secession crises, one can shrink the variables into a manageable framework rooted in a particular moment in time. Other examinations of the phenomenon focused on the determinants, etc., but the main thrust of this paper is to explore the why and why now of secession crisis.

4.4 - Distinct Community

This paper will use the term "distinct community" to describe Catalonia and Scotland. A distinct community is a territoriality concentrated, politically aware group (Connor, 1972; Bartkus, 1999). Their distinctness is frequently expressed through culture, language, ethnicity, history, etc., but the most important factor is that the members of this territorially concentrated group perceive characteristics which distinguish them from other members of the larger state. Scotland, for example, is a civic nation rather than an ethnic nation (Keating, 1997), so distinct community seems like a more apt description than terms like ethnic group or nation, as well as lacking complicating political connotations.

4.5 - Theoretical Cost/Benefit Framework

Adopting the framework put forward by Bartkus (1999), but with Sorens (2012) understanding of secession as combination of interest with identity as a guiding principle, this paper will explore the dynamics of the secession crises in Scotland and Catalonia. It will explore the timing of the secession crises within the fields of domestic politics, the international context, and the economic context. The framework examines the balance of four variables which Bartkus suggest determine the dynamics of a secession crisis: the benefits of continued membership in the larger state, the costs of that membership to the distinct community, the costs of secession, and the benefits of secession. When the balance of these variables is shifted, a secession crisis occurs. These shifts can come at the international, national, and community level. I focus on secession crises rather than instances of secession because, given that secession is a means to an end, a crisis necessitates a government response to the demands for secession, thus either accommodating the distinct community's goal, or repressing them.

4.5.1 - Benefits of Membership

The first variable affecting the development of secession crises is the benefit of membership in the host state. These benefits can come in a wide range of areas, including the security, economic, and social spheres. On the security side, the host state can maintain internal order. It can also benefit the distinct community by defending against any aggressive foreign powers. Economically, a distinct community can gain from a host state unifying regional economies through regulation, a common currency, etc. Larger states can also provide advantageous economies of scale when it comes to the delivery of public services. Additionally, a robust host state can ensure access to international markets, as well as building, maintaining, and standardizing transportation and communication infrastructure. Depending on the wealth and level of development of the host state, distinct communities can be on the receiving end of development assistance and technology transfers. On the social side, economies of scale can result in a more efficient provision of public services such as education, healthcare, etc. In some cases, membership in a larger state can result in the subsidized distribution of such services to communities too small to effectively provide them on their own.

4.5.2 - *Costs of Secession*

Secession is costly due to state opposition and international hostility. The host state has a range of tools which can make secession costly to a distinct community, making host state opposition one of the most effective factors in discouraging secession. These options range from outright repression and violence against the distinct community to constitutional measures outlawing secession. International hostility stems from the international system's implicit preference for the principle of territorial integrity. This unwavering adherence to the inviolability of a state's borders means any potential secessionist face an inhospitable international system, both before and after a secession crisis. Additionally, following a successful secession there are the startup costs of building an independent state to consider.

4.5.3 - *Costs of Membership*

The cost of membership in the host state constitutes the third variable. One way this cost is manifested is through physical threats to the distinct community's safety, such as deportation, famine, and mass violence. Membership can also be costly on the political or cultural level, for example if the power of the state is used to dominate and repress the political power or cultural viability of the distinct community. On a more numerically tangible level, membership can be costly through the tax, trade, and business policies implemented by the host state. Tax outflows from a relatively affluent distinct community could make continued membership an expensive proposition (Collier and Hoeffler, 2002). Examining instances of violence, dispossession and coerced assimilation within a cost benefit framework requires some intellectual gymnastics, as they are inevitably value-laden. However, since I am separating ethnic conflict and violent secession crises from participatory ones, this problem is neutralized because the potential for existential physical and cultural threats to the distinct community within a consolidated democracy is low. Therefore, the main costs of membership could come in the form of economic outflows or democratic political domination by the majority group of the host state.

4.5.4 - *Benefits of Secession*

The benefits of secession come mainly in the form of elite interests, national self-determination, and resource rents. Elite interests, which Hechter also places as paramount, include increased job opportunities within the public sector, the potential to extract rents, as well as the ability to promote a more beneficial cultural division of labor. Secession can also be beneficial in cases in which the distinct community's territory is relatively rich in resources. Complete control over resource rents represents a lucrative gain for distinct communities no longer compelled to share the proceeds with the central state.

4.6 - *The Dynamics of Secession*

4.6.1 - *Last Resorts and Opportune Moments*

As discussed earlier, secession is a dynamic process which arises from the overlap of identity factors with interest. Identity is a relatively static, sticky factor; one does not simply switch ethnic, linguistic, or historical groups. Therefore, a change in the interests of the distinct community is necessary in order to precipitate a secession crisis. The implicit cost-benefit framework determines whether these interests are expressed as secession demands, calls for regional autonomy, etc. Thus the dynamics of secession crises are determined by a shift within the four variable framework which Bartkus' theorizes is central to the secession cost-benefit balance. Bartkus identifies four different potential shifts in these variables. The first group of shifts takes place over a compressed timescale, as a response to sudden changes in the distinct community's position. The first of these sudden shifts are labeled "last resorts", which entail an unacceptable rise in the costs of membership. The second type of sudden shift is an "opportune moment", in which the costs of secession have quickly fallen. Besides last resorts and opportune moments, secession crises can also be sparked by gradual shifts in the framework variables taking place over decades. The two types of these gradual shifts are a reduction in the benefits of membership, or a rise in the benefits of secession.

4.6.2 - *Last Resorts*

As stated before, within the dynamics of secession a last resort is the result of a sharp rise in the cost of membership in the state. This rise in the cost of membership is the result of a perceived existential threat

from the host state to the physical or cultural survival of the distinct community. Examples of this dynamic resulting in secession crises include the Ibo in Nigeria and the subsequent Biafra War, or the religious persecution of Christians in South Sudan. This secession dynamic is prevalent in authoritarian or hybrid states; today, it is difficult to imagine a consolidated democracy threatening mass violence upon a constituent distinct community or forcing assimilation through religious or language policy. Since I consider democratic secession a fundamentally different phenomenon to ethnic conflict or secessionist wars, I expect the last resort dynamic is unlikely to be relevant in cases of Scotland and Catalonia.

4.6.3 - Opportune Moments

The second type of secession dynamic can be labeled an “opportune moment”, which is a rise in the perceived likelihood of success due to a rapid drop in the cost of secession. As discussed earlier, the three main drivers of secession costs are state opposition, international hostility, and the economic startup costs of independence, so a decrease in one of those cost drivers, such as steep drop in state effectiveness or the winning of international support, can shift the cost-benefit balance in favor of secession. Bartkus points to the disintegration of the Russian Empire in 1917 as an instance of collapsing state effectiveness, but this type of outright collapse in state power seems unlikely in the consolidated, developed democracies from which distinct communities would democratically secede.

The acquisition of international support, is another potential means of decreasing the costs of secession. Examples of this dynamic shift can be seen in the influence of French support on the US revolutionary war, or India's support of an independent Bangladesh during their independence conflict with West Pakistan (Bartkus, 1999). It is reasonable to expect this type of outside influence to be unlikely in cases of democratic secession, given the international system's emphasis on territorial integrity and the unwritten codes of conducting governing interactions between the consolidated democracies in the developed world which make significant outside interference implausible.

4.6.4 - Reduction in the Benefits of Membership

A drop in the benefits of membership is the third kind of variable shift which affects the dynamics of secession. The impetus for this type of secession decision comes from a perceived gap in the expected and actual benefits of membership in the host state. As discussed earlier, the benefits of membership to the distinct community come mainly in the security, economic, and social spheres, but changes in the community, state, or international systems can all alter the extent to which a distinct community perceives those benefits. Therefore, two main methods of decrease can precipitate this type of dynamic shift, a change in internal state policy, or developments in the international system. Secession demands following a decrease in the provision of central government services to the distinct community is the classic example of the policy-driven version of this dynamic, exemplified by Norway's peaceful secession from Sweden in 1905 after Sweden failed to provide acceptable levels of consular services to Norwegian mariners (Hechter, 1992). In addition to instances of the state failing to provide expected levels of service, interest in which the reduction in membership benefits are relatively concrete, state policy can also reduce the benefits of membership through economic or monetary policy that indirectly disadvantages the distinct community. This can occur if the economies of the host state and distinct community diverge significantly. Resulting policy choices of the host state are then suboptimal for the industries or trading patterns unique to the distinct community, which lowers the trading and currency advantages that come from membership in a larger state. The deliberate rollback of the state and the shrinking of state resources due to financial crises are two other potential sources of policy-derived reductions in the benefits of membership. Smaller, cash-strapped central states may then struggle to maintain the expected level of government service or lack the funds to financially accommodate potentially secessionist distinct communities.

On the international system side, this dynamic shift is brought about by international developments which moderate earlier constraints on the secession of smaller distinct communities, which reduces the benefits of membership relative to independence. A secession crisis triggered by an opportune moment can also be heavily influenced by international factors. However, within this framework there is crucial difference

between international influence which reduces the cost of secession, bringing about an opportune moment, and that which engenders a gradual reduction in the benefits of membership. They differ because the international influence in an opportune moment comes in the form of explicit external support for the secession of the distinct community. With the gradual reduction in the benefits of membership dynamic on the other hand, the international influence is the powerful but somewhat nebulous result of the configuration of international norms, institutions, and preferences. For example, the system change that has had the greatest effect on the security benefits of membership is the repudiation of war as an acceptable tool of international policy, at least between the democracies of the developed West. Today, security has become partially detached from state size, population, and wealth due to pluralistic security communities like NATO, making smaller states more viable and reducing the benefits of membership in relation to independence.

Another important aspect of the international environment is the hostility of the international community, often cited as a brake on secessionist mobilization, which underlines the benefits of membership in a larger polity rather than a pariah secessionist state like Abkhazia or Ossetia. However, the demonstration effects of successful secessions are frequently referenced, and with international events like the broad acknowledgment of Montenegrin, Kosovar, and South Sudanese independence following referendums, it is conceivable that a distinct community could perceive international antipathy as lacking credibility. Thus, while international rhetoric opposing secession may remain, the actions of the international community can simultaneously work to discredit that opposition, placating fears about the viability of the new state and reducing the benefits of membership in a suboptimal host state.

On the international economic side, financial deregulation, free trade agreements, and supranational institutions can all work to reduce the economic advantages of membership in the host state. These factors can combine to foster an environment of interstate economic interdependence unlike any seen before. Economic interdependence constrains a state's ability to independently pursue economic its economic priorities, restricting the government's latitude in accommodating the demands of distinct communities within the state, eventually resulted in reduced benefits of membership for the distinct community. The

existence of free trade areas and supranational economic governance institutions like the EU, NAFTA, and the WTO also decreases the unique benefits of membership in a larger state, as a small state within a free trade area can receive the same market access and terms of trade previously exclusive to states powerful enough to negotiate for favorable conditions. Through this institutionalized interdependence, some of the international economic benefits of membership shrink as they are now theoretically available to states regardless of their size and negotiating power.

In summary, a decrease in the benefits of membership, resulting from either specific state policies or changes in the international system, can build up over time and result in a gradual dynamic shift in favor of independence, triggering a secession crisis. In comparison to last resorts and opportune moments, shifts which occur over relatively compressed time scales, a reduction in the benefits of membership is a dynamic shift taking place over a number of decades which can ultimately encourage secession. This is the type of dynamic shift one would expect to see in wealthy, participatory democracies in the developed West, and therefore highly correlated with democratic secession crises.

4.6.5 - Rise in the Benefits of Secession

The fourth and final type of secession dynamic is a gradual rise in the benefits of secession. Identifying this shift is especially difficult as it is predicated on the future benefits expected by the distinct community. When examining the benefits of secession, Bartkus places particular emphasis on the benefits accrued to the community elites, as well as an ambiguously-defined preference for national self-determination, but there are other perceptible benefits for the distinct community as well. A gradual rise in the benefits of secession can also come from a rise in the wealth of the distinct community relative to the host state. The discovery of resource wealth is one obvious source of a reversal of relative economic positions, which makes independence and sole control of the resultant wealth by the distinct community increasingly beneficial. Relative economic success can also come through simple economic competitiveness. Regardless of the source, rising wealth of a distinct community both improves the viability of the distinct community as an independent state and represents a growing financial benefit that the distinct community can directly control

after secession. Over the long-term, a sustained increase in the benefits of secession due to rising wealth relative to the host state can alter the cost-benefit balance of secession and spark a secession crisis.

Chapter 5 – Scotland Analysis

5.1 - Background on the Current Crisis

Despite Scotland's long history as an independent state, Scottish secessionism was a fringe political factor until very recently, and Scotland did not receive their own parliament until the 1997 Scottish devolution referendum. A previous devolution referendum in 1979 failed because although 51.6% voted in favor of a Scottish assembly, the referendum did not meet turnout requirements (Keating, 1997). The Scottish National Party (SNP), the main political force in favor of Scottish independence, did not win an election in Scotland until 2007, forming a minority government. Given this middling electoral success of pro-independence parties and demonstrated ambivalence towards self-government, it is apparent that secession in Scotland is a recent phenomenon. This phenomenon came to a head in the 2011 Scottish parliamentary elections, which the SNP contested on an election manifesto promising an independence referendum if they were reelected (Marti, 2014). They won a majority, receiving a democratic mandate to proceed with an independence referendum. An agreed legal basis of the referendum was subsequently negotiated by the British and Scottish governments, culminating in a one question referendum in which Scottish voters were asked, "Should Scotland be an independent country?" (Edinburgh Agreement 2012).

5.2 - Benefits of Membership

5.2.1 - Trade and the European Union

The economic benefits of membership are some of the most significant advantages a large host state has over a small, newly independent secessionist state. Access to a large market, negotiating power in regards to international trade deals, the economic stability provided by a trusted currency and autonomous monetary policy, financial transfers to disadvantaged or crisis-affected regions, economic synergy from a coherent regulatory regime, standardized transport and communication infrastructure; examined on their own the advantages of membership in a large host state are compelling (Bartkus, 1999; Alesina and Spolaore,

1997,2002,2005; Bookman, 1993). The importance of these benefits is underlined by the crucial role structure of trade plays in secession strategy (Meadwell, 1996: 68). The transformation of avowedly left-wing independence movements such as the SNP into free-trade nationalists highlights this (Meadwell, 1996). For distinct communities like Scotland, support for international trade liberalization is ersatz patriotism, improving their viability within the global economy (Katzenstein, 1985: 44). Therefore, the trading regime and trade benefits of membership in the UK are of serious significance in examining the balance of the benefit of membership variable affecting Scottish secession.

While it could be argued the disintegration of the British Empire was the starting point of a reduction in membership benefits for Scotland, the advent of the EU completely altered the balance. Whereas before, membership in the UK first guaranteed Scotland extensive market access and extremely preferential trade relations, as those benefits disappeared alternative advantages rose out of membership in the EU through Scotland's membership in the UK. However, unlike the earlier trade advantages stemming from the empire, the benefits of EU membership are not exclusive to membership in the British state and can be accessed by an independent Scotland.

Through EU membership, an independent Scotland would gain guaranteed access to a 500 million person single market which enshrines equal access to all member states. Whereas before membership in the UK was the only way Scotland could ensure access to global market, that benefit of membership has migrated upwards to the supranational level, with the EU ensuring access to a single market worth \$12.26 trillion (Scotland in the European Union, 2013). On the regulatory side, the EU Commission provides the standardized, coherent regulatory environment which was previously only available through membership in the traditional state. Today EU membership provides the efficiency and access benefits of standardized regulation which was formerly the responsibility of the traditional state, but across the entirety of the single market. This institutionalized guarantee of equal access to a massive, coherently regulated single market constitutes a significant upgrade over the benefits offered by regular membership in a host state, and ameliorates one of the major economic concerns regarding the viability of small states (Alesina and

Spoloare, 1997). Thus, for Scotland the economic benefits of continued membership in the United Kingdom have declined relative to independence, as an independent Scotland could count on continued market access and regulatory economies of scale through the institutionalized guarantee of EU membership and European Single Market (Meadwell and Martin, 1995). This is one way in which membership in multilateral economic organizations has usurped the economic benefits of membership in a larger host state.

Scotland has already taken advantage of its membership in the European Single Market, cultivating sizable economic ties to EU countries. In 2011 46% of Scottish international exports went to EU countries, an estimated 35% rise since 2006, at an estimated value of 11 billion (Scotland in the European Union, 2013). In the event of independence, Scotland EU accession, and the UK staying in, one can add another 45 billion to that number, which is the estimated total of Scottish trade to the rUK (Scotland in the European Union, 2013). The economically crucial oil sector is particularly reliant on the Single Market, with 81.5% of Scotland's oil exports going to other member states (Scotland in the European Union, 2013). Additionally, firms from EU member states constitute 40% of FDI in Scotland (Scotland in the European Union, 2013). These numbers are poised to increase with further reduction of trade barriers within the Single Market, which could result in national income gains of up to 7% of GDP, and there additional free trade deals in the pipeline, such as the Transatlantic Trade and Investment Partnership (TTIP) with the US, which could change this math yet further (Scotland in the European Union, 2013). The purpose of this paragraph is to underline that because Scotland has already embraced the trade advantages of the European Single Market, market access benefits are no longer offered solely by the UK state.

Another crucial economic membership advantage besides market access is the influence a large host state has when negotiating trade deals. Given the wealth and prestige of the UK, this has historically been a particularly salient advantage of membership in the Union. However, now the EU negotiates trade deals as a whole, giving it more power and influence than any single member state can flex on their own (Scotland in the European Union, 2013). The resulting bilateral trade deals with countries outside the EU are then more beneficial than those that would be negotiated individually, and all members have equal access to the terms

of these deals (Alesina and Spoloare, 2005). For example, the entire EU is covered by the Common Commercial Policy, which guarantees uniform conduct of trade relations between members and third countries (Scotland in the European Union, 2013). This brings the entire EU's influence to bear on third countries to protect small states within the EU from discriminatory trade policies, allowing small states to protect their trading privileges more effectively than they could independently or as a distinct community within a larger host state (Alesina and Spoloare, 2000). Additionally, the trade tools available to the EU are far stronger than those of individual states; the EU can use anti-dumping or other trade barriers to combat unfair trade practices and defend their trade position to an extent unavailable to individual countries. Besides providing all member states with the benefits from trade deals more advantageous than those they could have negotiated on their own and the means to defend their positions in the international trade regime, through mechanisms like the European Regional Development Fund or the European Solidarity Fund, the EU has additionally supplanted the state's role in relieving economic shocks, developing disadvantaged regions, and disbursing funds following disasters (Alesina and Spoloare, 2005). The reassurance of a backstop in the event of a crisis or support for the underdeveloped is a significant advantage to membership in a host state, given the reduced financial capacity of a small state to respond to shocks or foster development, but the EU can muster greater resources on behalf of a member state than any single host state could marshal. While an independent Scotland would be a net contributor to these funds, estimated at around £400 million yearly, the ability to count on EU support in the event of a crisis addresses one of the major concerns about the viability of small states, thus superseding one of the prime benefits in host state membership (Scotland in the European Union, 2013).

This dynamic of multilateral supranational institutions assuming some of the instruments of the traditional state, thereby eroding state power from above, is an increasing phenomenon the world over, and academics have suggested it increases the viability of small states, giving succor to secessionists (Alesina and Spoloare, 2005; Meadwell and Martin, 1995). With regards to the trade benefits of membership in the case of Scotland and the UK, this argument seems to fit, with a perceptible decline in membership benefits for Scotland.

While Scotland already accrues most of the economic benefits of membership in the EU because of its union

with the UK, these benefits are no longer exclusive to membership in the host state. Thus, for the Scottish the benefits of membership in the UK have declined relative to independent membership in the EU, which offers the most important advantages of UK state membership, such as broad market access and standardized regulation, trade negotiating power, and funding mechanisms, but within the context of Scotland as an independent state. Through the European Single Market, trade negotiations and agreements like the Common Commercial Policy, and EU institutions like the EU Solidarity fund, the EU has essentially assumed the trade advantages offered by remaining part of the state, reducing the benefits of membership in the UK for Scotland.

5.2.2 - The European Union and the UK In/Out Referendum

There is one crucial factor complicating the EU-Scotland-UK dynamic when it comes to the secession calculus of Scotland: the rise of UKIP and the Tories' promise to hold an In/Out referendum on the UK's membership in the EU if they are reelected in 2015. While the ascendancy of the EU has reduced the benefits of Scottish membership in the UK in comparison to EU membership only, Scotland's present membership in the UK does ensure them access to all the EU trade benefits discussed earlier. If the UK were to exit the EU, the membership benefits of the UK would decline absolutely in addition to their present relative decline. The actual policy ramifications of a British exit are too indistinct to consider at this point, but it is reasonable to assume that the uncertainty and upheaval would interrupt some of the trade benefits elucidated previously, as the UK scrambled to retain access to the Single Market and ensure continuity of trade agreements. On a basic economic level, this interruption, or even just the prospect of it, reduces the benefits of membership in the UK for the Scots, as it would have deleterious economic effects in light of the high level of economic integration noted earlier. However, expanding beyond the fiscal consequences, it also clashes with the preferences of the Scots. Although historically Scotland was suspicious of the European project, almost rejecting EEC membership in 1975 (Laycock, 2013), today Scotland is less Eurosceptic than the rest of the UK (YouGov Poll, 2013; Scottish Attitude Survey, 2014). The SNP long campaigned on a platform of 'independence within Europe' (Keating, 2002). With continued membership in the EU threatened by the specter of an upcoming UK referendum, the complications of a potentially complex Scottish accession

process are diminished because there is no longer a guarantee that Scotland will retain EU membership even if it stays with the UK.

5.2.3 - A Note on Scottish EU Accession

The conclusion that EU membership significantly reduces the benefits of staying in the UK is rooted in the assumption that an independent Scotland's accession to the EU is a relatively efficient and uncomplicated process. The most seamless accession, that promoted by the SNP, involves invoking Article 48 of the EU Constitution, which deals with treaty change and would allow Scotland to bypass the traditional accession process. This type of accession is without precedent, and Spain implied it would veto Scotland's attempts to join this way (Rajoy Press Conference: November 28, 2013). Thus, Scotland would have to apply for membership in the traditional way using Article 49. The Article 49 accession process normally takes about a decade, although it was much quicker for countries like Sweden and Finland, and can be vetoed by all 28 member states (Lisbon Treaty). The assumption that an independent Scotland would efficiently navigate this process and win membership without serious complications rests on three main factors. First, the UK has pledged to support an independent Scotland's membership application (Cameron Interview: February 24, 2014). Second, despite explicitly rejecting Scotland's automatic membership through an Article 48 accession, the Spanish government has been noticeably silent about their vote should Scotland apply through the normal accession process, and they have additionally gone to great lengths to differentiate the constitutional situation of Scotland from that of their own distinct communities (Financial Times: February 2, 2014). Given this constitutional difference, the support of the UK, and the likely cooperation of the other EU member states, it is simply unforeseeable that Scotland's accession would be blocked by an individual member state (Tierney and Boyle, 2014). The final factor underpinning this assumption of a relatively expedited accession process is simply efficiency and practicality. As a constituent part of an existing member state Scotland already meets entry criteria, and has an economy that is tightly integrated with the EU, illustrated by the statistics mentioned earlier. It is in everyone's economic best interest to minimize disruption and uncertainty, and using the anticipated 18 month period between the vote and independence to ensure that Scotland stays in the European Single Market would accomplish that. Some creative politicking and convoluted compromises

would probably be necessary, but it is reasonable to assume that Scotland would gain EU membership in light of these factors. However, with a veto threatened or a lengthy accession process with Scotland stuck outside of the EU, the cost-benefit balance of Scottish secession is utterly changed. Therefore, since this is a system in which any one of 28 members can veto or slow Scotland's progress through the 35 accession chapters, a discussion about the effect of EU membership on Scottish secession would not be complete without addressing the potentiality of a difficult EU accession.

The biggest potential obstacle to a smooth EU accession for Scotland is Spanish opposition. As discussed elsewhere in this paper, Spain is acutely of the demonstration effects Scottish EU membership may have on their distinct communities. Although Spain did not threaten to veto Scotland's accession, Spain ruled out Scotland entering through an Article 48 treaty change, and Spanish European Minister Inigo Mendez de Vigo stated that he would expect Scotland's accession to take five years, much longer than proposed by the Scottish independence movement (BBC Newsnight Interview: September 16, 2014). While the Spanish government would likely focus on the constitutionality of the Scottish vote, arguing that the experience of Scotland sets no precedent for Catalonia or the Basque country because there is a legal right to secession in the UK, Spanish tactics could change depending on the relative power of Catalan secessionists over the next years. Essentially, the response of Spain to a hypothetical EU application from Scotland is tightly linked to the general political power of the pro-independence movements in Catalonia. If, for example, Catalonia votes heavily in favor of independence on November 9th or the staunchly secessionist ERC wins a majority in a Catalan Regional election, the Spanish state may change its position on Scottish EU membership as a tactic to deal with its own secession crisis. Thus, by opposing Scotland's accession to the EU, Spain can send a message to its own ascendant secessionist movements. By using its veto on Scotland, or even just using the threat of a veto to slow the process, Spain would show that the international environment is less willing to offer membership to new states born from democratic secession than expected, changing the secession calculus for its own distinct communities. Given the relative power of the Catalan independence movement in particular, as well the uncertainty surrounding the November 9th vote, the possibility that the Spanish state takes a harder-than-expected line on Scottish EU membership is a very real one. Although a situation in

which a single state vetoes the membership of an otherwise perfectly qualified country supported the 27 other members is difficult to imagine, Spain could also conceivably be supported by a Belgium mindful of its own secessionist community in Flanders. To summarize, while Spain is unopposed to an independent Scotland acceding to the EU through the normal Article 49 accession process, internal secession developments could force the Spanish state's hand and potentially complicate, or even block, Scotland's EU membership. This outcome is unlikely, but future developments are uncertain, and it is necessary to mention its potential effect on the viability of the EU as a replacement for the benefits of membership in the UK.

The other major factor complicating an independent Scotland's EU accession is the Scottish desire to retain British opt-outs. The UK has negotiated four opt-outs from the laws of the EU. They are not obligated to join the Euro or the Schengen Agreement, and they have negotiated special positions in regards to the Charter of the Fundamental Rights of the European Union and within the area of freedom, security, and justice. The SNP is committed to keeping these out-opt after independence, however there is no precedent for a non-member entering the EU with opt-outs (Scotland and the EU, 2014). Previous opt-outs were negotiated exclusively from inside the institution. A number of EU officials and member states have already said Scotland will not retain the UK's opt-outs after independence (Scotland Analysis: EU and International Issues, 2014). Additionally, an independent Scotland lacks the same bargaining power as the UK, weakening its negotiating position. It is therefore difficult to foresee a situation in which Scotland manages to assuage Spanish (and others) misgivings about membership, swiftly and efficiently navigates the accession process, while simultaneously negotiating meaningful opt-outs (Furby, 2012). Thus, the extent to which Scotland is committed to fighting for these opt-outs will also have a significant effect on the smoothness of Scotland's EU accession, and therefore transitively on the value of EU membership as a counterbalance to UK membership.

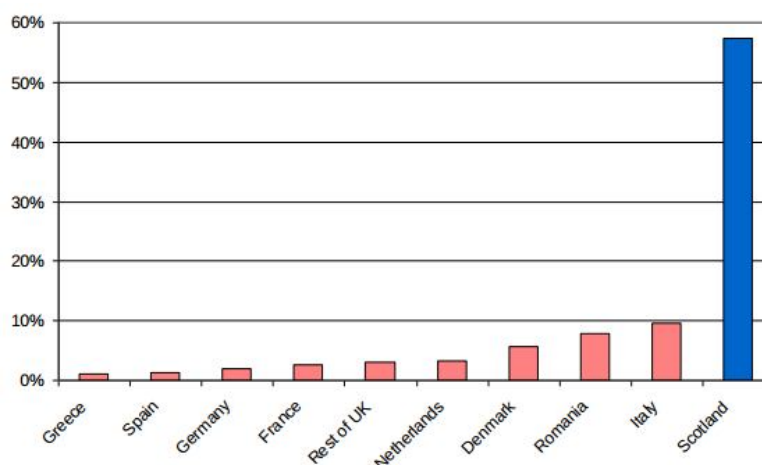


Figure 1: Share of EU Oil Reserves by Country

Source: Scottish Government Oil and Gas Analytical Bulletin – March 2013

Besides the potential roadblocks of Spanish opposition and the loss of opt-outs, it is worth mentioning the possibility of economic divergence between Scotland and the EU. Oil and gas plays a massive role in Scotland's economy; 2013-2014 revenues were £4.7bn, 10-15% of Scottish tax receipts come from the sector, and it is estimated that there are at least 24 billion barrels of extractable crude left in Scotland's part of the North Sea (Scottish Government Oil and Gas Analytical Bulletin, 2014). This is an economic structure relatively unique within the EU, where most economies are not resource-based. Scotland is the largest producer of hydrocarbons in the EU, accounting for 64% of EU oil production in 2010 (Scottish Government Oil and Gas Analytical Bulletin, 2013). Going forward, Scottish waters are estimated to contain 57% of the remaining oil reserves in the UK (Scottish Government Oil and Gas Analytical Bulletin, 2014). Obviously, these hydrocarbon revenues are currently a factor in the UK economy, but the UK economy is not dependent on them in the way an independent Scotland would be. Additionally, the oil and gas industry is particularly unpredictable. This means that an independent Scotland's economy could come to resemble an Arctic, resource-based economy like that of Norway or Canada, rather than an economy closer to the European norm. The optimal economic policies for such an economy would be significantly different from those enacted by the EU, and it is possible that because of these differences EU membership could be a suboptimal choice in the long run. Norway's relationship with the EU is the prime example of this type of arm's length engagement, rooted in divergent economic and financial considerations. The volatility of the oil and gas industry makes attempting to predict the future economic characteristics of Scotland unwise, but it is

worthwhile to recognize that Scotland has some economic fundamentals dissimilar to the rest of the EU, and that over the course of decades this could result in an economic structure which sits awkwardly within the economic context of traditional EU membership. This potential economic divergence does not directly affect the cost-benefit framework of Scottish secession or the accession process of an independent Scotland, but it is an important factor to consider as the situation in Scotland develops.

5.2.4 - Security

Some of the most salient membership advantages for a distinct community within a larger state are the security benefits. In the past, when the international system was more anarchic than it is today, small states were vulnerable to aggression from other states, making the safety of membership in a friendly large state a way of ensuring the survival of the community. However now, with the repudiation of war as a legitimate tool to enact foreign policy goals and the growing institutionalized interdependence of the international system, these membership benefits are less compelling than they once were. In Scotland's case this is no different. Similar to the EU dynamic, the ability for a small state to gain NATO membership, and the collective defense guarantee it entails, has diminished the unique advantages of membership in a large, militarily secure state like the UK. In their white paper, the Scottish government expressly states that they believe the collective security offered by NATO membership is more powerful than the security gained solely through UK membership (*Scotland's Future White Paper*). The accession process for an independent Scotland to join NATO is much simpler than that of the EU. Like with the EU, Scotland had hoped to gain automatic membership upon independence, but NATO leadership has denied that possibility, so an independent Scotland would have to proceed through accession as laid out in Article 10 of the North Atlantic Treaty Charter. Like the EU, any of the 28 members can veto an application, but the process only passes through three stages in comparison to the EU's 35 chapters, and usually takes two to three years (North Atlantic Charter). There is even room for negotiation within the most contested defense issue, the SNP's commitment to removing the Trident nuclear deterrent from Scotland. While NATO leadership has stated that Scotland would not be allowed to join if they forced the UK government to relocate Trident, the SNP has only committed to removing it within a practical timeline, with suggestions that this process could take upwards of 15 years,

allowing the rUK to easily adapt (Fleming, 2014). This avowed anti-nuclear stance from the SNP also has precedent within NATO, despite its status as a nuclear alliance, as the great majority of members do not host nuclear weapons of their own. Thus, given Scotland's status as a constituent region of a NATO member, likely UK support, as well as the absence of Spanish opposition relative to its position on Scottish EU accession, an expedited Scottish accession is very much imaginable.

The security benefits of membership have not only migrated to the supranational level represented by NATO, but the security threats facing an independent Scotland are significantly diminished in general. Whereas previously Scottish security fears came from the threat of conventional war, today the most geographically immediate security threats are much more likely to come from illegal fishing or other border control issues rather than an invasion of any kind. Thus, the relative value of the security guarantees provided by UK membership decreases because the issue of security for Scotland is much less salient than it used to be. Terror-related security issues are undoubtedly still significant, but their relationship to the security advantages or disadvantages of state size is highly contested and still to be determined. Some theorize that the lower profile of smaller states provides some protection against international terrorism, or that detachment from UK foreign policy would lessen risk of terror attacks against Scotland (Brooke, 2014; Atkinson, 2014). The relevant theory and evidence in this field is shallow and highly contestable, so while it is worth mentioning, it is premature to make hypotheses about its effect on the Scottish secession calculus.

In summary, the collective security represented by NATO, a decrease in specific physical security threats to Scotland, and a divergence in security preferences has created a situation in which the security advantages of being a member of a large state have dissipated. The security guaranteed by multilateral security communities like NATO or a future EU force has made Scotland's ability to ensure its own security viable, and changes in the international system mean that Scotland does not face severe security threats of the past century like conventional warfare. This drop in perceived threat level and increase in multilateral institutional security has decreased the importance of membership in the UK, allowing differences in security preferences to gain importance, further lowering the benefits of membership in the UK.

5.2.5 - *Welfare, Health, and Social Services*

A disparity between expected and actual public services received by a distinct community is one of the main drivers in a reduction in membership benefits, and this is also identifiable in the onset of the Scottish secession crisis. At first glance this is unexpected, because health and social policy is entirely devolved to the Scottish government. For example, the Scottish National Health Service is completely separated from the rest of the British NHS. Only the governance of pensions and welfare benefits is currently reserved to Westminster. The rest of the health and social policy is autonomously decided by Holyrood, but since Scotland lacks the power to independently raise revenue, these policies are funded by a block grant from the UK government. This block grant is determined by the Barnett Formula, an originally temporary mechanism used by the central British government to reflect changes in public spending before allocating funds out to the devolved administrations. The Formula is calculated according to the extent of devolved powers as well as population. On one hand, Scotland benefits from the formula, receiving more in per-capita spending than both England and Wales (Johnson and Philips, 2013), but it also means that central government budget cuts cascade down through the system and affect the Scottish government's ability to fund services. Thus, while the provision of most social services are devolved and decreases in their provision could be perceived as a disadvantage to devolved administration, because the Scottish government lacks tax-raising authority and depends upon the British government block grant for funding, the SNP can portray the service gap as the responsibility of the central government. This repositions the diminished provision of public services as a reduction of the benefits of membership within the UK.

Cuts in the social services, and the reduction in membership benefits they embody, are inextricably entwined with the British government's austerity program initiated in 2010 to reduce the budget deficit. Spending cuts of £83 billion were scheduled, with the average government department budget shrinking by 19% (IFS UK Budget Summary, 2013). Only half of those spending cuts have taken effect as of 2014, and more are required to meet the treasury's goal of a balanced budget (IFS UK Budget Summary, 2013). In the midst of those cuts, the UK government ring-fenced the British NHS budget, so within the rest of the UK there are no

serious cuts to healthcare spending (Social Market Foundation, 2013). Since the Scottish NHS is devolved, no drop in healthcare spending is necessary. However, due to the Barnett Formula, the rest of the austerity cuts will shrink the Scottish government budget accordingly. This forces the Scottish government to make difficult decisions when apportioning its shrinking budget, potentially threatening the budget of the Scottish NHS. These difficult decisions when balancing social service allocation are inherent to all government, however the devolution framework adopted by the UK leaves the central government particularly vulnerable to blame even in devolved areas, because the central government sets the overall budget level. This centrally mandated overall level has seen a decrease in the Scottish budget every year since 2010-2011 (Johnson and Philips, 2013). This allows Scottish budget shortfalls and painful decisions to be attributed to central government policy, so fears of deteriorating service from the Scottish NHS reduce the benefits of membership within the UK, and not the benefits of autonomous healthcare governance.

Cuts in the block grant from the central government and fears about privatization have diminished the perceived benefits in UK membership and rendered future benefits uncertain within a devolved policy area, but similar dynamics are also at play for the policies reserved for the central government, pensions and welfare benefits. This mainly stems from changes brought about by the Welfare Reform Act of 2012. Aiming to improve the effectiveness of benefit provision across the UK and entice people back to work, the controversial reforms disproportionately affect the older industrial areas of the UK, including Scotland (Beatty et al, 2012). Studies have cast doubt on their effectiveness (Beatty et al, 2012), and one of the key measures of the reform, the so-called Bedroom Tax, has particularly raised the public's ire after it cut housing benefits for 82,500 Scottish households (Guardian, 2013). In addition to headline welfare reform, traditional welfare spending has dropped in Scotland. Scottish welfare spending was 7% higher than the rest of the UK in 2006; this gap had narrowed to 2% as of last year (Scotland Analysis: Work and Pensions). This bolsters the impression of a growing disparity between the welfare benefits Scotland expects to receive and those actually received.

On its own, this disparity diminishes the perceived benefits of remaining in the UK. In conjunction with the UK's high level of government debt and the ideology of the current government, then refracted through the Scottish memories of the Thatcher government, it is reasonable to identify a potential growing mistrust of the central British government's ability to commit to maintaining the expected level of welfare benefits (Sorens, 2012). This inability to credibly commit to the maintenance of welfare levels beneficial to Scotland, coupled with the existing disconnect between expected benefits and received benefits, highlights an existing reduction in membership benefits for Scotland, and suggests the perceived decline will continue.

5.3 - Costs of Secession

5.3.1 - *Edinburgh Agreement*

The signing of the Edinburgh Agreement in 2012 represents the main factor driving down the cost of independence. In the original conception of Bartkus' (1999) framework of secession, secession crises could be triggered when a host state, enfeebled by war or economic crisis, is unable to respond to secession demands from a distinct community, thus lowering the cost of secession as the risk of host state repression drops. This interpretation is less relevant in instances of democratic secession, as coercive repression is taboo in developed Western democracies. However, with the Edinburgh Agreement of 2012, the Scottish case has its own decrease in secession costs; the Edinburgh Agreement set out under which circumstances the British government would allow and respect the result of an independence vote. The Agreement between the British and Scottish governments determined that an independence referendum could take place, that it must have a clear legal basis, be legislated by the devolved Scottish parliament, be conducted in a confidence-producing manner, and deliver a fair and decisive expressive of the views of the people of Scotland (Edinburgh Agreement 2012). Thus, through the Edinburgh Agreement, Scottish secessionists eliminated the most salient factor when weighing the cost of secession, a hostile host state response. Being able to pursue democratic secession from a clear legal basis with the blessing, if not encouragement, of the host state eliminates some of the most costly sources of risk and fear within the pursuit of independence. This agreement is a marked contrast to the situation in Catalonia, where the Spanish government has repeatedly affirmed the indivisibility of the Spanish state and the illegality of any referendum on Catalan sovereignty, to mixed

effect. Unconnected to real state debilitation, but rather stemming from respect for the democratic process after the SNP victory in the Scottish elections of 2011, respect for the history of Scotland's entrance in the union, and confidence in the benefits of the union, the British government legitimized secession in Scotland. By legitimizing Scottish secession, the British government removed one of the main constraints on secessionist activity and significantly lowered the cost of secession in the Scottish case.

5.3.2 - Currency

However, while the legitimization of secession removed one of the major roadblocks contributing to the high cost of secession, once the legality debate is no longer relevant, the concrete costs of secession enter the calculation. Looking at the realities of an independent Scotland, the issue of currency and monetary policy is one of the main drivers of the practical costs of secession for Scotland, given the issue's complexity and materiality.

The British monetary union has existed for centuries, and the economies of Scotland and the rest of the UK (rUK) are deeply integrated. For context, Scotland sold £45.5 billion in goods and services to the UK in 2011, and Scotland is estimated to be the rUK's second largest market for goods and services after the US (Scotland Analysis: Business and Microeconomic Framework, 2013). A vote for independence would end the current currency union and alter the dynamics of the present economic integration. Before examining the effects of the currency question on the costs of secession in Scotland, we must look at the possible monetary policy options in the event of Scottish independence. The Scottish government ruled out joining the Eurozone or creating their own currency (Scotland's Future White Paper). They proposed a negotiated monetary union similar to the current setup, only with Scotland as an explicit shareholder in the Bank of England with formal input into the Bank's governance, as well as the establishment of a Scottish Monetary Institute to build institutional expertise (Fiscal Commission Working Group, 2013). Officially, there was no plan B if rUK refused a currency union; however, SNP leader Alex Salmond stated, "It's not a question of keeping the pound. It's a question of whether there would be an agreed currency union" (BBC Today Interview, February 2014). This suggests that in lieu of a currency union an independent Scotland would

implement “sterlingisation” currency substitution, which would result in an independent Scotland with no say in its own monetary policy and without a central bank or lender of last resort. Negotiating a currency union would be a complicated and difficult undertaking, but it remains a possibility that must be taken into account, even in light of the UK government's vehement denials, considering the centuries of monetary cooperation, similarities in business culture, and broad economic alignment of the two economies (Fiscal Commission Working Group, 2013). Therefore, an independent Scotland's two most likely currency options are a UK monetary union or using a sterling currency substitution. The costs of both situations are examined here.

When perceiving the costs of secession, Scottish people must consider an independent Scotland with two monetary options: a contested, but negotiated monetary union with the rest of the UK, or an unsanctioned adoption of sterling. These two options alter the costs of secession through various means. The most readily apparent effect of independence and the breakup of the monetary union is the direct economic impact a new monetary configuration would impose on cross-border business. Although the Scottish and UK economies are strongly aligned, having only diverged by more than 2% twice in the last twenty years (Fiscal Commission Working Group, 2013), some divergence and disconnection would be inevitable as macroeconomic effects related to monetary policy filtered down to the micro level, hampering cross border trade (Scotland Analysis: Business and Microeconomic Framework, 2013). Even with a tight currency union, studies have found that this border effect is significant (Armstrong and Ebell, 2013). Additionally, it is estimated that new transaction costs between the economies would cost between £500m and £2.5 billion (Mark Carney Speech: January 29, 2014). In general however, both the Scottish and UK government reports are unexpectedly quiet on the direct economic and business costs of the replacement of the current monetary union. This may be a reflection of the difficulty in calculating the numerical economic effects, which can be attributed to the paucity of prior evidence and modeling due to the extraordinary nature of democratic secession in developed capitalist states, as well as uncertainty regarding the configuration of a post-independence monetary order. Therefore, while the direct economic effect of switching to a new monetary

system increases the cost of secession, the practical, measurable, transition costs generally do not figure strongly in secessionist calculations (Bartkus, 1999: 53).

The currency uncertainty alluded to in the previous paragraph does not only complicate calculating direct economic costs. The uncertainty factor is pointed to as a serious cost in its own right. After exiting the UK, monetary uncertainty would contribute to Scottish bonds having an estimated interest rate premium between .72% and 1.65% in comparison to rUK (Armstrong and Ebell, 2014), even in a tight currency union. Lacking an independent credit history, an independent Scotland would need to build up credibility in the international bond market, and creditor uncertainty on the creditworthiness of Scotland would push up yields on Scottish bonds. Additionally, numerous Scottish industry leaders, Diageo and Standard Life among them, said currency uncertainty is damaging to their businesses. A stable monetary regime is crucial to businesses' forecasting activities, as well as currency hedging itself being an important activity for Scotland's hefty financial sector, which constitutes nearly 10% of Scottish GDP (Scotland Analysis: Financial Services and Banking, 2013). Currency disagreement fuels the uncertainty which raises the costs of secession, and the possibility of the collapse of currency union negotiations after a yes vote is problematic. An acrimonious outcome to negotiations would exacerbate uncertainty over an independent Scotland's monetary regime going forward, and could threaten or discourage cross-border economic cooperation in the future. The UK treasury in particular is concerned about the rUK being blamed if a currency union is not agreed, resulting in adverse economic impacts for both entities as future economic cooperation becomes less certain (Scotland Analysis: Permanent Secretary Letter, 2013). In light of these factors, the costs raised by the uncertainty of the monetary regime results in a significant increase in the perceived cost of secession.

A third area in which the currency situation affects the cost of secession relates to monetary policy autonomy and vulnerability. One of the main benefits of secession is the ability to specifically tailor public policy to the realities and preferences of Scotland, and the advantages this would have for the Scottish state (Scotland's Future White Paper). However, both a negotiated currency union and sterlingisation would require giving up virtually all control over monetary policy, resulting in a monetary situation little different from the status

quo. Even the ideal currency union proposed by the Fiscal Working Group, in which governance of the Bank of England would be done on a shareholder basis with Scotland as an explicit shareholder, essentially gives the rUK complete control over Scottish monetary policy, as the single Scottish governor would logically be routinely outvoted by the eight rUK governors (Armstrong and Ebell, 2014). A complete lack of policy control is inherent in a currency substitution situation. In both cases this would result in suboptimal monetary policy for Scotland. The quantitative easing strategies pursued by the US and the UK in response to the financial crisis demonstrate the benefits of an independent monetary policy, particularly in comparison to the cumbersome Eurozone response. Under rUK's monetary policy, Scotland would also be severely constrained in their fiscal options to respond to a crisis, either through explicit fiscal restraints in a negotiated currency union or the necessity of keeping adequate reserves of sterling if they implemented currency substitution.

An independent Scotland, lacking monetary policy autonomy, would also be vulnerable to the realities of its large banking sector. Banks registered in Scotland have assets of 1254% of Scottish GDP, and the 2008 rescue of the Royal Bank of Scotland cost the equivalent of 211% of Scottish GDP (Scotland Analysis: Financial Services and Banking, 2013). Both currency union options would constrain an independent Scotland's ability to deal with problems in its banking sector. In a negotiated currency union, the treasury worries about having to bail out Scottish banks, pointing to problems of asymmetry, as Scotland would be unable to bail out UK banks, and drawing comparisons to the financial crisis in the Eurozone and the bailouts of Spanish banks (Scotland Analysis: Financial Services and Banking, 2013). That possibility is arguable, however. It is distinctly possible that rUK would refuse to bail out Scottish banks in a banking crisis, because they would have no real incentive to bail out the banks of another sovereign (Armstrong and Ebell, 2014). Additionally, the very asymmetry identified by the treasury means that, in a currency union, the negotiated shock absorbers and buffers would be sufficient to shrink any problems into a size manageable for the much larger rUK to comfortably address (Young, 2014). In light of these points, in a currency union Scotland could not credibly commit to acting as the lender of last resort for a financial sector as massive as the one it now supports, and in a sterlingisation scenario it would completely lack one. This would either cause banks to leave Scotland for the UK until the Scottish banking sector reached a more appropriate size (Young, 2014),

or it would intensify a financial crisis. In either case, the potential economic ramifications for an independent Scotland range from problematic to catastrophic.

Basic transaction costs, monetary uncertainty, lack of independent monetary policy, and a vulnerable banking sector all increase the costs of secession and neutralize any potential benefits of breaking the existing monetary union.

5.4 - Benefits of Secession

5.4.1 - Oil and Gas

The potential benefits of the presence of roughly 90% of the UK's oil and gas reserves in Scottish waters is essentially linked to the Scottish secession equation. Secessionism was on the political fringe in Scotland until 1974, gaining just 11% of the vote in Scotland and a single MP in the 1970 election (Collier and Hoeffler, 2002). Following the oil crisis in 1973 and the concomitant jump in prices, the SNP adopted the slogan "It's Scotland's Oil". Their support leaped to 30% of the Scottish vote, and they sent 11 ministers to Westminster (Collier and Hoeffler, 2002). From the beginning, Scottish support for secession has been heavily influenced by the realities of the hydrocarbon industry. Generally, identifying the benefits of secession is difficult because it is heavily dependent on future expectations. While revenues from oil and gas are notoriously volatile, they are at least quantifiable and predictions can be made within various scenarios using varying assumptions about the price of oil and production levels. This makes identifying the hydrocarbon-related financial benefits of secession a more tangible process. However, besides the concrete numbers, individual perceptions about relative wealth, future prospects, and economic injustice also have an influence because those concrete figures are not always disseminated completely or considered accurately by individuals (Bookman, 1993; Meadwell, 2009). These information failures affect the way the actual costs and benefits of the hydrocarbon industry are perceived and the subsequent formation of individual preferences.

When it comes to the Scottish hydrocarbon industry and the benefits of secession, the headline numbers must be addressed first, given their outsize effect on public perception. British waters are estimated to hold more than 24 billion recoverable barrels of oil, with 85% of those remaining reserves located in Scottish waters (Oil and Gas Analytic Bulletin, 2014). Those reserves are estimated to be worth up to £1.5 trillion (Oil and Gas Analytic Bulletin, 2014). However, production has dropped over the last couple years, 13% in 2013 and 14% in 2012, and tax receipts from hydrocarbons are extremely volatile (Scotland Analysis: Macroeconomic and Fiscal Performance, 2013). Over the last decade, yearly tax revenues from the industry have been as high as £12 billion and as low as £2 billion (Crawford and Tetlow, 2014). Coping with such volatility is difficult; Scottish year on year tax receipts vary by up to 6.1%, with funds from across the UK smoothing out the disparities. That said, taxes on North Sea hydrocarbons generated £6.1 billion in revenue in 2012-2013, and production is expected to rise again, increasing by 14% by 2018 (Oil and Gas Analytic Bulletin, 2014).

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	Total (2012-2013 to 2017-2018)
Scenario 1	£6.7	£6.2	£5.5	£4.5	£4.2	£4.1	£31.3
Scenario 2	£6.9	£7.1	£7.1	£6.6	£6.8	£7.0	£41.5
Scenario 3	£6.9	£7.5	£8.0	£7.9	£8.5	£9.2	£48.1
Scenario 4	£6.9	£7.4	£7.7	£7.5	£7.9	£8.5	£45.9
Scenario 5	£7.2	£8.3	£9.4	£9.7	£10.7	£11.8	£57.1

Table 2: Projections for Scottish North Sea Tax Revenue (£ billions)

Source: Scottish Government Oil and Gas Analytical Bulletin – March 2013

In light of the volatility, estimations are based on a number of different scenarios. The Scottish government's estimates are pictured in Table 2. The UK Office for Budget Responsibility is somewhat less optimistic, forecasting returns of £3.5 billion in 2018, based on a scenario with oil at \$90 a barrel and production remaining constant (Office for Budget Responsibility, 2014). The most optimistic Scottish Government estimation projects tax revenues of £11.8 billion in 2018 (Oil and Gas Bulletin, 2013). Regardless of which projection is accurate, the sums involved are immense, and represent a significant prize in the event of independence.

Thus, through secession, the proceeds from these immense resource rents would be shared with a community of just over 5 million members, rather than the current 64 million residents of the UK. This makes the financial benefits of resource control particularly tangible for the secessionist community, and aligns with existing theories about secession, distinct communities, and territorially concentrated resources (Collier and Hoeffler, 2002; Bookman, 1993). Through exit, Scotland wrests control of hydrocarbon rents from the rest of the UK and then shares the revenues with a much smaller group, with the hope that benefit provision will be increased and taxes lowered or kept level. The resulting relative wealth also improves the viability of Scotland as a small state, making up for the diminished economies of scale with increased funding (Alesina and Spolaore, 1997).

Hydrocarbons are finite, non-renewable resources, so the total potential accruable benefits from Scottish control over their revenues decrease with every day the revenues are shared with the rest of the UK. At least in regards to the issue of hydrocarbon revenues, the dynamics of Scottish secession encourage an earlier exit attempt, because as the resources are exhausted and the tax revenues drop, the benefits of secession drop because an independent Scotland will have less resource wealth to support itself. Repurposing some of Bartkus' language, in a way this represents a last resort to gain some of the benefits of secession, as the benefits will likely continue to decrease over the years. There is also the question of the cost of decommissioning and cleanup obsolete North Sea rigs, which is estimated to be upwards of £40 billion (Oil and Gas Bulletin, 2014). Thus, there it is reasonable to contend that if these benefits of secession are not won soon, the declining revenue and raised liabilities will turn hydrocarbon control into a burden of secession rather than a benefit.

However, the overarching theme of hydrocarbon revenue as a benefit of secession is the extreme unpredictability. Even the optimistic revenue estimates of the Scottish government differ by £25.9 billion over five years depending on the scenario. Measuring the benefits of Scottish control of hydrocarbon revenues is dependent on so many complicated and interdependent factors, from global oil prices to extraction technologies to the shale boom in the US, that assessing future outcomes is nigh impossible for

experts, let alone the implicit cost-benefit calculations of members of the Scottish community. While reserves are declining, and the revenue benefits of those already extracted reserves no longer available to an independent Scotland, new finds are also occurring. Right now, 25 untapped fields are being assessed for development, 147 fields have been discovered but are not yet at the planning stage, and experts predict almost 100 fields remain to be found (Kemp and Stephen, 2014). Whether these fields are developed and provide revenue, and therefore potential secession benefits, depends on a panoply of factors related to oil prices, drilling technology, and government policy. There are so many moving parts that making accurate predictions of the state of the hydrocarbon industry in Scottish waters in the extended future is virtually impossible. This is the state of the issue within which community members must formulate their preferences, almost making individual feelings on the potential oil revenue benefits of secession an act of faith. There are undoubtedly substantial resource rents to be gained and benefits to be had, but the extent and longevity of those benefits are indistinct. Thus, the price level of the perceived benefits of hydrocarbon control comes down to a balance between perceived benefits, how long those benefits will last, and the penalties of waiting to seize those benefits. With the historical influence of oil and gas on Scottish secessionist politics, and revenues forecast to make up between 10% and 20% of an independent Scotland's revenue, there is no doubt they represent a significant and tangible benefit to secession, but ascertaining the extent to which they influence the triggering of a secession crisis is as difficult and volatile as determining the future of hydrocarbon rents in Scottish waters. While their effect on the secession calculus is indisputable, and it can be reasonably asserted that the presence of oil is a necessary factor to secessionist pressures in Scotland, whether oil revenues on their own are sufficient to explain a rise in the benefits of secession or whether they are just a “bonus”, in the words of Alex Salmond, is difficult to determine in light of the uncertainty and volatility within the field.

5.4.2 – Representation

The political representation aspect is frequently discussed in secession theory, with the relocation of the political center closer to the distinct community, the ability of the distinct community itself to determine its political representation, the escape from political domination by a large majority, and the new state's ability

to represent itself on the international stage are all identified as potential benefits to secession (Bartkus, 1999; Horowitz, 1985). In the case of Scotland, the ability of Scottish voters to determine their own political representation and the acquisition of independent representation within multilateral institutions are the two outstanding benefits within the Scottish secession equation.

As a distinct community within a parliamentary democracy, Scotland's voters are able to express their political preferences when it comes to electing the British government. However, the ability of Scottish voters to determine their own political leadership is seriously limited by the relative size of the Scottish population relative to the population of the rUK. Due to this size disparity, the national political environment fails to adequately represent Scottish interests. The size of England and the historically highly centralized British state has resulted in a political system of benign, democratic dominance of English political preferences as parties are forced to appeal mainly to the largest constituent community within the UK body politic in order to be elected. Thus, the political preferences of Scotland are not necessarily reflected in the makeup of the central government. This is of course inherent in a competitive political system as parties win and lose elections, but where this differs in the Scottish case is that the political cleavage lies between the distinct communities making up the British state. There are of course political differences within the Scottish distinct community as well, but the division between Scottish political preferences and those of the rest of the UK is one of the deepest cleavages within the overall British political system. Conservatives have not won a plurality of Scottish votes in a UK general election since 1959. However, since that election, six general elections have returned governments lead by a conservative Prime Minister (Sorens, 2012: 39). At the national level, Scotland votes 16 points to the left of the rest of the UK on average (Sorens, 2012: 88). Scottish MPs have a disproportionate influence on the politics of the rest of the UK, highlighted by the West Lothian Question, because English MPs are not allowed to affect policy within devolved areas, but Scottish MPs can vote on those policies for the rest of the UK. Additionally, because of the conservative orientation of the rest of the British electorate relative to Scotland, Scottish MPs are crucial to the Labour party, allowing them to exert an influence which belies their numbers. However, while Scottish politicians might benefit from these arrangements, the interests of the distinct community are disadvantaged by the mismatch

between the government and the community's voting structure. Even with some policy devolved to the Scottish parliament, at the national level the interests of the distinct community are consistently inappropriately represented due to the political structure of the British government and relative size of the Scottish electorate.

This consistent disconnect between Scottish voting patterns and the British government ruling Scotland illustrates the political representation benefits of Scottish secession. As an independent state, Scotland's government would more closely reflect the preferences of the Scottish people. In an independent Scotland, the disappearance of one of the most powerful cleavages within Scottish politics, self-governance vs. union, would completely transform the party structure of Scottish politics. This could actually result in a rebirth of conservatism in Scotland, disconnected from the legacy of the Thatcher government and unencumbered by the debate over the union. The ultimate political structure is of minor importance here, because regardless of its makeup the elected government would be aligned with the actual votes of the Scottish electorate and more responsive to the preferences of the community. This advantageous increase in domestic political control and influence of the distinct community also comes with a reduced policy jurisdiction. A focused, less diverse jurisdiction would encourage economic policy more closely tailored to the needs and preferences of Scotland; scholars point to the balance between local preferences and economies of scale when it comes to state size (Fearon and Van Houten, 2002). An independent Scotland would be able to vary its tax and investment policies in response to the state of the Scottish economy, while the government of a diverse British state must balance the local realities across the larger state (Scotland's Future White Paper). These advantages are ultimately just different facets of the same outcome; one of the main benefits of secession would be the greater alignment of government composition and policy with the idiosyncratic preferences and needs of Scotland, rather than those of a larger, more diverse UK.

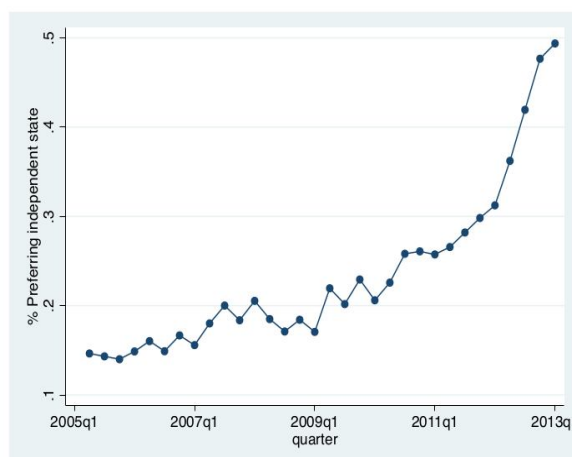
5.5 - Scotland Conclusion

In sum, the secession crisis in Scotland is the result of secession pressures from long-term reductions in the benefits of membership in the British state, secession pressures released after the Edinburgh agreement

legalized the referendum in Scotland, lowering the costs of secession. This gradual drop in UK membership benefits stems mainly from changes in the international institutional environment over past decades which have seen many of the key host state membership benefits supplanted by the benefits of membership in multilateral institutions such as the EU, and this fall is then exacerbated by state retrenchment caused by the UK's precarious financial situation. The benefits of secession inherent in Scotland's hydrocarbon wealth is also crucial to this secession framework, but in a "last resort" type dynamic rather than the gradual rise as predicted by Bartkus (1999). Considering the rarity of independence referendums and the uncertain level of future oil revenues, the benefits of hydrocarbon revenues are magnified relative to their significant, but not overwhelming, financial value. This magnification is the result of uncertainty over whether there will be sufficient hydrocarbon wealth to support an independent Scotland by the time another referendum is called in the future, because of longterm trends and realities of non-renewable resource extraction. Thus, as hypothesized, the benefits of secession are high in the case of Scotland, but these benefits are perceived in a rather unexpected way as they are not entirely based in the financial advantages of hydrocarbon control, but also the long-term strategic aspect. It is the combination of this last chance to realize the benefits of secession coupled with a culmination of the gradual reduction in membership benefits which precipitated the Scottish secession crisis after the Edinburgh removed the most salient cost of secession, host state opposition. Taken this way, the Scottish secession crisis can be interpreted as the culmination of longterm trends influencing the Scottish secession framework, which was then suddenly and decisively triggered when host state opposition was removed from the equation.

Chapter 6 – Catalonia Analysis

6.1 - Background on the Current Crisis



CEO, Political Opinion Barometer 2005-2013

Figure 2: % of Catalans preferring an independent state

Catalan nationalist parties have been the most powerful political force in Catalan politics since the reconvention of the Generalitat, the Catalan government, in 1977 (Guibernau, 2013; Guntermann, 2013). In spite of that political power, Catalan secession has only become a compelling force in popular Catalan politics over the last five years (Figure 2). Prior to that, the mildly nationalist *Convergència i Unió* (CiU) championed Catalan cultural autonomy, ruling out secession (Cramer, 2014: 19), with the left-wing *Esquerra Republicana de Catalunya* (ERC) the only major political party arguing in favor of independence. Under a tripartite left-wing government led by the Catalan Socialists, Catalonia developed a reformed Statute of Autonomy governing at the invitation of the Zapatero government. The Statute would reform Catalan self-government and the autonomous community's relationship to Spain. It passed the Catalan parliament with the support of all major parties and was passed by the Spanish Parliament in a heavily amended version, before being passed in a Catalan referendum with 74% in favor (Cramer, 2014). Thus, this Reformed Statute has been in effect since 2006 (Cramer, 2014: 44).

However, in 2010 the Supreme Court declared key provisions of the Reformed Statute of Autonomy unconstitutional. Then, in 2012 the Generalitat, now once again ruled by the CiU and its leader Arturo Mas,

was mandated by the Catalan parliament to negotiate a new fiscal pact with the Spanish government, inspired by Basque model, but this was flatly rejected by the Rajoy government. On September 11th, 2012, an independence march drew more than 1.5 million participants in the biggest protest march ever held in Catalonia (Cramer, 2014). Emboldened by the march, and left with few options following the fiscal pact's rejection, Artur Mas and the CiU called an early election with the hope of winning a mandate for an independence referendum (Cramer, 2014). The previously strictly autonomy-seeking CiU was now an explicitly secessionist party. In the election, the CiU lost seats but retained control of the Catalan Parliament, with the staunchly secessionist ERC increasing in power, and pro-referendum parties now constituted two-thirds of the Catalan Parliament, setting the stage for a vote (Cramer, 2014: 50).

With their mandate for an independence referendum, the Catalan parties agreed on two questions for the November 9th, 2014 vote, "Do you want Catalonia to become a State?" and "In case of an affirmative response, do you want this State to be independent?". In March 2014, the Spanish Supreme Court found the Catalan Sovereignty Declaration, the legal basis for a binding independence referendum, unconstitutional (El País, 2014). The following month, the Spanish legislature refused the Catalan parliament's request for the power to organize the referendum. In spite of these legislative and legal setbacks, the European Parliament elections demonstrated the growing appeal of secession in Catalonia, with the ERC winning their first election in 80 years. Then, in September, the Parliament of Catalonia passed a law legalizing a non-binding, consultative referendum on self-determination for Catalonia, but the Spanish Supreme Court suspended the referendum less than ten days later (Wall Street Journal, 2014). This brings us up to date on the current secession crisis, resulting in a stalemate in which roughly 80% of Catalans want to vote on self-determination (Cadena Ser Poll, 2013), the government of Catalan is working towards secession, and the central government is utterly opposed to acceding to any of their secession demands.

6.2 - Costs of Secession

6.2.1 - *Host State Opposition*

In stark contrast to the experience of Scotland within the UK, the Spanish government has consistently asserted the indivisibility of the Spanish state, declaring any referendum on Catalan independence illegal. This total Spanish rejection of Catalan independence runs from the governments of some autonomous communities to the national parliament all the way to the Supreme Court. This has resulted in pantomime politics in which the Generalitat passes laws related to the secession crisis, in full knowledge that they will be rejected by the Spanish parliament or suspended and struck down by the Spanish Supreme Court (Cramer, 2014). So long as the government of Spain continues to flatly refuse to negotiate the issue of sovereignty for Catalonia, the only option for Catalan independence is a unilateral, hostile secession. This type of secession would be unprecedentedly costly, with one estimate placing the cost at between €4.5 and €5 million a month (Fleito, 2014). However, as noted earlier, most members of a distinct community are conditional secessionists, only willing to mobilize for secession when the expected benefits significantly outweigh the expected costs (Sorens, 2004); in Catalonia, roughly 80% of the populace wants the opportunity to vote, but support for independence is much lower (Cadena Ser, 2013; CEO Barometro, 2014). It is virtually unimaginable that an expensive unilateral secession would have enough popular support to succeed. Therefore, the costs of secession for a negotiated exit after a referendum must be the focus, and with that focus the uncompromising opposition of a functional, effective Spanish state seemingly raises the costs of secession to impossibly high levels.

However, a slight shift in perspective provides an interesting angle. While the absolute opposition of the Spanish government raises perceived cost of *actually* seceding by the distinct community, it could perversely have the opposite effect on the perceived costs of a secession *crisis*. This argument is founded in multiple informed assumptions. First, that while independence has strong support within the Catalan community, 66% of Catalans are dissatisfied with current levels of autonomy, while only 45% believe that Catalonia should be an independent state (CEO Barometro, 2014). Quantitatively determining the preference orderings of a population is essentially impossible, but public opinion polls imply a Catalan preference of autonomy over

independence, but independence over the status quo. For example, while 54.7% of Catalans would vote yes if an independence referendum were held tomorrow (CEO Barometro, 2014), only 23% would support the vote if it is deemed illegal by the Supreme court (Metroscopia Poll, 2014). This suggests that while independence is a preferred outcome over the status quo, the great majority of Catalans are sensitive to the costs of an actual secession, implying increased autonomy is preferable to contested independence. Second, because of the line taken by the Spanish government, community members perceive that a costly contested secession is virtually impossible. Third, the Spanish state will not respond to the secession crisis by repressing the community. Given post-Franco Spain's standing within the international pluralistic democratic community, this is a fair assumption to make. Illustrated another way, autonomy-preferring Catalans can mobilize without fear of repression and make demands for self-government, and these demands can be made more forcefully than otherwise because a less preferred outcome of actual independence is effectively made impossible by Spanish opposition. This dynamic can be seen in the behavior of the CiU and Arturo Mas, who have previously been seen as lukewarm towards secession (Cramer, 2014). Pressured by the growing electoral success of the staunchly secessionist ERC, unsure of secession but reasonably secured by the steadfast opposition of the Spanish state to independence, in making secession demands and sponsoring a referendum, Mas and the CiU could potentially gain electorally, win autonomy concessions, and avoid independence.

	% Fall in Catalan GDP
Antras and Ventura (2012)	≤ -2%
Buesa (2012)	-23.4%
Comerford, Myers, and Rodriguez (2012)	-9%
Ghemawat (2011)	-7%
Guinjoan and Cuadras (2011)	-4%
Polo (2013-2014)	-20%
Rodriguez Mora (2013)	-10%

Table 3: Estimated drop in Catalan GDP after independence

Source: Feito, 2014

Additionally, the actual costs of secession are rendered irrelevant as the Spanish government's position precludes any possibility of an independent Catalonia born out of the current secession crisis. Those practical costs are immense (Table 3), mainly because an independent Catalonia's EU accession would be extremely fraught due to Spanish opposition, much more so than an independent Scotland's, which is particularly

problematic because Catalonia would want to join the Eurozone in order to retain the euro. Additionally, besides navigating a very complicated process to join the multilateral economic institutions that are vital to the viability of small states, Catalonia lacks natural resource wealth, the rents from which would provide a useful buffer in the event of a turbulent secession and accession period.

However these actual practical costs of secession are only a minor part of the debate because the government denies the legitimacy of a self-determination vote or the possibility of secession as a potential outcome, which ensnares the debate in the mire of legality, legitimacy, and constitutionality. With the independence debate being contested mainly on the grounds of legitimacy due to the Spanish government's obduracy, the Catalan debate has not deepened into the practicalities of secession. This allows secessionist actors to frame the debate regarding the benefits of secession, because if the Spanish government were to engage it would be seen as acknowledging secession as a potential outcome. By ceding this field, the Spanish government has created a situation in which secessionists can make entrepreneurial claims about an "independence dividend" (Feito, 2014), and the government can only respond within a constrained debate toolkit. This differs markedly from the British approach, where the legitimacy question was addressed early, which fostered a debate environment in which the unionist side adeptly used the financial and uncertainty costs of independence to highlight the perceived costs of secession, as discussed above.

To summarize, by completely rejecting the possibility of a negotiated, democratic secession, the Spanish government has made unilateral, hostile secession the only present option for Catalan independence. The cost of this type of secession is so unappealingly high that it renders the entire option irrelevant to conditional secessionists within the distinct community. Perversely however, in ruling out independence the Spanish government has both lowered the cost of a secession *crisis*, and neutralized its own powerful argument about the unacceptable costs of secession. The latter is accomplished by refusing to countenance any scenario involving an independent Catalonia, which means the Spanish government is unable to vociferously highlight the high costs secession would have for Catalonia, because by engaging in that debate the government undermines its own position on the absolute unacceptability of anything remotely resembling

Catalan independence. It has also unexpectedly lowered the cost of forcing a secession crisis by precluding the possibility of independence, which removes an outcome that is likely below autonomy in the preference ordering of many community members, allowing them to fully commit themselves to a secession mobilization that will not ultimately end in secession. Thus, attempting to win autonomy concessions from the state, they can engage in issue entrepreneurship and outbidding to a more extreme extent than they would if actual independence was an option. Additionally, they are secure with the knowledge that the Spanish state cannot forcibly repress them due to changing international norms. Thus, conditional secessionists who prefer autonomy to the status quo but are unsure about independence are protected from both the secessionist extreme and a forceful host state response due to the tactics and constraints of the democratic Spanish state, lowering the costs of triggering a secession crisis.

6.3 - Benefits of Membership

6.3.1 - *The Financial Crisis and Austerity*

The financial crisis devastated the Spanish economy, as the housing market collapsed, the construction boom turned bust, and banks failed. Spanish unemployment is still the 2nd highest in the EU at 24.4% (Eurostat, August 2014). This economic ruination in turn ravaged Spanish public finances. Spain was forced to bailout its banks as a result of the crisis, which then caused a sharp increase in public debt. Punishingly high yields on that debt ultimately forced Spain to seek a bailout from the Eurozone, which came with strict spending conditions. Already in 2010 the austerity budget cut government spending by €15.3 billion along with tax increases of €17.9 billion, representing a fiscal tightening of 2.9% of Spanish GDP (Weisbrot and Montecino, 2010). That was only the beginning; the 2013 budget aims to reduce the Spanish budget deficit by €65 billion over two years through further spending cuts and tax increases (New York Times, 2012). Given the size of the Spanish debt, as well as the anemic economic recovery, it unlikely that government spending will rebound any time soon.

This collapse in Spanish government spending and concurrent rise in taxes affects the benefits of membership in two ways. First, like Scotland, Catalonia lacks its own tax-raising authority. This means that

the Spanish central government sets tax rates and collects taxes in Catalonia, and then a portion of that amount is remitted back to the Catalan government. Policy areas such as welfare benefits are still directed from the center, so much of the remitted funding is already earmarked when the Generalitat receives it. Additionally, being one of the wealthiest regions in Spain, Catalan taxes are net contributor to the equalization scheme which ensures equal levels of service across Spain's autonomous communities (Guibernau, 2013). Unable to raise its own tax revenue, a net contributor to the central government's coffers, and with much of the remitted funding already earmarked for specific purposes, the Catalan budget is particularly vulnerable to spending cuts and a shrinking national budget (Cramer, 2014). Similar to the Scottish case, a reduced central government budget means less funding for the Catalan government, reducing the benefits of membership in the Spanish state.

Main Taxes in Spain	Legislative Powers of the Basque Country and Navarre	Legislative Powers of Other Autonomous Communities
Personal income tax	Total control of the tax	- Tax rates (must have same number of tax brackets as the State tax) - Tax credits, under certain conditions
Corporate income tax	Total control of the tax	None
Tax on non-resident income	Control only in the case of permanent establishment in the territory	None
Wealth tax	Total control of the tax	- tax rates - minimum threshold - tax credits
Death and gift taxes	Total control of the tax	- Deductions (mainly for family circumstances) - Tax rates - Deductions and tax credits Tax administration regulations
Taxes on transfers and official documents	Total control of the tax	- Tax rates - Tax credits - Tax administration regulations
Gambling taxes	Total control of the tax	- Exemptions - Taxable base - Tax rates - Tax credits - Tax administration regulations
Value added tax	None	None
Excise duties	None	None

Table 4; Source (Colino 2013)

This is exacerbated in the Catalan case because a different model of fiscal autonomy already exists in Spain. The Basque country and Navarre have full fiscal autonomy with their own tax raising powers (Table 4). This softens the effect of central government budget cuts on expenditures in these regions, somewhat decoupling the benefits of membership from the vagaries of the central government budget. This could be one reason independence remains relatively unpopular in the Basque country, supported by only 24% of the population (Euskobarometro 2014). This method of fiscal autonomy was Catalonia's inspiration when crafting a new Statue of Autonomy in 2006, and later when the Catalan government tried to negotiate a new fiscal pact with the Spanish government after the Statue of Autonomy was neutered by the Spanish Supreme Court (Guntermann, 2013). Increased autonomy is still one of the major concerns for Catalans, with 66% expressing a belief that Catalonia has an insufficient level of autonomy (CEO Barometro, 2014). These demands for more fiscal autonomy continue to go unmet, so the effects of the austerity cuts on the national budget cascade directly onto the Catalan budget as well, concretely diminishing the benefits of membership in the Spanish state. Besides the carryover effect of central government cuts on the Catalan budget, the cuts to the national budget themselves represent diminishing benefits of membership for members of the Catalan community. Most saliently, control of welfare benefits and pensions are reserved for the Spanish government. Thus, the across the board austerity cuts impact a particularly concrete example of membership benefits for the community. The tangibility and visibility make it especially important for the implicit cost-benefit calculations of community members, given the difficulty in assessing more abstract and esoteric factors. Repeated austerity-related cuts of almost 10% a year severely strain the Spanish state's ability to maintain the level of government service expected by Catalonia (Crameri, 2014). Additionally, the continuing economic problems make it virtually impossible to foresee a near-future in which government spending reaches pre-crisis levels. This perception about future prospects heavily weighs on the secession equation, because it constrains the Spanish state's ability to credibly commit to funding policy beneficial to the Catalan community (Sorens, 2012). This enduring drop in membership benefits, and the gap between expectations and reality it represents, combines with the diminished Catalan budget, for which the Spanish

government is perceived to be culpable, to create a dynamic in which the tangible, dollars and cents benefits of membership are consistently lowered.

However, while the devastation wrought by the financial crisis on the central government's budget have significantly lowered the Catalan advantages of remaining in Spain, in one crucial way the crisis has actually bolstered membership benefits: debt and borrowing. While Catalonia is unable to raise its own tax revenue, it can borrow on the international markets. This is important because Catalonia, like many Spanish autonomous communities, has a large budget deficit and a debt greater than €50 billion (Lawson, 2014), a situation greatly exacerbated by the financial crisis. Remaining in Spain provides a few vital benefits related to Catalonia's debt situation. First, the Spanish government can act as an emergency lender in case Catalonia is unable to finance their deficit through borrowing, which has become much more difficult due to the sovereign debt crisis and rise in Catalan debt. Twice in the last two years the Generalitat has been forced to ask the Spanish government for bailouts worth €5 billion and then €9 billion (BBC, 2013). The Spanish government has set up a regional liquidity fund worth €23 billion annually with the express purpose of bailing out indebted autonomous communities unable to finance their deficits on international borrowing markets (Ministry of Economy and Competitiveness, 2012; Financial Times, 2013). With Catalan bonds rated as junk by the major credit ratings agencies, access to this bailout money is a crucial advantage of membership for Catalonia. Additionally, because Catalonia is a member of the Eurozone as constituent region of Spain, Catalonia was able to benefit from the Eurozone bailout of Spain, with the profligacy of autonomous governments and failed regional banks one of the drivers of the crushing Spanish sovereign debt (Feito, 2014). The benefit of a Spanish guarantee on Catalan debt is a huge boon to the Catalan community, which would otherwise be unable to maintain an expected level of service provision.

Catalonia's difficult financial situation makes the advantages of host state membership particularly important to the secession calculus. While an independent Catalonia with EU membership would likely be viable, a newly independent Catalonia with very high debt, a junk bond rating, an uncertain relationship to the EU and Eurozone, and low economic growth would find it very difficult to borrow competitively on the international

market, likely resulting in economic hardship and severe cuts to public services. The value of membership in the Spanish state has actually increased in this respect, guaranteeing Catalonia access to the funding necessary to govern itself and service its debts (Castells, 2014). A seceded Catalonia would lose this financial backstop, a crucial difference between the benefits offered by membership and the realities of independence.

In sum, the crisis has had a mixed effect on the benefits of membership for Catalonia. While the austerity cuts have diminished Spanish funding to the Catalan budget and battered public service provision, the financial crisis has also increased Catalan dependence on the Spanish state to ensure access to borrowing. However, this dynamic must be examined in a context of imperfect dissemination of information, namely the fact that the secession debate has focused almost entirely on the legitimacy of a referendum, and in the perceived context of a weakened Spanish state forced to seek a bailout from the Eurozone. In light of this, it is reasonable to assert that the perceived salience of the benefit reductions outweighs the rather convoluted and esoteric dynamic raising the advantages of membership. When measuring the benefits of membership in the Spanish state, on an individual level the reduction in public services are a much more immediate factor, and with the secession debate focused on the legitimacy of the referendum the Spanish government has not made the case for membership in the state. The great majority of analyses point to the financial crisis as a crucial enabling factor for the rising popularity of secession (Castells, 2014; Serrano, 2013; Cramer, 2014), and while this is complicated by the mixed effect of the crisis on the benefits of membership complicates, this incongruity can be partially explained by problems of information dissemination and the complexity of the debt issue.

6.3.2 - A Note on EU Membership

The prospect of EU membership has a similar effect on the benefit of membership calculus of Catalan secession as it does for the case of Scotland. However, while in Scotland eventual EU accession was reasonably assured, thus incorporating the benefits of EU membership into the appraisal of the costs and benefits of secession, in Catalonia the EU accession process would be much more uncertain. The UK government was explicit in its support of EU membership for Scotland in the event of independence, and

Spain refused to threaten a veto, only stating that Scotland would not enter automatically and would be required to proceed through the accession process like any new member. The secession of Catalonia is unlikely to be as amicable as a potential Scottish secession, increasing the uncertainty and complexity of its EU accession. Spain historically has taken a hard line on secessionist states, for example refusing to recognize Kosovo, in order to send a message to its own distinct communities (Roach, 2007). However, the Catalan Government envisions an entry under a fast-track accession or transition regime. This position is predicated upon three major arguments. First, a slow or vetoed accession process is an affront to the human rights of Catalans who have been European citizens for more than 30 years. Additionally, Catalonia as a non-EU island between Spain and France, and the trade and transport upheaval that would entail, is implausible because of the significant economic costs. Finally, Catalonia would be a net fiscal contributor to the EU Budget (Paths for Catalonia's Integration in the European Union, 2014). This type of transitional access would be the inverse of the Cyprus Solution, in which North Cyprus is considered part of the EU but with the application of EU law suspended (Lang, 2013). In Catalonia, EU law could continue to be applied until accession is completed (Lang, 2013). There is also the possibility for ad hoc bilateral agreements, like those negotiated with states like Switzerland, to be negotiated with an independent Catalonia in order to minimize economic and social disruption while Catalonia navigates the membership process (Paths for Catalonia's Integration in the European Union, 2014). However, ultimately the threat of a Spanish veto is unlikely to seriously slow or prevent the accession of Catalonia (Paths for Catalonia's Integration in the European Union, 2014), because the minimal benefits for the EU and other member states would pale in comparison to the costs of disruption. However, unless Catalonia managed to negotiate membership permanence, which is exceedingly unlikely considering Spain threatened to veto the same for less contentious Scottish accession, Catalonia would still likely face a costly and uncertain interregnum outside the complete jurisdiction of the EU after secession. Thus, while independent EU membership stands to advantage Catalonia in ways similar to those in Scotland as the result of the same migration of membership benefits up to the supranational level, the road to winning that membership is considerably more complex in the Catalan case. It is virtually impossible to imagine a scenario in which Catalonia is completely denied EU membership, thereby making the acquisition of the membership benefits of the Single Market, trade deals, economies of scale, and

regulation standardization discussed in the Scottish example ultimately inevitable, but Catalonia's likely complicated accession process reduces the EU's immediate value as a replacement for Spanish membership benefits when weighing the secession equation. The dynamics by which the EU and other multilateral economic and security institutions supplant the benefits of membership in the traditional host state are absolutely present when considering the Catalan case, but in comparison to Scotland, the convoluted path to membership in such institutions for Catalonia somewhat reduces their salience when appraising the benefits of remaining in the Spanish state.

Fiscal balance: 2010

	Calculated on monetary flows basis	Calculated estimating fiscal beneficiaries of expenditure
Payments from Catalonia (EUR mn)	61,872	60,577
Receipts in Catalonia (EUR mn)	45,329	49,319
Balance (EUR mn)	-16,543 (outflow)	-11,258 (outflow)
% GDP	8.5%	5.8%

Source: Departament d'Economia i Coneixement: Generalitat de Catalunya.

Table 6: Catalonia's Fiscal Flows with Spain

6.3.3 - Unfulfilled Autonomy

The main theme shared by each of the reduction of membership benefits discussed here is a discrepancy between the expectations of the distinct community and what is actually received. This disconnect is especially problematic in cases of perceived broken promises of autonomy, as seen in the collapse of the Meech Lake Accords and the subsequent secessionist impulse in Quebec (Sorens, 2005). The possibility of a host state discussing increased autonomy and then failing to deliver, thus creating or deepening a discrepancy between perceived promises of autonomy and the governing reality, will generally encourage secession more than outright rejection of autonomy ever would (Sorens, 2005: 733).

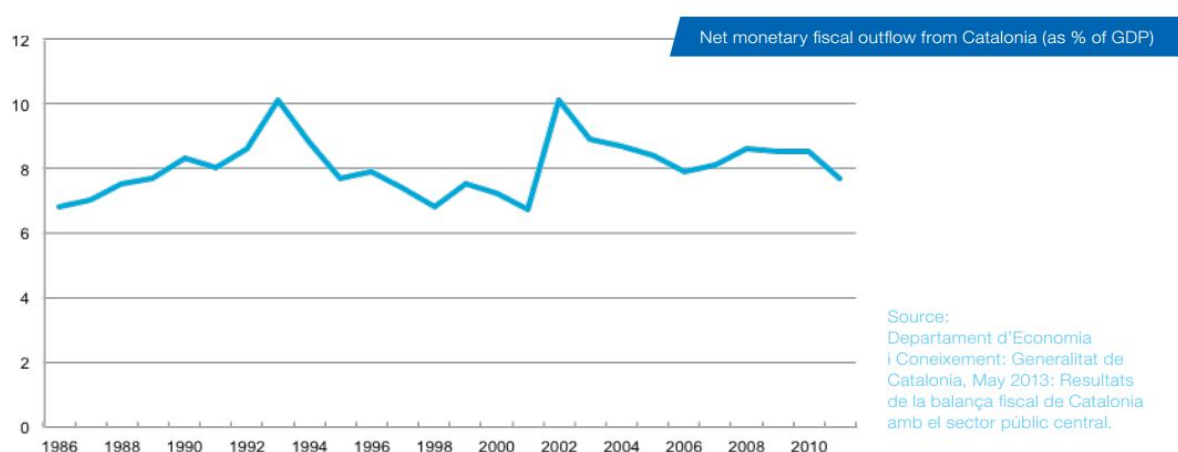


Figure 3: Net Fiscal Outflow from Catalonia as a Percentage of GDP

In the case of Catalonia, this gap between expected autonomous membership and received benefits is embodied in the Spanish Supreme Court's 2010 evisceration of the reformed Statute of Autonomy of 2006. In 2006, the Catalan government embarked on a reform of the previous statute of autonomy, which dated back to 1979, in an effort to provide Catalonia with an increased amount of autonomy and to reinforce the legal status of the distinct community. The Catalan parliament approved the reformed statute. After making a few changes, the Spanish parliament, controlled by the Socialist party, approved the statute, and it was eventually approved by the citizens of Catalonia (Crameri, 2014). Despite this triple approval, and with Catalan citizens naturally perceiving that the Catalan public and central Spanish state were now aligned on an increased level of autonomous empowerment for the community, the Supreme Court suspended 7 key provisions of the law at the behest of the Rajoy government. Striking down these provisions effectively neutralized any meaningful increase in functional or even symbolic autonomy for Catalonia. Coming after the statute had been approved through a process that assiduously followed the guidelines outlined by the central state, after four years in which the Catalan community believed autonomy as laid out in the statute was a *fait accompli*, the Supreme Court's ruling was perceived with outrage (Guibernau, 2013).

The Spanish state had promised significantly enhanced autonomy and then reneged on delivering the expected benefits, destroying the central government's long run credibility in the perception of the Catalan community and debilitating the advantages of membership in the Spanish state. This immediately had a

concrete effect on the relationship between Catalonia and the Spanish state; opinion polls show a marked rise in support for independence. In the beginning of 2010, less than 20% of Catalans believed that Catalonia should be an independent state, but within three years that number had more than doubled to 46% (CEO Barometro, 2013). Today that number remains above 45% (CEO Barometro, 2014). There was also an increase in the perception that Catalonia has achieved an insufficient amount of autonomy, rising from 60.5% in 2010 to a peak of 72.5% in 2013 (CEO Barometro, 2014). The timing of these increases suggests that there is significant correlation between the statute of autonomy situation and the level of support for independence, and therefore also an effect on the calculation of the benefits of membership in the Spanish state.

	1982	1996	2009
Central Government	53	37.5	20.9
Social Security	32.5	29.2	29.9
Autonomous Communities	3.6	22.3	35.6
Municipalities	10.6	11.6	13.6

Table 5: Decentralization of Public Spending in Spain (% share of spending)

Source: Almendral 2013

Community discontent following this collapse in expected autonomy was compounded by the central government's tightening of fiscal autonomy, linked to the financial crisis and the Eurozone bailout. As discussed earlier, while Spain's autonomous communities (the Basque Country and Navarre excepted) lack tax-raising powers, devolved administrations have significant fiscal autonomy when it comes to spending (Table 5). In 2003, sub-central governments were responsible for more than 50% of public spending (Miaja 2005: 51). The reworking of Spain's internal stability pact in 2001 spurred this spending further, but lacked effective enforcement mechanisms in case autonomous communities failed to meet deficit targets (Almendral, 2013: 69). Additionally, the new rules did not address debt, partially explaining how Catalonia has managed to accrue such a large debt burden (Almendral, 2013). After the financial crisis decimated public revenues, these heavily indebted autonomous communities repeatedly exceeded their deficit constraints, putting further pressure on the Spanish budget and resulting in the Regional Liquidity fund mentioned earlier (Ministry of Economy and Competitiveness, 2012). This was one of the key dynamics in the Spanish debt crisis, and in response to the overall sovereign debt crisis, the EU formulated the Treaty on

Stability, Coordination, and Governance, also known as the Fiscal Compact, which Spain then ratified. The practical implications of the Fiscal Compact in Spain has been a recentralization of spending autonomy, as the central government's ability to divide the debt and deficit shares portioned out the autonomous communities has left them with little leeway to propose their own limits (Almendral, 2012: 71). On its own, because this reconfiguration of spending autonomy is rooted in EU treaty changes, it most likely would not have a significant effect on the perceptions of the Catalan community. However, taken in combination with the failure to negotiate a desirable fiscal pact and the gutting of the reformed Statute of Autonomy, and one might reasonably perceive the recentralization of spending power as another example of Spanish hostility to Catalan autonomy. Taken in this context, not only has a discrepancy opened between expected autonomy benefits and realized autonomy benefits, but it is actually growing wider.

The impact of this stark gap between the preferred and expected level of Catalan autonomy with the actual level granted by Spain is a powerful example of the effects of how influential a disconnect between expected membership benefits and realized membership benefits can be; the calculation of membership benefits by community members is crucial, yes, but the preference and expectation context within which it is made has an immense influence as well. Were Catalans never given reasons to expect increased autonomy within Spain, or were Catalonia granted its current autonomy from a level of little autonomy, the perception of the benefits of membership in Spain would be wholly different. This is particularly interesting in comparison to the Scottish situation, in which expectations of autonomy were less salient because, first, there were no unmet promises of autonomy, and second, Scottish expectations of autonomy are lower because Scotland did not have its own self-government apparatus until devolution in 1997. This also supports Sorens' assertion that promising autonomy and failing to deliver has a greater influence on secession demands than refusing autonomy from the start (Sorens, 2005). Thus, while community benefits of membership are lowered in a state which does not implement autonomy in a manner aligned with community preferences, it is the difference between expectations of autonomous membership and actual autonomy policy, exemplified in the restricting of the Statute and fiscal recentralization, that truly drives the drop in benefits of membership in the Spanish state and compels Catalan secession demands.

6.4 - Benefits of Secession

6.4.1 - Fiscal Flows

The most straightforward factor encouraging Catalan secession is the fiscal imbalance between Catalonia and the rest of Spain. Catalonia's contribution to the Spanish central administration is 19.4% of the total, but Catalonia only receives 14.03% of the outflow (Guibernau, 2013). Thus, the main benefit of secession would be the retention and redistribution of all tax money within the Catalan community, rather than the current situation in which Catalonia subsidizes the less prosperous parts of Spain. Per capita, the contribution of Catalonia to the funding of autonomous communities is 20% above average, but their per capita intake is only roughly average (Castells, 2014: 284). These numbers are not unprecedented in the developed world, many wealthy regions subsidize disadvantaged ones without it encouraging secession (Bookman, 1993).

However there are a few modifying factors in this case. First, in Catalonia the borders of the prosperous, subsidizing region are the same borders claimed by a politically mobilized distinct community. This fosters a community perception of injustice which is tougher to mobilize in heterogeneous regions, and it also facilitates exit pressure because the community which stands to gain the presently-remitted wealth is already defined. Most saliently, secessionists have portrayed this tax outflow as an example of the Spanish government's negative effect on Catalonia, articulating a discourse in which Spain is pillaging Catalonia's wealth, "España nos roba", and squandering what is left through economic mismanagement (Feito, 2014). Perceived through this discourse, the persistent fiscal disparity between what is contributed and what is received becomes increasingly important, and exit from Spain is positioned as the only way of reaping the benefits from this prosperity. Secession pressures stemming from the effect this benefit has on Catalonia's secession calculus resembles the hyper-rational, cost sensitive tax argument put forward by Collier and Hoeffler (2002). Through this interpretation, Catalonia's potential secession would be a tax exit like that of Slovenia (Collier and Hoeffler, 2002). Considering the myriad other factors influencing the Catalan secession crisis, labeling it an attempted tax exit seems excessively simplistic. That said, the existence of this fiscal disparity, and its mobilization within a discourse of the Spanish pillage of Catalonia, transforms an

influential benefit of secession into an especially compelling advantage of exit, as the discourse magnifies the issue and stokes powerful perceptions of economic injustice essential to secession (Bookman, 1993: 39). The advantageous control of community wealth after secession comes with the added perceived benefit of a Catalonia unburdened from the weight of its relationship to an economically uncompetitive Spain (Feito, 2014). These benefits of independence, while on their own insufficient to spark a secession crisis, lay a compelling foundation of perceived economic injustice from which a discourse of beneficial secession can be built.

6.5 - Catalonia Conclusion

Ultimately, although the secession crisis in Catalonia occurs within the same changing international framework as the Scottish case, the cost-benefit balance of Catalan secession is surprisingly dissimilar. While in Scotland the secession balance has mainly shifted through gradual changes in an international institutional system which has increased the viability of small states, ultimately enabled by a negotiated agreement on the legality of secession, in Catalonia the primary shifts in the costs and benefits come from concrete events which have occurred over the last few years. The financial and sovereign debt crises, the suppression of the reformed Statute of Autonomy, the inability to negotiate a new fiscal pact, and the state's position on the illegality of any referendum are all specific actions influencing the dynamics of the Catalan secession crisis. Refuting the hypothesis which asserts the Catalan secession crisis is mainly the result of a gradual reduction in membership benefits, in Catalonia one can actually point to identifiable events which quickly and decisively shifted the balance between host state membership and secession across three out of four of Bartkus' (1999) variables. The validity of the hypothesis that the costs of secession are higher in the Catalan case is mixed because of the perverse incentives at play. Spanish opposition is so steadfast, raising the cost of secession so high, that it makes actual successful secession conceptually impossible. This can actually work to lower the costs of a secession crisis as it rules out actual independence, which is not the preferred outcome of the majority of the community (CEO Barometro, 2014), allowing conditional secessionists to mobilize fully in support of secession in an attempt to win further autonomy concessions from the central government.

Let us look at some counterfactuals. Without the financial crisis and sovereign debt crisis, the Spanish state would still have the budgetary means to provide expected levels of public service benefits to members of the Catalan community and maintain levels of funding remitted to the Catalan government. A central government with a healthy budget and low debt would also be in a better financial position to credibly commit to development policy beneficial to Catalonia, thereby raising benefits of membership and undercutting support for secession. Financially healthy, the central government could move to reduce the fiscal deficit with Catalonia. Additionally, in the absence of economic deprivation, the secessionists' discourse of economic injustice would be less effective and it would be significantly more difficult to portray Spain as a drag on the Catalan economy. If the Statute of Autonomy had not been suppressed or a successful fiscal pact negotiated, the discrepancy between expected, preferred, and actual levels of autonomy would be lowered, thus maintaining the expected autonomy benefits of membership. A Spanish state less overwhelmingly opposed to Catalan sovereignty may be better positioned to dispute claims made by secessionists and compellingly articulate the high costs of secession and the benefits of membership. The latter two counterfactuals mirror the situation in the Scottish crisis, where the reception of acceptable levels of autonomy reduced the impetus for secession, and the British government was able to vigorously assert the benefits of staying and highlight the costs of exit.

While the international context may provide a fertile foundation for a secession crisis in Catalonia, the rapid convergence of the aforementioned events provides the necessary and sufficient change in the cost-benefit framework in order to trigger the current secession crisis. Contrary to expectations of a gradual drop in membership benefits, the secession crisis in Catalonia is the result of a rapid, nearly simultaneous shift in the benefits of secession and membership, spurred by the economic crisis, unfulfilled expectations of autonomy, fiscal transfers, and perceptions of economic injustice. These relatively sudden alterations to the benefits of secession and membership are then considered in a context in which the central government has effectively ruled out the possibility of secession in the short-to-medium, lowering the costs of secession crisis by freeing

unconvinced community members from the possibility of independence, encouraging them to intensify their secession demands so as to win autonomy concessions from the central government.

Chapter 7 – Conclusion and Discussion

This study set out to identify which factors were driving demands for democratic secession in Scotland and Catalonia, and why these secession crises were occurring now. Ultimately, it was also an opportunity to apply various rarely-tested theories of secession, a rare opportunity given the exceptional nature of the phenomenon. Using Bartkus' cost-benefit framework, one can identify and organize a host of factors which have brought these two distinct communities to this point. In Scotland, long-term reductions in the benefits of membership rooted in the changing international environment, as well as a perceived “last chance” to realize the benefits of secession through controlling hydrocarbon revenues, are the main drivers for secession. These factors were then given the opportunity to manifest themselves, sparking the current secession crisis, with the Edinburgh Agreement which suddenly dropped the costs of secession. In Catalonia, the same international context increases small state viability and lowers the benefits of membership in Spain, but unlike Scotland the chief drivers of secession demands stem from contemporary concrete events which have reduced the benefits of membership in the Spanish state. Secession demands rooted in those reduced benefits are then expressed through a cost-benefit equation simplified by the Spanish government's rejection of a referendum, limiting the potential outcomes for the Catalan distinct community and fostering the mobilization of a broader swathe of the population than feasible were actual secession likely.

This shines a light on an interesting contradiction between the two crises. They both take place in an international environment which has increased the viability of small states, but only in the Scottish case do these factors seem to have had a sufficient effect to trigger a secession crisis. In Catalonia, while these long-term trends are likely necessary factors for a secession crisis, it is the influence of decisive events over the short-term which has tipped the balance in favor of secession. This is where the two cases diverge unexpectedly, given their broadly similar starting points of low levels of secessionist sentiment, because secession in Scotland appears to be the natural culmination of long-term trends whereas Catalan secession is

an direct response to changes in the community's immediate situation. Additionally, although both communities are civic in nature, Catalan identity is inextricably linked to the Catalan language. However, the factors encouraging Catalan independence are mainly economic-financial. Thus, unexpectedly, the Catalan community, with a powerful linguistic identity, is demanding secession for mainly economic-financial reasons, but in Scotland, with an almost exclusively civic community, pluralistic identity preferences are influential.

The marked difference in host state response is particularly interesting in these two cases, and potentially illustrative for other states with secessionist communities such as Belgium. By legitimizing the independence referendum, the British government was able to move past the legitimacy debate and engage on the basis of the benefits of membership in the UK and illuminate the costs of secession. It remains to be seen if by legalizing secession the UK has condemned itself to a harmful cycle of independence referendum like that seen in Quebec, but viewed narrowly this host state tactic allowed the British government to influence to latent cost-benefit calculation of community members in a way Spain has found difficult. It could be argued that strident Spanish opposition has helped sustain the Catalan secession crisis by focusing debate on the legitimacy of a vote, thus allowing the CiU and ERC to dominate the debate over the actual costs and benefits of Catalan secession. The dynamics in these two cases are informative for states which could face secession crises in the future, which seems increasingly likely due to the continued popularity of regional political parties.

There are undoubtedly some weaknesses inherent in using a rational cost-benefit framework to explain a phenomena as multifaceted and identity-driven as secession, but overall Bartkus' framework proved to be a useful guiding tool in directing lines of inquiry, identifying relevant influences, and organizing the explanation of these two cases. Considering most other theories of secession are purely descriptive, or have been contradicted by later empirical evidence, the applicability of this framework in developing insightful analysis for the first two democratic secession crises to occur since it was formulated suggests it belongs in the social science toolkit for the future study of secession.

The most useful further study would be the development of the holy grail of secession theory, a useful predictive theory rather descriptive or explanatory theories which suggest factors affecting the secession calculus. Future lines of study would also do well to examine the role of host-state opposition, particularly in the participatory democratic context. Additionally, the development of alternative measurements of secessionist sentiments would be very useful. Further questions raised by this study include, what is the relative importance of the variables in the secession equation? Given the short history of secession in these two communities, will other unexpected secessionist communities develop in the future? Given an understanding that secession is a combination of interest and identity, what degree of community identity or interest is necessary to developing a distinct community with secessionist demands where one did not exist previously?

Democratic secession is a phenomenon that is likely to continue in the future, as further institutional consolidation further increases the viability of small states. Already one can identify distinct communities in the democratic West which could potentially trigger secession crises over the next decades, with Flanders, Quebec, the Basque Country, Northern Italy, and Greenland among them. It is entirely possible that we will look back on the Catalan and Scottish secession crises as the first ripples of a future wave of democratic secession in the Western world.

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