

Transcript: Q&A

Scotland's Place in the World

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Faisal Islam

I'll just start up the questioning quickly. Give us a sense of where you think the campaign is right now. We had the poll this morning – was it 53-47? – closer than it's ever been from that polling company. Is there some concern? There's been a lot of confidence over the summer. Are you – a famous Scot once called it 'squeaky-bum time'.

Danny Alexander

It's not an expression that I would use – not in this august company anyhow. I've always thought this is a tight race. But equally, as I said, I've always thought that there is a quiet majority of Scots who want to keep the UK together. These polls move around and we all get a bit too obsessed with individual polls and how they change. But we are in that final phase of the campaign where the kind of arguments are being crystallized to their most direct form, and where we have absolutely to work as hard as we can to get every vote out. So if there was anybody who was in any way complacent about the result of the referendum – and I was never one of them – then I hope that this poll will remind people that there's a huge job to do in the weeks to come if we're going to keep the UK together.

Faisal Islam

If you drill down into those poll numbers (and I realize that the significance of small groups wanes and the margin of error goes up), it is quite intriguing to see the majority of men seem to be saying yes. All of the age groups, bar over-60s – I mean it's just, but it's quite striking that on this latest poll, 16-24s, 25-39s, 40-59s, have varying degrees of majority for yes. And the no vote is being carried, if you like, by the over-60s. That creates quite an interesting dynamic in this debate, does it not?

Danny Alexander

Actually that analysis is not borne out by my own experience at all. I spent a lot of time campaigning over the summer – not much summer holiday but that's fine, because this is too important not to work every hour at. I found, talking to young people in schools and so on, that actually young people are amongst the most committed to no votes. There have been a lot of debates in high schools around Scotland. As you know, 16 and 17-year-olds have the vote in this referendum. I think 16 and 17-year-olds should have the vote in every election. Some of the most intelligent discussions I've had about politics have been in those fora. Those school debates have almost all shown the strong majority is for no, because that generation is concerned about what does this mean for jobs, for economic opportunities. What is the world I'm going to enter into going to be like?

Also, that generation – their world is not limited by international borders in the kind of 19th-century way that nationalism basically follows. It's a world of – you've got your iPad there. It's a world of Facebook and Twitter and opportunities and connections in all parts of the world. In that sense, I think the idea of erecting a new international border on this small island of ours is such a backward-looking idea.

But we'll have to see what the actual result is. I don't take anything for granted. All I'll say is my own experience of younger voters is very different to the characterization of this poll.

Faisal Islam

The one big critique following the last debates, which didn't really go your way last Monday, was that the no campaign is essentially quite negative. This 'Project Fear' name, basically scaring people, trying to say to people it's a risk, you don't want to go for that, without actually constructing a positive alternative of why it's better to go.

Danny Alexander

I reject that criticism. I think you heard in my speech both some negatives and some positives. Some big benefits that we as Scots gain as part of the European Union but quite reasonably pointing out the risks and dangers of independence. I don't call that Project Fear, I call that Project Fact. Eighteen months ago, I started the Treasury on a process of undertaking this very detailed Scotland analysis programme. The job was to try and create a very rich body of data to help inform the referendum campaign. I think 13 reports and about 1,500 pages of work later, we have the most detailed and in-depth analysis of Scotland's place in the United Kingdom that I think has ever existed. I'm sure people in this room have read every page and I'll quiz you when you ask me questions.

Faisal Islam

I certainly have.

Danny Alexander

But what it shows is that of course there are deep risks that come from independence, but also that there's a huge amount to be proud of in these islands. There's a huge amount that we get from working together, that the whole is greater than the sum of its parts. I think we throw that away at our peril. I really do.

Faisal Islam

Quickly, yes or no: you can foresee that Scotland could make it on its own and there is a future for Scotland. You're just saying that the costs and the risks are too high for now. You're not trying to make the argument that it's impossible.

Danny Alexander

I've never said that Scotland couldn't be independent. I think that we would be less successful, less prosperous, less influential, weaker as a country if we become independent. That doesn't mean we can't be, I just think that you've got to compare what we gain from being part of the United Kingdom and what we lose with independence. I've never been one of those people who said Scotland can't be independent, that it's impossible – it clearly isn't impossible. But we gain from working together in the UK, just like the UK gains from working together in the European Union.

Faisal Islam

This is quite the topic right now. We're very lucky to have one of the key protagonists with us, so let's get some questions going. I'll try and group them because it's quite a complicated series of interlocking issues.

Danny Alexander

I'll get my pen out then.

Faisal Islam

Shall we just, for the minute, let's park currency and banking. We'll go into that in a minute. But on more general referendum questions, who's got some questions on that? Let's take two or three at a time.

Question 1

Were you being entirely truthful in the comment – if I understood, you said that Scotland would have to join Schengen, and towards the end you made the point about an international boundary between an independent Scotland and the rest of the UK (i.e., physically, England). Because after all, the UK is not in Schengen, nor is the Irish republic. Equally, Bulgaria and Romania are in the EU but in fact have, at least for the moment, been positively excluded from Schengen by Germany and France. So I'm wondering, are you saying that there are absolutes in the relationship with the EU and demands of the EU, where in practice these are negotiable, particularly by such paragons of democracy and integrity as politicians in Portugal and Spain.

Faisal Islam

Why don't we stick with that topic – anything else on Schengen, immigration, labour mobility, that type of thing? Or the EU, what Scotland would face in an EU negotiation?

Question 2

I'm a little bit puzzled, as a foreigner. It seems to me that the election is driven by emotion more than rational views of independence. In fact, I find it so strange – if you look at the figures, at least what should be realistic, not negative, as Danny Alexander just pointed out, you see [indiscernible] economic suicide for Scotland to be independent. Because the figures, everything is so uncertain, so how can banks say they will actually relocate in the United Kingdom, what kind of oil revenues can you really imagine for the future. It's like some dream of people, of men over 60, but could be a nightmare for young people. Also I think these major issues, like EU membership, if Scotland is really pro-euro, pro-European Union, you won't be a member of the European Union because it will take years to negotiate. So it is some [indiscernible] the yes campaign is getting more and more votes than the no, that sounds surprising.

Question 3

You mentioned you spent a lot of time compiling the facts, but there's the fact that had you been giving this speech elsewhere, in another place, you might now be covered in eggs and needing police protection. Do you see the campaign becoming increasingly vicious over the next two weeks? And could that, in a strange way, work to the benefit of the no party?

Danny Alexander

The point I was making – I didn't say that Scotland would have to join Schengen, but the point I was making is that there are obligations that every country who has joined the European Union in recent years have had to sign up to. The treaty obligations on economic and monetary union, for example. So the argument that is made by the nationalists, who say that every aspect of the current UK relationship with the European Union could be maintained, I think is simply untrue. I talked a lot about the rebate in my remarks. As chief secretary of the Treasury I've been involved in budgetary negotiations and I know that there is not one other member state who seeks to defend the UK rebate. There is no member state who has ever negotiated rebates at the point of accession. It took the UK 12 or 13 years from accession to negotiate that. No other member state has a permanent rebate. Yet Mr Salmond and his colleagues like to pretend that all those things can be maintained and many other things besides can be generated.

I think particularly in relation to economic and monetary union – since the euro was formed, every member state has had to accept the obligations of economic and monetary union. That's a core part of the treaties, albeit that countries have to meet the economic conditions and it takes time and so on. I think we saw one of the Baltic states join the euro just last year. So constantly countries are having to fulfil those obligations. And as the lady from the Italian central bank said, around all those things is a lot of uncertainty. The time it would take to conduct these negotiations; the views of other member states would be important too.

So I think there is a very false picture being presented by the nationalists of simply slipping back into the EU on the same terms, when in fact it is a whole lot more complicated and a whole lot more risky than that. In the end, I don't think there's any doubt at all that a Scotland that renegotiated its entry back into the European Union would do so on terms that were considerably less advantageous than those that we enjoy at the moment. That's the point I was making.

Faisal Islam

But they could get back in. You're not saying that they can't get back in.

Danny Alexander

The one thing I was pointing out in my speech is the point that Olli Rehn made to me, which is that in his previous experience, countries that choose not to have their own currency – currency arrangements like Montenegro at the moment: the euro circulates, doesn't have its own currency. Panama has it with the US dollar, other countries have had these arrangements over the years. That is simply incompatible with EU membership.

Faisal Islam

That's only one of the Plan Bs though, isn't it?

Danny Alexander

Yeah, well, I wasn't entirely sure what all the other ones were. There's joining the euro, there's setting up your own currency. I think the reason this is important is obviously currency is something very fundamental. Alastair Darling said this in one of the TV debates, that as a child you learn about other countries and you learn the name of the country and its capital city and its currency. So not to be able to give people in Scotland a clear answer to the question 'what currency will we use?' is a pretty fundamental gap in the analysis.

Faisal Islam

Let's park [the last] question for a second, we will not forget that. It's a very important point.

Danny Alexander

I will come back to it. I hope you haven't got the eggs with you.

Faisal Islam

Let's talk about the currency and sterlingization and this contention from the Olli Rehn letter that a sterlingized Scotland could not rejoin the EU. Do you have any comments or questions about this whole currency question that has come to define the debate?

Question 4

The Scottish government has repeatedly suggested that in the absence of a currency union, it might not agree to take on its share of UK debt. What would be the implications of this for Scotland's ability to raise money internationally?

Danny Alexander

I think your question is a really important one. To my mind, it is one of the most extraordinary things that's been said in this whole debate. There's been quite a lot of analysis of it. UBS, the bank, put out a report which addressed this point, in which they made the point that in the event that Scotland were to renege on its share of the debt, that that would have profound consequences for a new state that after all would have to be raising money in the self-same bond markets from day one.

I've spent the last four and a half years dealing with the budget deficit in the United Kingdom and trying to get our public finances in order. I know that that is a challenge but we're making good progress. But if you look at the public finances of Scotland, according to figures that were published by the Scottish government themselves, Scotland's deficit in 2016 (which they say would be the first year of independence) would be about twice the size of the UK's. You've got these issues about oil revenues and so on, which the lady was mentioning earlier. All those mean you already start with a significant borrowing requirement from day one.

The point that UBS were making, with which I agree, is that the idea that you – you're already, as a new state, you have to build up financial credibility. It's not something that comes automatically. If you start by saying we're not meeting debt obligations that are rightfully ours, that would have a pretty catastrophic effect on your market reputation. That has knock-on consequences in terms of interest rates, in terms of the amount of money that the government would have to pay out, in terms of servicing that debt. That has a knock-on effect too for things like the amount that we in Scotland would pay for our mortgages and our credit cards and all those things.

In the end, I don't think it's a credible threat because it's effectively saying that the people of Scotland would be forced to pay a very substantial economic price because Alex Salmond hadn't thought through the currency options of the country properly. I just don't think that is credible or appropriate.

Faisal Islam

Speaking of Alex Salmond, he would say this is all a giant bluff, what you've just said. It's a currency bluff. The Scottish people have called that bluff. What's going to happen if they get to 50 per cent in a couple weeks' time is you're going to negotiate a currency union with them, starting in late September.

Danny Alexander

That simply isn't true. It's not just that all three of the UK's political parties and their chief finance spokespeople – the chancellor of the Exchequer, the shadow chancellor and myself – have said that this is not something we would agree to. It's not just that the opinion polls show large majorities of the public not wanting to enter into a currency union. It's not just indeed that the permanent secretary of the Treasury himself has said the Treasury would not advise any government to enter into such a currency union. It's about the economics of it. A currency union between a very large state and a very small state would mean that the rest of the UK was taking significant financial risks over which it wouldn't have control. Scotland's banking system is very large in relation to the size of its economy.

For Scotland – and I say this as a Scot – the idea that you would embark on this incredibly risky and uncertain journey without being able to set your own interest rates, without having an exchange rate that could adjust to the inevitable volatility of oil prices, for example (and you'd be more dependent on that), having to bind your hands on tax and spending through fiscal pacts or whatever – it's just not independence. Successful currency unions also require a degree of fiscal and political union. It's that very fiscal and political union that independence seeks to dissolve.

So the idea that you could then have a currency union, I think is just impossible. I say this in all sincerity to my fellow countrymen: anyone who votes for independence in the belief that there will be a currency union is destined for deep disappointment.

Faisal Islam

We have some representatives here from a neighbouring currency union. Anyone want to come in on this issue? Anyone want to come in more generally on the currency issue?

Question 5

I'm quite sympathetic to your arguments because part of what I do is cover currencies and also interest rates, but your arguments and my arguments are not swaying the Scottish populace. So what do you think needs to be said in the next couple of weeks to really close the vote, or broaden the gap?

Danny Alexander

I don't agree that they're not swaying voters in Scotland. In a sense, we'll have to judge that when we see the result.

I think what we have to do in this final phase of the referendum is to explain the nature of the very clear choice that people have. On the one hand, a positive choice to stay in the UK: the best of both worlds, with control over domestic policy exercised by a Scottish parliament in Edinburgh but with the wider economic and international benefits of being part of the United Kingdom. And on the other hand, what I regard as the economically very risky proposition of independence, that doesn't have the benefits that are advertised for it and would put a lot of things that we cherish at risk.

So I think we have to spell out both sides of that ledger. It's not enough to just talk about the latter or to just talk about the former. You've got to explain both of those things. That's what I've been doing, it's what we've been doing for some time.

Look, in all these things, polls move around. I'm sure we'll see a lot more opinion polls. One thing is certain, we're going to hear a lot more people wanting to talk about opinion polls. But in the end, this is not a debate about opinion polls. This is a debate about the most fundamental choice that you can make as a country. That's what I want to focus people on, and particularly the kind of irreversible nature of the choice. This is not like an election: if you don't like the MP you get or the government you get, five years later you get another chance. You can kick them out and put someone else in. This is a choice that's forever. I think that will inevitably concentrate a lot of people's minds.

Faisal Islam

You referred in the penultimate answer to the Scottish banking sector. Of course, in Scotland the Scottish government say it's not a Scottish banking sector, it's an international banking sector. In fact, it's more a London banking sector that happens to be HQed in Scotland than anything. Have you, at the Treasury – there were some quotes this morning around about this – done any contingency planning about what a yes vote would mean for that Scottish banking sector?

Danny Alexander

There's been no contingency planning done. There will be plenty of time for negotiations in the event of a yes vote. But on the question of the banking sector, what I'll say is this. Mervyn King, the former governor of the Bank of England, summed it up very nicely: he said that banks are international in life and national in death. Or, as we learned in the last few years in this country, near death. It was the taxpayers of the United Kingdom, and only the United Kingdom, who recapitalized these banks in order to make sure that they could – they were the sovereign that stood behind them.

For Scotland, we have a fantastic asset in the financial services sector in Scotland. It's responsible for the employment of 250,000 people or so in Scotland. These are institutions that serve customers across the whole of the United Kingdom but based on employing lots of people in Edinburgh and other parts of Scotland. We've heard some of them talking publicly about the possibility – like Standard Life, for example – that they might have to relocate their operations because being headquartered in one regulatory jurisdiction when 90 per cent of your customers are in another is a – well, there are people from the banking sector who might want to comment on this. That's a pretty awkward position to be in.

So my argument is that financial services is one of a number of really key sectors in the Scottish economy that exist and thrive in Scotland, which is a wonderful thing. I want them to grow in Scotland because we're part of a wider United Kingdom. You could say the same about renewable energy, you could say the same about defence and so on and so forth. Independence would put a lot of that at risk.

Question 6

I'd just like to explore the effect on England after this, because if Scotland becomes independent, the Conservative Party will be far stronger than it is now. The Labour Party will be practically wiped out and the Liberal Party will [indiscernible]. Can you comment on that?

Question 7

I've just come down from the Highlands yesterday by train. I have a home there in Kinraig, I think you know it well.

Danny Alexander

Ah, in my constituency. Very good, I'll talk to you later.

Question 7

It's a small place, Kinraig. The thing I notice is that this is a very emotional issue. My question is, taking on from the gentleman here and the lady there: how do you heal the people after this? On the 19th of

September and come Hogmanay, what do you do? How do you heal the people? Do you have any idea on the 19th of September what you're going to do to bring people together?

Audience Member

Who's won?

Question 7

It doesn't matter. Whatever the outcome, whether yes or no, there are going to be a sizable percentage of people who are going to be disappointed. How do you heal these people?

Danny Alexander

I think the question that Colin and yourself have just asked is really important. It's true to say that these are issues that are very deeply felt and there are strong views on either side. I think it's very sad that in recent weeks we've seen some of that spill over into really unpleasant and unnecessary and sometimes very aggressive behaviour. Deeply disappointing that some of that appears to have been orchestrated at a local level by the yes campaign.

There are no eggs in this room but none of us should be afraid of the odd egg. I eat eggs, for breakfast mainly. But I think that we have to be really careful about the health of our democracy, because a profoundly important debate like this needs to be conducted in a way that everyone is respectful of one another's views. I might disagree profoundly with Alex Salmond but I would defend to the death his right to be heard, just as I hope he would defend to the death my right to be heard. Because that in the end is the only way that you can have a thriving liberal democracy in which people can make these decisions in the right atmosphere.

I've been really struck going round the doors over the last few weeks and months by the number of people who have a view but they don't want to tell you. Fine, people aren't obliged to express their view. But I was knocking on doors in Culloden, in my constituency, site of the last pitched battle in the United Kingdom. I won't tell you whose side I would have been on then. This lady came to the door and I said – I think she recognized me – I said, I'm on the no side of the argument. She closed the door very quietly and behind it said: I'm with you, too, but I don't want my husband to know, he's a passionate yes man. That's fair enough, that's fine. But what I've been really struck by is the number of people who have said things like that.

You cannot have a proper debate in which some people, for whatever reason and rightly or wrongly, feel intimidated or whatever. I think there's a real obligation on all of us, on both sides of the argument, to try and conduct the debate in the respectful tones in this final period.

I think actually that will matter in terms of the question about how do you bring people together afterwards. Of course, in politics we're all used to robust debates and we have general elections and then we get on with the life after the result. People are used to doing that. I think if there is, as I hope and expect, a no vote, then it is profoundly important that we fulfil the obligations that we've undertaken to deliver the further powers for the Scottish parliament that are part of, if you like, the offer. That we are able to and that we do make the Scottish parliament stronger. I believe in that as a Liberal. I believe in a federal United Kingdom. I want to see power distributed and operated at the most appropriate level, whether that's European, UK, Scottish parliament or indeed local. By the way, there's been quite a lot of centralization within Scotland in recent years under the SNP and I'd like to see some of that power handed back to communities, as well as power coming to the Scottish parliament.

So I think delivering on those things is right. I also think whatever the result, no matter how tightly fought it is, we all have to accept the result, whatever it is, and get on and make the best of it.

Faisal Islam

There's no opportunity for a slippage, renegotiation – if yes get 50-plus per cent, Scotland will be independent, guaranteed?

Danny Alexander

Absolutely. The whole basis on which this referendum was constructed, and there was a lot of negotiation about this which led to the Edinburgh agreement, was to have a referendum that was legal, decisive and fair. Those three words are really important. It's why we had to have both governments negotiate it, so that it was legal. The referendum has a very simple question because it is a decisive referendum. There is no going back on the result. Obviously it's, in the same way that all elections are, well regulated so that the result is one that everyone knows has been conducted properly and is fair.

Faisal Islam

Just quickly: the implications for English politics, I presume in a yes vote.

Danny Alexander

I haven't spent a lot of time contemplating that matter. I think there are lots of implications for England and for Wales and for Northern Ireland of this. There are economic implications and there are political implications. How politics then plays out is an interesting question. I also think the economic implications would be significant for the rest of the UK, if you've got this uncertainty and the damage caused to the Scottish economy. That inevitably has a knock-on effect to the rest of the UK as well.

The thing I've been really struck by is the number of voices in England and Wales and Northern Ireland – Conservative, Liberal, Labour, whatever, of no political abode – who just profoundly hope that the UK

stays together. I think that's a sentiment that we should hear more of from the rest of the UK over the last two and a half weeks of the campaign.

Faisal Islam

If you win, do you think there's any read-through from the percentage that you get to the type of negotiation over devo max that you would have afterwards? Is there any sort of follow-through? So if the yes campaign falls below 40 per cent, does that change the dynamic in any way?

Danny Alexander

It doesn't at all because each of the UK parties have set out their agenda for more powers. It's something that as Liberal Democrats we have argued for, for a long time. It's great that Labour and Conservatives in their different ways have caught up with that. So those plans are articulated and we have to get on and deliver them after the election.

Question 8

You say it's going to be very close. I'd be distraught if the yes vote won, but if we get a close no vote, are we straight back within a very short period of time to yet again another referendum? In that case, can you make the terms somewhat different? You say you had lots of discussion but I think if yes had been Better Together, we'd have gained two points just that way. That's my question. Will we have yet another referendum?

Question 9

I'm wondering if the no vote – you spoke about devolution, giving more powers to Scotland. I'm wondering what would that do to the rest of the United Kingdom and whether we are actually moving towards a federal United Kingdom or something like that.

Question 10

I had a letter from our colleague Charles Kennedy last night asking for my views. The first point I made was that we live in an increasingly interdependent world tied up with global value chains. The whole idea of Scottish independence surely goes against this. We should be looking towards more transnational governance to control these sorts of developments. That was the first point I made. It relates also to the fact that the global order is in a state of some decay. Again, we need transnational governance. This is emerging in the present conflict. The second point I think you've covered. All I wanted to say was that I hadn't heard sufficient mention, for my satisfaction, about dev max in the no argument that we heard on television. But I'm observing from London and of course from a distance.

Danny Alexander

Will there be a sort of 'never-endum'? I hope not. In fairness, both sides have said they'll respect the result. I think this is a once-in-a-generation thing. Actually if you look at what happened to Canada, I think it's known as the Montreal effect, in terms of the impact it had on Quebec over a long period of time. Prolonged constitutional uncertainty has a cost. So I think having had this referendum, we should all accept the result and move on.

The gentleman from Cyprus asking if this means a federal UK: I profoundly hope so. But what happens in England and Wales and Northern Ireland is properly a matter for those places to think about.

Faisal Islam

So do you mean an English parliament?

Danny Alexander

As I was just saying, those are things that people in England need to work out. In this government, we have devolved more powers and responsibilities to local authorities in England. City Deals have made cities much more powerful in England. That's a form of devolution. In Wales we are moving toward tax-raising powers for the Welsh assembly, subject to a referendum. Obviously there's the agenda for further powers for the Scottish parliament.

I totally agree with your point about we live in an interdependent world and independence goes against this. I actually think there's a tide of human history over a long period of time, which this august body has studied more closely than anybody, about over time removing barriers that exist between peoples and places. I think the United Kingdom is the most successful economic, political, monetary, social alliance between countries ever in the history of this planet. To cast that aside would be rather bad.

Faisal Islam

A bold claim.

Danny Alexander

I defy anyone to contradict it.

Question 11

I very much agree with the last point you were making a minute ago, the importance of dev max and devolution being looked at. Perhaps historically, one of the problems with Scotland and the other parts of the UK has been the extreme centralization of UK governments [indiscernible] the EU and the Commonwealth. It's been one of the most centralized countries. As you said, this has been addressed now through the City Deals, through the new devolution, through the devolved assemblies. I think what's missing in the debate to my mind has been the positive arguments, as Faisal was saying earlier, about some of the positive devolution that's going on, that's on offer. Hopefully we'll hear a little bit more from you what precisely would be on offer if there was a no vote, in terms of dev max, because I think that ought to be put across more in the next week or so.

Question 12

Could I return you please to the Treasury and ask what the implications, in a world without great borders to companies re-domiciling, the potential implications to a newly independent state's tax revenue would be? How sensitive are they?

Danny Alexander

Good question, and one I could take up several paragraphs answering. I'll try to be brief.

Firstly, on the question about more powers and what does it look like, to my mind, in the context of the Scottish parliament, the big gap is financial accountability. The Scottish parliament spends money that comes through a block grant. It should have more responsibility for raising that money. So from next year, every Scot will pay a Scottish rate of income tax that will go to help pay for the work of the Scottish parliament. I want to go further, I'd like to see full responsibility for income tax in the hands of the devolved government in Scotland and responsibility for other personal taxes too, so that the Scottish government is responsible for raising the majority of the resources that it's responsible for spending. That's proper accountability and responsibility to my mind, as well as more powerful economic levers.

Of course you're right, companies re-domiciling does have an effect on tax revenues. It also has an effect on the location of employment. Several companies have commented on this, I don't really need to add to that in the context of the Scottish debate. We are also, as a UK government, one of the lead sponsors of work in the OECD on so-called base erosion and profit-shifting, to try to make sure that we have a proper international framework for making sure that companies pay tax in the right place.

Question 13

I've got a tweet: when and urgently is Danny Alexander's message going to get to the electorate rather than already converted Chatham House members?

Faisal Islam

A low blow.

Danny Alexander

Every day, is the answer to that.

Question 14

I was wondering whether you could say something about, particularly given the title, defence and the nuclear deterrent particularly. If it's the bedrock of a British defence, it seems a bit of a problem if Scotland votes yes.

Danny Alexander

I'm doing meetings almost every day – public meetings in Inverness last week, in Kingussie in my constituency. I've held meetings in all sorts of communities. Daily I'm doing that, so please reassure by reply your correspondence. One of the things I've enjoyed about this debate in Scotland is the way that it's almost kind of reinventing an older style of politics. That's the good side of it. People are interested to come out and hear politicians directly rather than getting all their news through Faisal, important as a channel of communication though he undoubtedly is (and information, of course, not just communication).

The defence issues are really important. There are defence issues for Scotland in terms of how would it go about putting together a defence force and defence industry and all that sort of thing. There are defence issues about the nuclear deterrent which would have to be addressed in the event of a yes vote, though I'm quite sure that the rest of the UK would continue to want to retain a nuclear deterrent, so appropriate arrangements would have to be put in place.

But also big implications for the defence industry in Scotland. Scotland has a very strong defence sector, much of which depends on orders from the Ministry of Defence for providing things that are sovereign capabilities for the UK. If Scotland is outside the UK, then as many countries do, you would keep those orders within your own borders.

Question 15

Along with defence, you had commented earlier on how Scotland has a sizable presence in the military. In the event of a yes vote, what would the case for them be? Would they have to finish their service to the Crown or have the right to defer back to Scotland?

Question 16

If Scotland does vote yes, that will mean David Cameron is the prime minister who lost the union. Should he resign?

Faisal Islam

Lovely last question.

Danny Alexander

He's quite rightly said that he wouldn't. Look, this is a democratic decision. We've taken the step to enable the referendum to happen. The job of all of us is to make our arguments as strongly as we can but to accept the democratic verdict in the way that it's delivered.

In terms of the military point, I can't give you a clear answer to that. It's one of many detailed questions that in the event of independence would have to be negotiated. In a sense, it's just a reflection of the huge range of issues that would need to be considered, which are very complex, in such negotiations. I'm sorry not to give you a clearer answer than that.

Faisal Islam

Just one general last point here. A lot of the issues that have to be discussed in this debate and that have been discussed, and the central plank of actually the Better Together campaign – they are quite complicated, aren't they? They are quite complex. Do you fear that in fact you've made this technical argument that plays out in *The Economist* and the *FT* and maybe even on Sky News but one that hasn't – it's a similar question – that hasn't cut through emotionally. If you're a young Scot it's just like, this is our chance. We're sovereign for one day on the 18th of September, we can make this decision and nobody else can interfere with it. It's quite tempting.

Danny Alexander

I don't think they're complicated arguments. I trust to the good sense of my fellow countrymen and women that people really do have a sense of what's at stake here. I think in the end this is about some really simple – on the economic side, about some really simple issues, about jobs and opportunities for young people and for everybody. About cost of living, the prices in the shops and how much tax do I pay and how much do I pay for my mortgage and all those sorts of things. If I was back in Lochaber High School in Fort William in the late 1980s when this was going on, the questions about what job am I going to be able to do, what are the opportunities going to be for me – those aren't just dry economic questions, those are profoundly personal, emotional questions.

But I also think that the positive argument for the UK, the positive argument about the best of both worlds, about our shared history and so on, those are also very emotional things. When I was going back and forth to school in Fort William, from Invergarry, a bus journey every day, twice a day, it took me past a place called Spean Bridge. Some of you may have been there. The Commando Memorial, which is a memorial which remembers the contribution made by young men from Scotland, England, Wales and Northern Ireland who came to the Highlands to train for one of our most elite military units, to go and help liberate Europe. Some of them made the ultimate sacrifice in doing so. The epitaph on that monument says 'United We Conquer'. To me that is one of the most profound things that reflects on our deep history, our shared endeavour and contribution over many years as the United Kingdom, and which makes me say I think we're better together.

Faisal Islam

Thank you very much, Danny Alexander, chief secretary of the Treasury, for your time. I know you're back up to Scotland to continue this debate amongst a more important audience who actually have votes. But I'm sure the good burghers of Chatham House are delighted to get insight into your thinking at such an important time. Thank you very much.