

Could an independent Scotland be economically viable?

28th August 2020

Proponents of Scottish independence think so

SCOTLAND, WITH **8.4%** OF THE UK'S POPULATION, POSSESSES:

34%
OF THE
UK'S
NATURAL
WEALTH

90%
of the
UK's
total
FRESH
WATER

26%
of the UK's
renewable
energy
generation
and **90%**
of its hydropower

32%
of the UK's
landmass
and
62%
of its
offshore maritime area

96%
of the UK's
crude
oil and
63%
natural
gas
production

60%
of
UK
timber
production

SCOTLAND
THE BRIEF

70%
of the UK's
fish landings

25%
of Europe's
offshore wind
resources and
25% of
Europe's tidal
energy resources

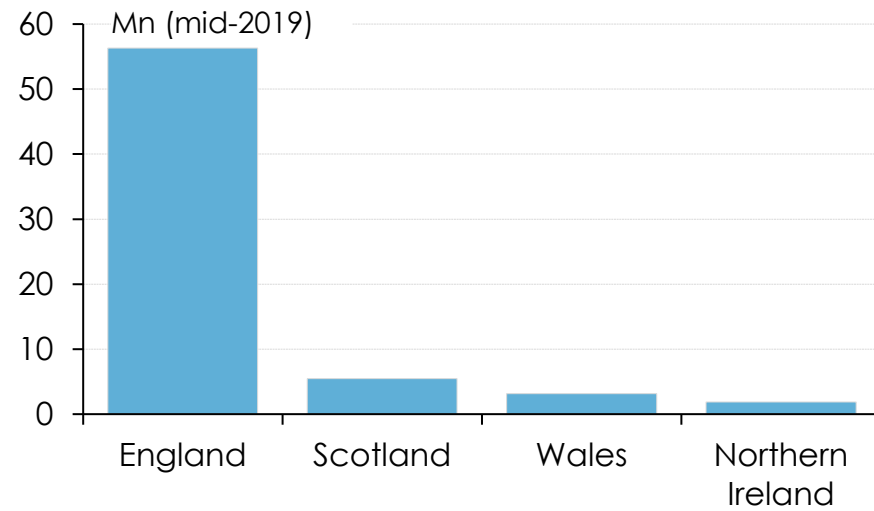
10%
of Europe's
WAVE
POWER
POTENTIAL

Believe
in Scotland

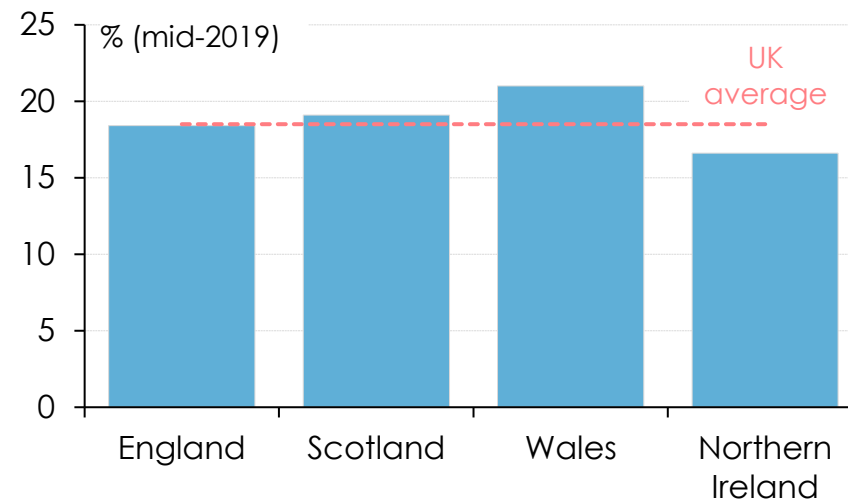
Business for
Scotland
businessforscotland.com

Scotland is much smaller than England, and its people a bit older, not quite as rich, a bit less likely to work, but more likely to work for the government

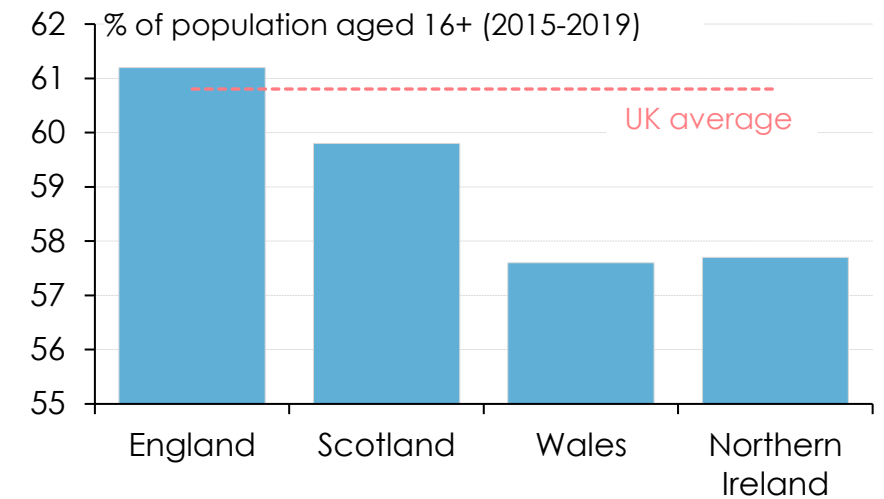
Population



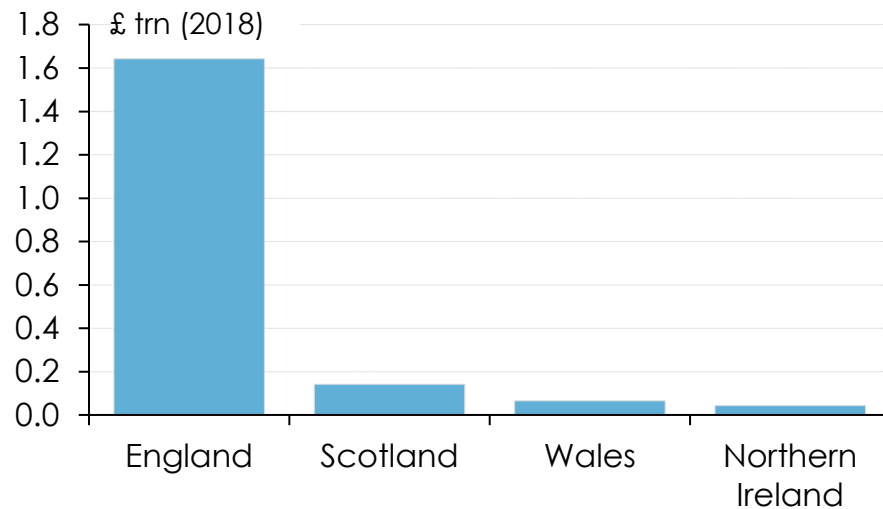
Population aged 65 & over



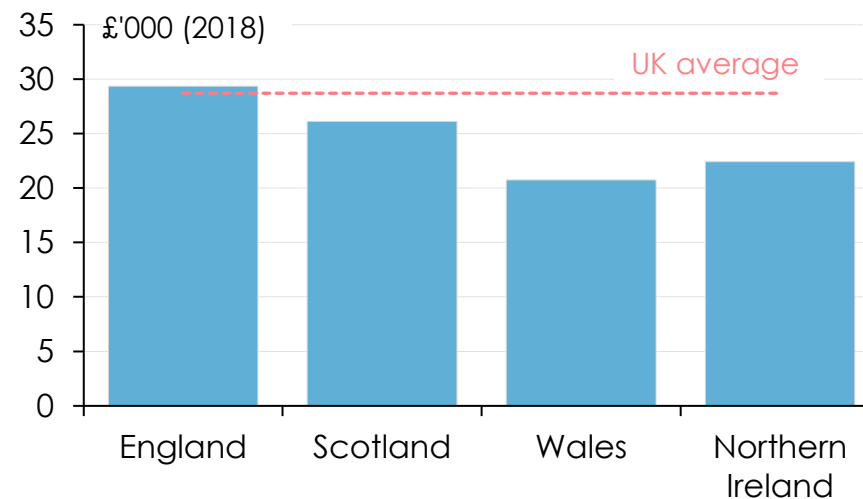
Population in employment



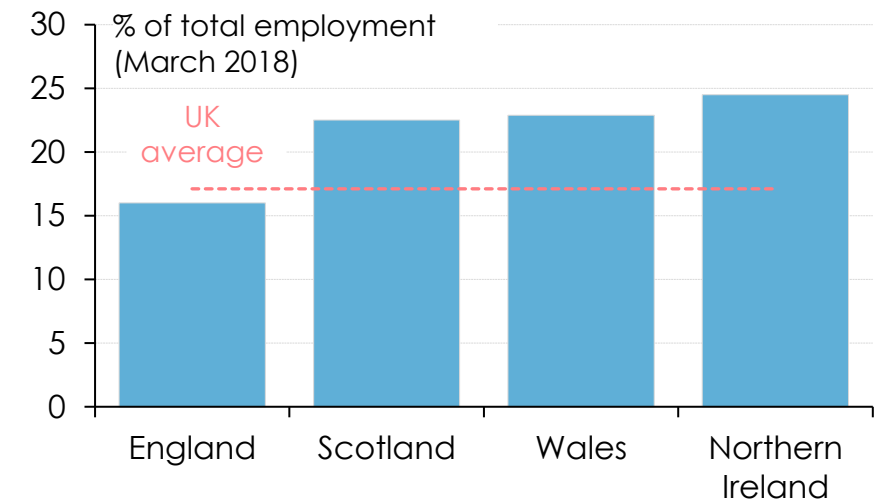
Gross domestic product



Per capita GDP

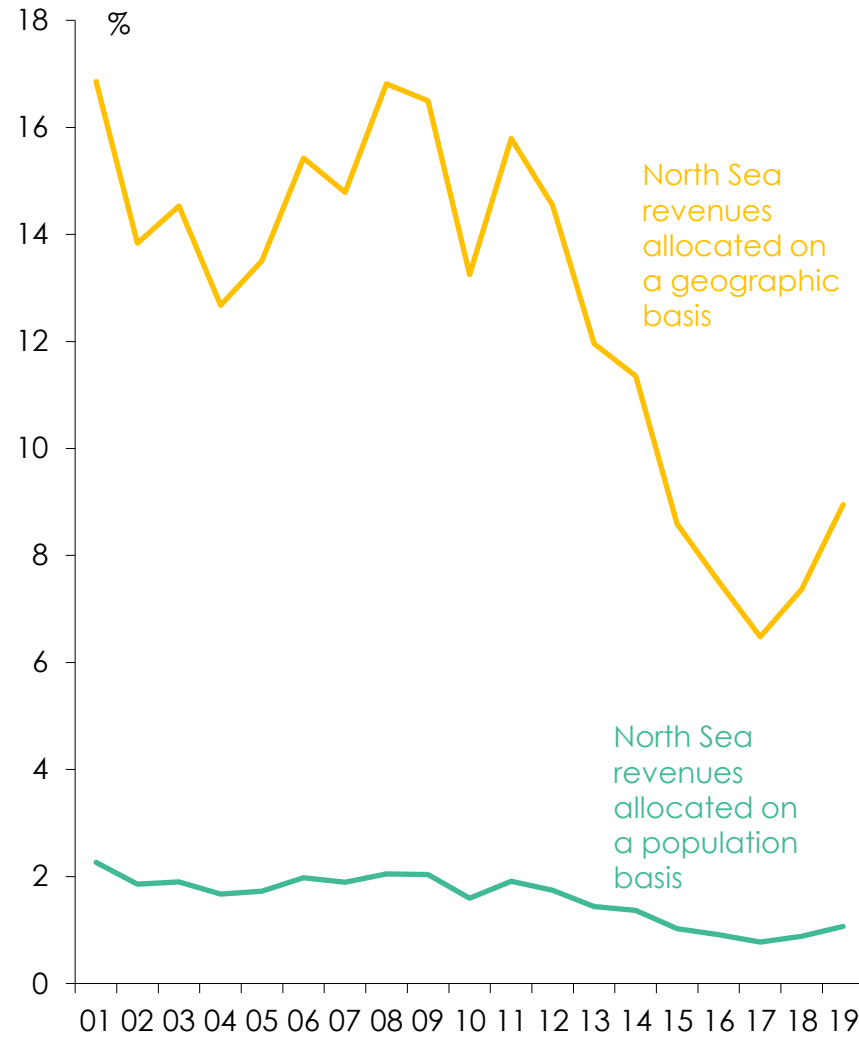


Public sector employment

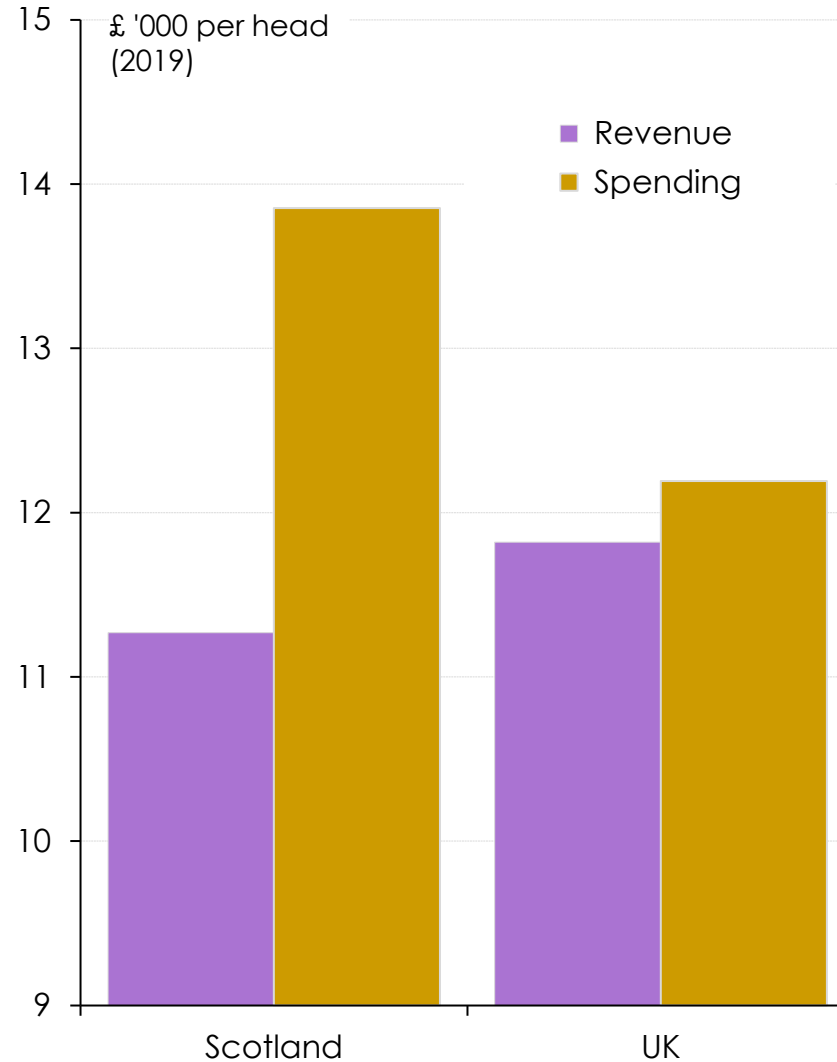


North Sea oil & gas revenue won't 'fix' Scotland's budgetary problems, even if they get the share of it the Scottish Government wants

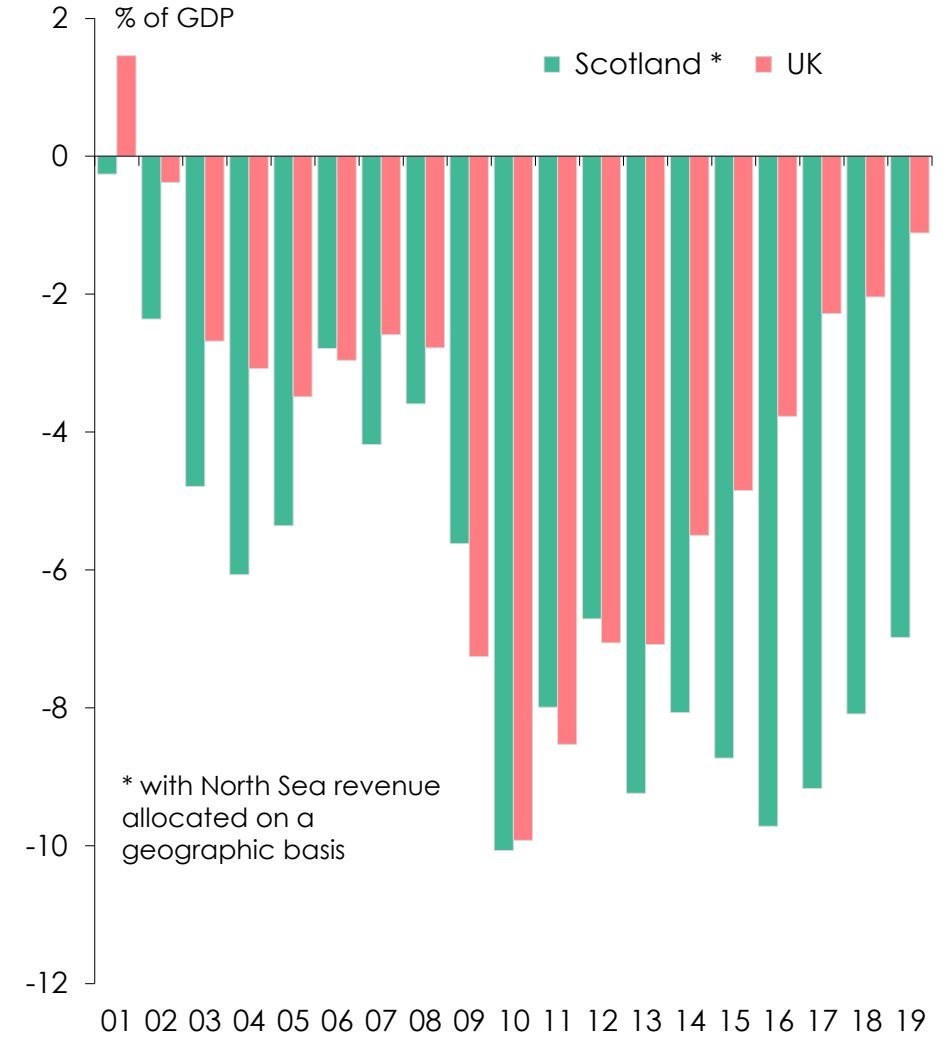
North Sea oil and gas revenues as a pc of Scotland's GDP



Government revenue and spending per head, 2019



Fiscal balance, Scotland and UK Governments



Sources: Scottish Government; Corinna.

So could an independent Scotland survive and thrive?

- ❑ **An independent Scotland wouldn't be able to join the EU immediately, as nationalists assert**
 - Scotland would have to join a queue behind Montenegro, North Macedonia, Serbia, Albania, Bosnia-Herzegovina and Kosovo (and perhaps Turkey)
 - and Scotland would have to negotiate trade agreements (something it's never done before) not just with the EU, but with England, and with other countries – and until then its exports would be subject to tariffs and other trade barriers
- ❑ **Scotland would have to accept a share of the UK Government's outstanding public debt**
 - which is now likely to be at least 10 pc points of (UK) GDP higher than it was in 2014
- ❑ **Scotland would not be able to continue using sterling as its currency without the acquiescence of the UK Government and the Bank of England**
 - if it obtained that acquiescence, it would not be able to conduct an independent monetary policy (Scottish interest rates would reflect English economic conditions and English policy priorities)
 - if Scotland adopted its own currency it would almost certainly be weaker than the British pound vis-à-vis other currencies (which may help Scottish exporters, but would also make imports, including from England, more expensive)
 - a Scottish currency would probably move more in line with oil prices than sterling, and hence likely be more volatile
- ❑ **At some point North Sea oil and gas will 'run out', and its possible that demand for it will fall away before then as energy users shift to renewables**
- ❑ **In sum, an independent Scotland would almost certainly be 'viable' – but it would also almost certainly be poorer in absolute terms, and relative to the rest of the UK, than it is today ...**
- ❑ **... just as the UK will be poorer, and less influential, than it otherwise would have been as a result of 'Brexit'**
- ❑ **But the Scottish people may well decide that's a price worth paying for independence – just as the UK's population (or, more accurately, the English population) was willing to pay a 'price' for leaving the EU (even though they weren't told what it would be)**

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