

Funding the Future

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Scotland will have another independence referendum: the only question is when. I have little doubt that if I was Scottish I would vote Yes again. That, though, is not the reason for commenting now. What I want to discuss is the claim that Scotland has a weak economy. This claim is based on four figures. The first is Scottish GDP. The second is Scottish tax revenues. The third is Scottish government spending. The last is the Scottish balance of payments (imports v exports). My contention is simple: all four may be seriously mis-stated, in which case to base debate on them would be a serious mistake.

Why might the data be misstated? First, there simply isn't enough data to reliably estimate Scottish GDP. We have no figures for where sales take place in the UK, for example. VAT returns are an utterly unreliable source for this: a UK company does not submit data separately on sales in Scotland from elsewhere. The same is largely true on spending. So forget Scottish GDP data: we just don't know what it is.

Then there are tax revenues. That VAT point still stands. And the truth is Scottish Revenue are struggling to be sure who is resident in Scotland whilst on corporation tax there is no way of knowing where revenues are earned at present. And so on.

So we come to spending. The allocation of government spending to Scotland will be arbitrary: how much defence should it pay, for example? Or interest? The arbitrary areas will be too great for this number to really be reliable.

In which case what of Scottish imports and exports? Let's be blunt: no one has a clue what crosses the borders from Scotland to England and Northern Ireland. These numbers are literally made up in that case.

So two further issues, both serious. One is Westminster could pretty much manipulate this data at will. And two, nothing will be the same if Scotland leaves: a government of an independent Scotland will have a very different structure to that imposed now.

My point? Simply this: if there is to be meaningful debate on this issue then the SNP have a lot of work to do to produce best possible data. The last thing they should do is trust that from London.

Postscript: I am well aware that the Scottish government publishes GERS - [Government Expenditures and Revenues Scotland](#). And I know this is compiled in Scotland. But it is compiled on the basis of estimates. It has to be. No one declares data for Scottish sales. Or Scottish profits. Revenue Scotland is not sure who Scottish taxpayers should be - and has struggled on such a basic issue. And there is no data on trade flows across the Scottish or Northern Ireland borders because none is required. There is no Customs post in Carlisle. In which case the data is just estimates based on surveys that could be wholly misleading and as a result is approximations for the UK as a whole adjusted for oil, which may overstate the impact of oil as a result. The real result may be better or worse than GERS says. I am not suggesting otherwise. What I am saying is better data is needed because all we have are some estimates that might be wholly misleading but which are going to be treated as fact.

And if you doubt me this comes from the GERS homepage:

*The primary objective is to **estimate** a set of public sector accounts for Scotland through detailed analysis of **official UK** and Scottish Government finance statistics. GERS **estimates** the contribution of revenue raised in Scotland toward the goods and services provided for the benefit of the people of Scotland.*

It's an estimated set of accounts based on estimated revenues based on UK statistics as my emphases show. The debate needs better than that.