

The future of Scotland will be decided by money

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A little dust has settled on the report of the Scottish Growth Commission.

Some unionists are trying to say the growth numbers don't stack: on the basis of the austerity that the Commission promises Scotland that's an easy thing to do, because they don't. They would if Scotland was to have its own currency, as most of the countries that the Commission makes comparison with do. But that's not the route it has chosen. The unionists will have a field day as a result. What they do not realise, of course, is that they are conceding my case, that Scotland could have a fantastic future if only the right policies were chosen.

Some, like [Kevin Hague](#), seem as determined as ever to talk Scotland down. It's hard to understand his perpetual desire to rubbish the country he claims to be so interested in.

Others with unionist bias, like the [Fraser of Allender Insititute](#) at the University of Strathclyde, which is far from objective on this issue, simply gloat. They had this to say in their commentary:

The report's assessment of Scotland's public finances make sober reading.

In a welcome move, which hopefully dispels any remaining myths around GERS, the authors take the GERS numbers as the appropriate assessment of Scotland's current fiscal position.

As, perhaps, the main proponent for the argument that GERS is not a true and fair measure of the Scottish economy, which is objectively true, I find this disappointing. First, this was not the moment for pettiness associated entirely with unionist argument. Second, their conclusion is entirely wrong. In the absence of better data what were the Commission meant to do? The Fraser of Allender should concentrate on improving the data rather than defend poor approximations.

But it's where the Fraser of Allender go next in their analysis that is telling. They say:

Unlike in 2014, the analysis that follows revolves around a plan to balance the public

finances rather than documenting a list of spending priorities.

And depressingly, this is accurate. To be blunt then Scottish Growth Commission is not discussing growth, sustainable or otherwise in its report. There may be a great deal of interesting verbiage to keep the likes of Kevin Hague distracted, but the reality is, [as I have explained](#), that the whole report is about money. Or rather, it is, even more depressingly, about how to balance the books. After imposing an effective limit on borrowing for investment the Commission then does not just plan austerity to balance the budget, it actually plans to run a surplus for years to reduce debt. Voting for independence on this basis would be to chose to adopt the very worst of the economic policies of the Gordon Brown and George Osborne, combined.

It's almost unfathomable why this has been done. But not quite. I note what Pat Kane had to say in [The National](#) (for those not familiar with it, the paper in Scotland most inclined to independence) yesterday. As he noted:

Common Weal's transition model assumes that a currency (and the other institutions of indy) can be announced on day one after the vote and constructed in full view of global scrutiny over a three-year period. By contrast, the Commission authors I talked to are ostentatious about dealing with what one of its contributors described to me as "the real world, sans unicorns and magic money trees".

As he added:

This is robust, substantive stuff — what citizens capable of indy should be up and ready for.

I agree with that last point. But let's also wonder why the reference to the magic money tree (which is, of course, really a reference to modern monetary theory) made? I would suggest that it is precisely because the Common Weal approach does adopt an MMT analysis, because it is influenced by my [White Paper on tax](#). In that I argue that:

If Scotland is to have a sound tax system then it must be based on economic reality. It is widely believed that tax is necessary to pay for government provided services. It has, however, recently been realised that this is not the case. This is because all government services can in principle be paid for either by a central bank creating new money or by quantitative easing ('QE') operations (which amount to much the same thing).

This understanding is critical to the design of a Scottish tax system. What it demands is that Scotland must have its own currency from the day it becomes independent. This is because of another critical consequence of the understanding of tax and money, which is that a country with its own central bank and currency cannot go bankrupt.

What should also be clear is that a Scottish currency is also essential for the creation of an effective tax policy for an independent Scotland. This is because if a country has its

own currency then there is technically no limit to what a government can achieve. There are, however, two practical constraints. The first is that the government does not try to create more economic activity than the economy can deliver. And the second is that they must tax sufficiently to cancel enough of the money that the government has created through its spending to ensure that its inflation targets are met.

The implications of this understanding are profound. First, a policy based on this understanding does not require that the Scottish Government balance its budgets. Secondly, this understanding means that the Scottish Government does not need to think itself beholden to bond markets or their interest rate whims. Third, in this scenario tax entirely ceases to be a mechanism that raises money to pay for government spending. Tax is, instead, a means of reclaiming the money that the government has spent into the economy as a result of that spending.

The Scottish Growth Commission wants to crush Scotland to balance the government's books. And the simple fact is that there is not the slightest reason to do so. Nor could Scotland suffer serious economic harm by not doing so if (and I stress the if) a deficit is run to create full employment and strong investment in the future.

This is the route to real growth.

The Commission is offering austerity.

There are, then, three options on the Scottish agenda right now. One is to stay put and suffer economic policies designed solely for the benefit of the south-east of England. That is the unionist argument.

The second is the Growth Commission approach of independence to crush the life out of the economy with the pointless intention of balancing the new countries books, which is wholly unnecessary.

Or third, there is the Common Weal approach, which seems to me to be the only viable option Scotland has, and which has the advantage of being based on economic reality.

The unionist approach will be rejected because it will be associated with Brexit soon, and all the dire consequences of that for Scotland.

The battle then is for the way in which the independence campaign must progress. And that comes down to money - and quite literally whether Scotland can make its own, or not. The success of not of independence will rest solely on this issue are the end of the day. Only a free Scotland, with its own currency, can deliver the growth that the people of Scotland should enjoy. Until this is appreciated and resolved nationalism will be in a difficult place, into which it has been put by the flawed neoliberal economics of this Commission.