

The Scottish subsidy to London should stop now

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I wrote this tweet yesterday:

<https://twitter.com/RichardJMurphy/status/1299011035165274113>

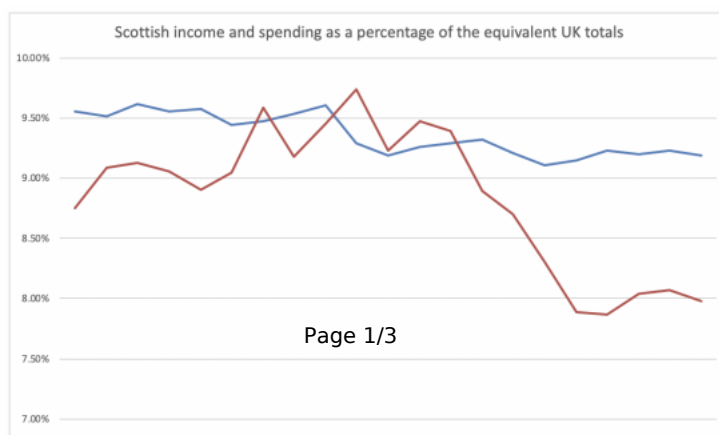
It was, of course, meant to be provocative. There is nothing wrong with being provocative. Unless people are willing to be so then nothing changes. All progress is, as a result, dependent upon those willing to be provocative.

That said, I am not willing to be provocative without good reason, or within the boundaries of suggesting what is reasonable. This tweet was posted with both constraints in mind.

If the ongoing debate on the Scottish economy proves three things it is these: that first of all, Scotland is willing to have that debate when others are not; that second this debate is now backfiring on Unionists in Scotland because their continual attempts to undermine Scotland are now being used by people in rUK to ask why they should supposedly subsidise Scotland for any longer; and, third, that those in Scotland who want independence must reject the efforts of those who want independence based on a neoliberal agenda and must instead offer truly radical alternatives.

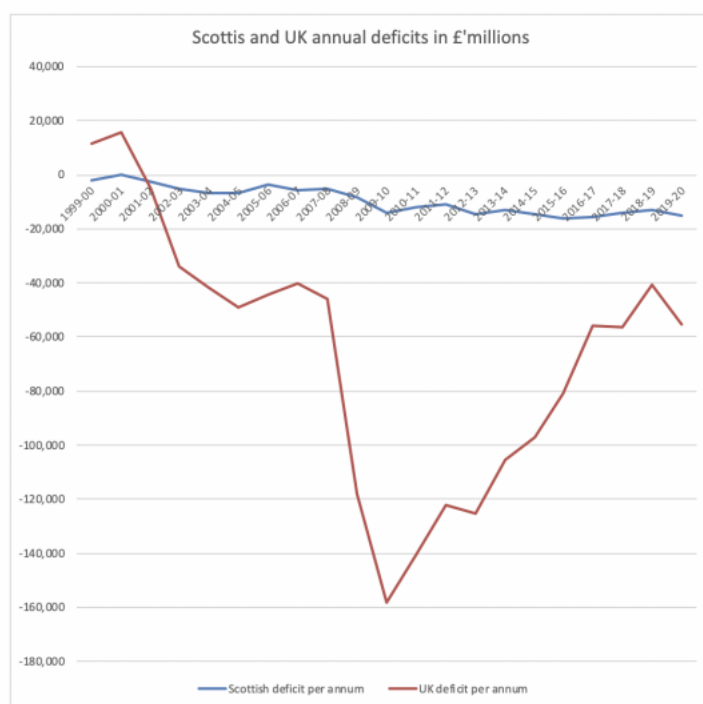
Part of that radical alternative is to understand why Scotland is where it is, and that this is not inevitable, or appropriate to its needs, and that it is not as a result the basis for extrapolation into the future.

My tweet says that the last decade has seen Scotland suffer as a result of choices imposed on Scotland and not made by it. That draws on evidence from this chart:



I created that chart from GERS data published this year.

Scotland's spend has fallen slightly over the last decade. But, as we know, that figure for spending is in any case wrong because it includes a great many costs Scotland would not choose to incur for itself or which it would not need to incur. The former includes many defence costs: based on an Irish model of defence spending Scotland might incur only one-third of the cost incurred now. The latter includes interest costs, which now largely relate to the UK crash, which as I note in my tweet, was not made in Scotland, and which was severe in its impact, as this chart shows:



Again, that is based on GERS data, plotted by me.

It's a matter of fact that the bank failure that delivered the recession that the chart evidences did so as a consequence of US banking failure and UK banking regulation failure, and that these events were not, in any way, Scotland's fault. But Scotland has paid a heavy price for them.

That is most especially seen in the size UK deficit that has been shared with Scotland and, as importantly, in the quantitative easing figures. Not only was Scotland burdened with a heavy cost for bailing out the south-east of England and its failed main commercial activity, but that same sector got, in effect, the whole benefit of the Bank of England's quantitative easing programme that created more than £400 billion during the period from 2010 to late 2019, which was intended to, and did, shore up those banks' balance sheets. It coincidentally boosted almost all asset prices, including property values in the south-east of England, but the spillover effect, most especially to Scotland, was remarkably limited.

So just as Scotland was always going to have an issue with a decline in oil revenues and needed investment it was hit by:

- * a recession not of its own making for which it had to pay;
- * a lack of investment whilst money was literally poured into the south-east of England, and
- * all its tax bases were undermined (including oil revenues) by decisions in London, which was doing all it could to boost the tax bases of England for which devolved powers for Scotland have never been considered because it is considered that they are not even relevant to its needs.

And that does mean that in that case that Scotland suffered downturn constructed in London, whose aim it has been over the last decade to show that Scotland cannot, supposedly, be independent. A different government, with a different policy (and maybe no such thing is plausible within the Union now) might have delivered a very different policy for Scotland, but that government did not exist. Instead we have one that gloats like this:

<https://twitter.com/RishiSunak/status/1299011519229952000>

This is London saying to Scotland that it should learn its place and be quietly grateful when, as a matter of fact, the figures used to make this claim are wrong and Scotland need not be grateful because London has in fact generated £400 billion or more for investment in the rest of the UK using quantitative easing from which Scotland has seen no benefit whatsoever, with the unsurprising consequence that its tax revenues have been suppressed whilst those of the rest of the UK have been less so.

My tweet was intended to call this out. London has created what is alone describes the Scottish deficit when the Scottish government actually does not have one. And that is deliberate and part of the whole policy of English exceptionalism that underpins the whole English nationalist agenda that this government pursues, which amongst other things assumes that the rest of the world are idiots who will not notice that such an agenda is being pursued (just look to Brexit for the evidence).

I will call them out. Their claims are wrong. Scotland has problems because London has made them by diverting resources to the south-east of England and yet still charges Scotland for their use whilst denying Scotland any significant revenue-generating investment opportunities or support. My suggestion is that this will continue until Scotland says no to it doing so by declaring itself independent.

And I should add, Wales should also take note.