Funding the Future

If the SNP is serious about independence it needs to re…

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For those who think the SNP is riding high in Scottish popularity I have to say that the feeling is not universally shared. Whilst the desire for independence is high, and Sturgeon is doing well in the polls, within the SNP itself there is deep disquiet about SNP policy.

Like too many political parties the SNP is a personal fiefdom. A few people, mainly advisers, around Sturgeon, dominate SNP policy decision making. And the SNP membership is none too happy about that.

The adviser about whom there is, perhaps, greatest disquiet is Andrew Wilson. He is an economist, at one time with RBS. He became an MSP. And now he heads a lobby company called Charlotte Street Partners. But perhaps most importantly, he is, it seems, sole economic adviser to Nicola Sturgeon.

He wrote the Scottish Growth Commission report that suggested Scotland would have to be committed to austerity for decades after independence to build up foreign exchange reserves, which he wanted to be its priority.

And he has created the policy of sterlingisation, which has been rejected by the SNP membership in conference but which the SNP leadership appear to remain committed to (an indifference to the opinion of the membership which people in many political parties will be all too familiar with).

Sterlingisation describes a policy where Scotland would become independent, supposedly, and then use sterling as its currency for a period of up to ten years because, apparently, unlike just about every other new country in earth it would not be able to manage a currency of its own, and nor would it want to have the freedom such a currency would provide to pursue its own economic policy. Instead it would rather be beholden to the state from which it had sought to be free, and entirely at its mercy.

Wilson reiterated this policy objective at the weekend in a press interview. Tim Rideout, a regular commentator here, and coordinator of the Scottish Currency Group, to which I am an adviser, takes up the story in an article published in the National newspaper yesterday, which he has given me permission to reproduce here.

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JUDGING by the reaction then the Yes movement has been taken by surprise with the claim that 'Andrew Wilson is the brains behind the YES movement' in an interview in the Sunday Herald. It would probably be more accurate to say that he is the brains behind a very small group of the SNP leadership clustered around the First Minister.

Lets focus, though, on the economic issues that Andrew Wilson raised.

Firstly, there was a gratuitous attack on Modern Monetary Theory. MMT is a statement of how fiat currencies work and have worked since Richard Nixon brought the last remnant of the gold standard to an end in 1971. The government creates the currency and spends it into existence. It then circulates around the economy before eventually being taken back via tax. Money is an IOU created by the state, and it actually says this on bank notes in the 'I promise to pay the bearer' bit. The logic that flows from this lens includes that there is no such thing as 'taxpayer's money' since all money is state money. What it should always be called is public funds. It is also evident that a shortage of demand, as in a recession, requires the state to increase spending or cut tax and run a deficit.
A balanced budget or state surplus (as the Tories want) will just push the citizens into debt instead and probably cause unemployment, while driving wealth upwards to the top 1% that own that private debt. Whether Wilson accepts this or not does not matter as it is simply how a state currency works. He describes MMT as 'a false promise' that involves 'just print money'. Nobody prints money these days and this is just a tired dog whistle reference to the Weimar inflation of the 1920s. The fact he argues this just shows he does not know anything about the subject. MMT is explicit that the state should manage its spending and taxation such that you maintain full employment without causing over-heating and inflation.
Mr Wilson says he 'respects arguments' and dislikes somebody that puts a badge on something and 'shouts at that badge'. He seems not to see the irony in that is precisely what he did in his attack on MMT.

The second point mentions the National Debt and he wants 'an annual solidarity payment' to go to rUK. One would have to ask Why? In International Law and under the Vienna Convention the UK has already said clearly (in 2014) that it would be the Continuing State. They get all the assets and all the liabilities except what is in Scotland. So rUK keeps the UN seat, the Falklands, the Washington embassy and the National Debt. This isn't a problem for them — it is just the National Savings when looked at from the other side of the account ledger, and there is no chance of it being repaid. So long as we ask for none of their assets then we should not take any of the debt either. We should also do our own thing on development aid. There is no logic in letting rUK do it for us, especially when all the relevant civil servants work in East

Kilbride.

Thirdly, and most seriously, Wilson hasn't a clue on currency. Given he was actually at the debate, it seems he does not even know what the SNP policy is. Conference was explicit that we start the preparations for a new currency 'as soon as practicable after a vote for Independence' such that we are ready to introduce that currency 'as soon as practicable after Independence Day'. Whatever else it might mean, nobody would say 'asap' was 10 years. He actually has everything the opposite way round to reality. It is sterlingisation that is economically and politically risky. It is likely this policy would collapse within weeks of the indyref2 campaign starting as the No side will just say we will be like every other country and introduce our own currency. After Independence and leaving the sterling area then it is sterlingisation that is extremely risky. It is absolutely not the same as using sterling within the UK. There is no lender of last resort, there is no control of things like interest rates, borrowing will be much more expensive (not less as he claims) because we will have to go to the international markets, and there is no source of emergency funds for something like the pandemic.

He continues that we need to 'sort out borrowing, taxation, growth and exports' before we introduce our own currency. This is a massive failing as it demonstrates no appreciation for the fact that it is having our own currency which enables these things to happen. The exchange rate adjustments, for example, is exactly what does bring your imports and exports into balance. He also does not understand that a government deficit is a private sector surplus, and as such typically good for the citizens and business and something that most governments should do most of the time (unless there is a boom).

The final word on the economic front is that the finances of any state with its own currency are always sustainable. The only time they are not is if a state breaks the cardinal rule and borrows in a foreign currency. Borrowing in dollars was the downfall of Venezuela, Argentina, and many others. Strangely, borrowing in a foreign currency is precisely what Wilson would have Scotland do.

Looking to the future, and to assist in keeping the timetable to independence and our own currency much shorter than 2026, there is a new motion being submitted to the November SNP conference. This instructs the SNP to start drafting a bill to establish the Scottish Reserve Bank as the new central bank so that we are ready to start the parliamentary process 'as soon as practicable after a vote for Independence'. It also sets out the principles of the bank, such as full democratic control and accountability, and provides for it to create and manage a sovereign wealth fund.

The motion has been submitted by Dalkeith SNP (who also won Amendment D in 2019) and is supported by many other SNP branches and elected officers such as Angus Brendan MacNeil MP and Douglas Chapman MP. You can find out more by visiting the Scottish Currency Group on Facebook or www.reservebank.scot. You have until Friday October 23 for your branch, MP or MSP to lodge a copy with SNP HQ.