

Trying to run Scotland without its own currency would b...

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I took part in a debate on the need for a Scottish Central Reserve Bank yesterday. This was run as a parallel event to the SNP conference, featuring resolutions that the SNP conference organisers had declined for debate by their membership. The event was run by Tim Rideout and the [Scottish Currency Group](#).

I made a few notes in advance, just to concentrate my thinking. They focussed on why Scotland had to have its own currency if it was to manage its own affairs via a central reserve bank. Those notes said:

Why Scotland has to have its own currency

It's essential to manage the economy. A country without its own currency cannot:

A) Control the interest rate, for reasons B and C

B) Provide central bank reserve accounts for its banks - meaning that a key economic sector is effectively beyond its control - and these accounts are essential for controlling short term interest rates

C) Do QE, which is essential for controlling long term interest rates

D) Advance money into the banking system to prevent banking meltdown as has been required twice in the last 12 years in the UK

E) Integrate monetary and fiscal policy - as most economists now think to be essential.

They're all a bit shorthand, I admit, but also fit fairly into recent threads on QE and related issues.

The overall point is simple though: without its own currency Scotland would not have control of its interest rate policies, would not have control of any crisis hitting it, and would not be able to integrate monetary and fiscal policies, with the latter being fundamentally undermined as a result.

As I summarised it during discussion:

Trying to run Scotland without its own currency would be like a person trying to be a carpenter without having a saw.

I could have added:

And nor can a carpenter borrow a saw, because they need it all the time and will never be able to give it back. So too with the currency.

It baffles me that this debate is required, but the SNP insists that it is by refusing to consider a Scottish currency. It's a big mistake on their part.