Funding the Future

# Scotland has nothing to fear but fear itself

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*This letter was sent by the Scottish Currency Group to The Herald newspaper in Scotland yesterday in response to the LSE report I referred to in this blog yesterday. I was one of, I think, 56 signatories:*

Dear Sir

We wish to respond to the report by the LSE which was reported in The Herald on February 3rd 2021.

It is unfortunate that your coverage of this LSE briefing displays such an unbalanced assessment that it can only be regarded as pro-union propaganda. The report contains several important caveats, which read as follow:

*In this briefing, we restrict our analysis to trade effects and do not consider other potentially important economic effects of Scottish independence, such as changes in investment flows into and out of Scotland, whether Scotland continues to use sterling as its currency and the fiscal implications of independence.*

Unlike your reporting we will be clear and objective. It is entirely possible that Scotland will be poorer after independence. But such an outcome will not be caused by independence — it will be the result of poor decisions and mistakes in the management of Scotland's economy, and in this broader context the impact of any new trading arrangements cannot be predicted in isolation. The truth is that the possible post independence scenarios are almost infinite and fundamentally unpredictable and un-quantifiable. We should never be drawn into futile arguments about hypothetical numbers, especially in the case where they are a product of such a narrowly framed analysis.

What can be said with confidence is that with our own currency Scotland will have greater control over its destiny — not absolute control as we a part of a globally connected economy, and any trade arrangements always involve some compromise for national sovereignty. We can, however, say with certainty that having our own currency will provide the country with greater autonomy and there is no reason to suppose that Scotland will be the weaker partner in any trade negotiations. We may be, but we may not — it depends on what other decisions are made with regard to the management of our economy.

The first mistake we can make is to adopt the prescribed economic policies set out in the Growth Commission Report. The second mistake we could make is to delay the adoption of the new currency. If we commence the new currency immediately after independence our freedom of action is widened in many areas of economic management.

The next mistake we could make after independence would be to replicate the UK's banking and financial regulations. Who can say whether Scotland will make this mistake or not? — again it is unpredictable. We hope we don't make such a mistake, and we will do whatever we can to prevent it, but nobody can say that we will succeed.

Neither your newspaper nor the LSE economists have any idea whatsoever whether Scotland will choose wisely or not — that is unpredictable. The LSE report is subject to so many caveats that it is a pointless exercise except as a weapon with which to try and scare the people of Scotland out of their wits.

Even if we take the analysis based on the impact on trade, there is an assumption that trade patterns will continue as at present without taking into account the highly probable effects that climate change and biodiversity loss mitigation will have on economic activity and resulting trade flows. Trade flows may well change rapidly and such uncertainty defies any meaningful quantification.

If we keep mistakes to a minimum there is a very real probability that Scotland will emerge as a more prosperous, more productive and more environmentally sustainable, free nation. To quote the words of Franklin D Roosevelt — "there is nothing to fear but fear itself".