

The FT's analysis of the economics of an independent Scotland

Published: January 13, 2026, 7:13 am

The FT has published the first part of what it says will be a series on the risk of the UK breaking up. The article considers the economic risks of Scotland becoming independent. [It begins by saying:](#)

An independent Scotland would inherit a large hole in its public finances because lower than expected tax revenues, Brexit and the coronavirus crisis have increased the country's budget deficit, according to a Financial Times analysis.

The analysis is depressingly familiar. The argument suggests that Scotland's fiscal position has deteriorated since 2014 and that it now faces major budget deficits.

Given that all such comments are, of course, based on assumptions as well as economic data, none of which are free from bias (meaning, of course, that I accept that I am not) I checked out what the sources for this article might be. These are a little hard to find, except when it comes to the charts, where it becomes clear that there are just three of them. The first is the UK Office for Budget Responsibility. The second is GERS (Government Expenditure and Revenue Scotland) and the SNP Growth Commission.

Of these three the OBR fully buys into recharging Scotland anything that can be attributed to it within UK government accounting.

GERS has been long criticised by me for its false accounting. It only records tax revenues in Scotland but records expenditure for Scotland. The latter need never have been incurred in Scotland, and what is more the tax paid on it is not attributed to Scotland. In addition, tax paid by English and overseas residents on rents and interest paid by Scottish people is not attributed to Scotland either. Of course it shows a serious deficit. It was designed to do so.

And then there is Andrew Wilson's utterly discredited Growth Commission report, which was a giant own-goal by Sturgeon in permitting deeply orthodox neoliberal economic thinking to supposedly dictate Scotland's future, resulting in a prescription of deep austerity because it actually assumed GERS was right.

Added to this is an obsession apparent throughout the article with the collapse of oil revenue, which was over-emphasised in 2014.

It also seems very likely that the Wilson view on currency - or the continued use of sterling - is implicit in the FT view.

And so they come out with an opinion so often heard before. In that case let me suggest what they have got wrong.

First, there is oil. That is yesterday's news. Have they not heard of the fact renewables are now the story? And it just so happens Scotland has more renewable energy per head of population than any other country in Europe. It is already 97% renewable in electricity. It will become well over 100%. So, first, it will export to a desperate England, and second, it will become an absolute hub for businesses with high energy consumption who need to make that green which can only be done in a location with an excess of renewable energy. The likelihood of a new industrial revolution in Scotland as companies are required to restrict what are called their Scope 1 greenhouse gas emissions from electricity consumption, which will be zero in Scotland, is very high indeed. But the analysis seems not to notice this.

Then there is the fact that Scotland will collect all its own taxes, including on corporate profits, financial income and rents, the vast majority of which likely leak right now. And it will, of course, design its own tax system to make sure this happens. The analysis ignores this.

It will also not incur a significant part of the expense now charged to it by London. It will begin by only paying for one government for a start, and move on from there.

After that, it will use its own currency. The supposed threat from the bond markets that the article talks about will not exist. Just like the UK now, Scotland will be able to neuter such silly games by bond financiers by using quantitative easing. The article ignores that possibility.

And Wilson got foreign currency reserve requirements very wrong, firstly because he assumed Scotland would use a fixed exchange rate when Scotland will actually float its currency. Fixed rates require large reserves, as Denmark needs. Floating rates do not. He also forgot, as Tim Rideout points out, just how much sterling Scotland will hold as currencies swap.

Then, Scotland will not have to service UK debt. It will have no obligation at all to repay any of that debt precisely because the UK itself makes no such repayments, whilst on interest the charge would at most be on debt net of QE shown to be attributable to Scotland. There will be almost nothing owing.

And, the report assumes that there would be no growth spurt in Scotland after

independence, but all the evidence is that when independent Scotland will have a new vigour that is bound to fuel that.

It will also, of course, be headed back into the international community as fast as possible, which will help no end, and drive business to it.

I could go on, but did the FT take any of this into account? No, of course it did not.

Instead it said Scotland cannot survive without oil, it will be beholden to bond markets and it must balance its books. That is an analysis so out of date it is hard to credit that they have the nerve to use it, except for the fact that it is the only basis on which they can come up with their gloomy prediction.

Chris Giles, who co-wrote the article, is a long-established, strongly right-leaning, deeply conventional and if I might say so, rather small-minded economist in the sense that he seems only able to deal with the facts laid before him and cannot imagine anything but that which has been the status quo. The whole point of Scottish independence is to shatter the status quo. He cannot comprehend that, and so forecasts for independence as if a scenario written between 2014 and 2017 might still exist. But everything has changed for a multitude of reasons in macroeconomics, QE, the politics of Scotland, our understanding of GERS, Covid and the importance of sustainability. The FT missed all that. They produced a hopelessly misjudged article as a result.