

Martin Sandbu says that Scotland should end up in the e...

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Martin Sandbu notes in the [FT this morning](#) that

[I]t seems to me that a choice for independence would be motivated in part by a desire for a different orientation of economic (and other) links. If so, then a referendum that took Scotland out of the UK would put it on a path that ends with the euro.

It is worrying that such a senior commentator as Sandbu might use a column in the FT to promote an idea so potentially contrary to the interests of an independent Scotland. That is especially true when he did so on the basis of the very limited appraisal of the currency issue that he offered in his article.

The first thing to note is that Martin Sandbu is an exceptional fan of the euro. He actually argues that the UK would have benefited from being a member of it, which is very hard to explain. I can see literally no justification for that argument.

The second thing to note is that Sandbu appears to have reduced the issue of money to the simple issue of what is to be used as currency in exchange transactions. It is almost as if he thinks money has no role apart from being the quasi-tangible notes and coins that we use and as a mechanism for recording transactions through bank statements. For a serious economist that is quite extraordinary.

Third, I have to know the arguments that Sandbu ignored. He did not, for example, note the issue of sovereignty.

Nor did he note the significance of a government having the ability to control its monetary policy through the setting of interest rates.

Come to that, there is no reference to the significance of a country always being able to settle its debts if they are denominated in its own currency, and of the consequent impossibility of being held to ransom by financial markets that results from that.

Nor did he note the relationship between money and tax, which any serious economist should now appreciate is fundamental to the basis on which any currency achieves

value.

And, finally, he did not mention the role of an independent currency in fiscal policy through the use of quantitative easing, without which no government has the necessary armoury to deal with the risk of a financial downturn.

It is almost incomprehensible that so many factors could be ignored by him.

If you do ignore all these issues and instead argue that on the basis of economic efficiency that it is useful to borrow somebody else's management systems then you can just about reach the bizarre conclusion that the euro might be the destination for Scotland. But, even then his argument is seriously incomplete. He does not, for example, consider the transition from sterling that would be necessary in that case. His glib comment is that many people in Scotland would choose to continue using that currency, whilst ignoring that if all tax in Scotland is to be paid in Scottish currency there is no conceivable likelihood that this will be true. In addition, he ignores the fact there for Scotland to become a eurozone member it must, first of all, have its own currency, which he entirely glosses over. That is how bad this article is.

It has to be said that there is a danger in London based technocratic economists opining on issues relating to Scotland, particularly when they have never thought about issues relating to independence, or sovereignty, or statehood. But it is much worse when they not only ignore those vital issues, but then get all the economic arguments wrong as well. Sandbu we made a fool of himself in the FT today. For a man whose work I generally respect I consider it a matter of considerable disappointment to have to say that, but it is also an unavoidable comment to make. Scotland would be wise to ignore his profoundly superficial and incorrect comments.