

The SNP fails again on the question of the currency aft...

v.taxresearch.org.uk/Blog/2022/10/17/the-snp-fails-again-on-the-question-of-the-currency-after-ind

Published: January 12, 2026, 8:17 pm

I have just posted this thread on SNP plans for the Scottish economy after independence, which offer me few sources of joy:

Amongst today's Westminster issues that will impact every person in the UK it would have been easy to overlook today's announcement from the Scottish government on the economy after independence, but that would be a mistake, because this is another debacle in the making. A thread....

The 110-page document to which I am referring in my comments is available from the Scottish government website, [here](#). *The short-form document glosses over many of the issues I will raise.*

Let me be blunt: much of this document is puff. You either believe Scotland will be better off independent, or you don't. There is no data in this document to persuade you of the case. So I see little point in placing much emphasis on claims to improved well-being the paper makes.

Saying that, the absence of data in the paper is worrying. The suggestion, for example, that everyone in Scotland might eventually be £11,000 a year better off seems faintly ridiculous.

The use of the Government Expenditure and Revenue Scotland statement in another section, when it is known that this cannot represent the finances of an independent Scotland, is also worrying, most especially when how the deficit that shows might be made good is not explained.

Candidly, I was expecting something better than this, and have not got it. If I was sceptical of the case for an independent Scotland this paper really would not sell it to me.

But that is not the core problem with the whole paper. That core problem does, as ever, revolve around the currency an independent Scotland will use, and the SNP appears to have made almost no progress on this issue.

I say almost no progress because it's not quite true that the SNP have ignored their critics, entirely. So, there is a commitment to create a Scottish Central Bank by the time independence happens. And there is recognition that a Scottish currency must happen.

The problem is that underneath this document it is all too easy to read the thinking of the appalling Scottish Growth Commission report from a few years back, which has been rehashed for use again, with a few new blunders added.

So, for example, the policy of sterlingisation remains, but the term is not used. It is very clear from the language used that the SNP is planning that sterling should be used for several years after independence.

Then it has changed the terminology to be used for the tests to be applied when working out the time to move to a Scottish currency, but they remain in essence that the money markets must be happy with the move, putting them in charge of a decision that should be Scotland's.

Overall, these new tests seem to be structured to make it as hard as possible to ever get to a Scottish currency, which is exactly where the SNP was before today.

This, though, is disastrous for Scotland. First, without using a Scottish currency Scotland cannot join the EU, and a whole section of the report is dedicated to joining it without ever mentioning the pre-condition that the Scottish currency must be in use first of all.

Second, it is admitted that using sterling means that the monetary policy of any independent Scotland would be set in London. That means interest rates and the use of QE would be determined in London to suit its purposes. That is madness for Scotland.

Third, saying that Scotland would have full control of its fiscal policy, i.e. its taxes and the size of its deficit, makes no sense either because monetary and fiscal policy are intimately related.

Clearly decisions on desired deficits are going to be related to interest rates, for example. If Scotland does not have control over the interest it pays as a country it cannot control its own fiscal policy.

And worse than that, if London goes berserk, as it has now shown it has the capacity to do, then Scotland could not prevent the fall out for it as a result. So, right now it could not stop the ruinous interest rates the Bank of England is proposing, for example.

The bizarre nature of the claims made continues on issues such as debt, where it is said that Scotland will be willing to pay a part of the cost of what would then be England's

debt? Why do that?

National debt is just a savings account mechanism. Why should Scotland pay interest to people who want to save with England? Why shouldn't it pay interest to people who want to save with Scotland?

As it is, the proposed arrangement is like RBS agreeing to pay the interest due on accounts kept with Clydesdale Bank, and that is utterly illogical. It should not happen.

And then there are reserves. The paper says Scotland would have a claim on the UK's gross reserves of currency. It wouldn't: it would have a claim on the net reserves. So the figures start in the wrong place.

But worse, with £14 billion (or less) reserves it is claimed that the bank deposit guarantee schemes and pension guarantees can be maintained, and that is just not true. Those guarantees can only be offered by a government using its own currency.

But Scotland won't be using its own pound for years to come. It could literally be bankrupted by a claim on such a scheme in that case if it arose at the wrong moment because that would require it to borrow in sterling.

I could go on. For example, the discussion on fiscal rules reveals the most extraordinarily limited imagination on how Scotland might manage its affairs, whilst guaranteeing austerity far too often.

Surely by now we have learned that fiscal rules work well on good days and have to always be broken on bad ones (as when Covid hit) and are therefore as useful as a chocolate teapot. So why are they being offered? To keep the financial markets happy, of course.

And that is the problem at the core of this paper. What is never said is for whose benefit it has been written. It should have been about how Scotland could manage its finances for the people of Scotland.

Instead this paper is actually written for the benefit of the small number of people who make up Edinburgh's financial elite, in whose interests it is clear that the paper thinks an independent Scotland should be run.

That's the conflict that this paper does not say exists, but which runs throughout it and which the paper does not in any way resolve.

I think this paper lays out a policy that would be disastrous for Scotland. It could even crush it. As a result, I doubt the conviction of those who wrote it about independence. Do they really want it, I wonder? It's that bad.

The answer is that if Scotland wants independence it has to imagine both that it can

have it, and then not choose the SNP to run its government on this basis when independent, because this approach will not work.

Can that simultaneous mindset be sustained? I am not sure when the independence issue is already so finely balanced. And in that case I suggest this paper sets back the independence cause, quite a bit.

I greatly regret that when a Scottish currency very soon after independence would address all the problems I raise. Why won't the SNP do what is so obviously the right thing?