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Economics of Scottish Independence: Is there a Christian Perspective?

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Some background

- 2014 Referendum-significant though not a massive vote against independence;
- “Once in a generation” vote- but then Brexit!
- Perception of “democratic deficit” at Westminster;
- But then pro-independence balance of power in Scottish Parliament after May 2021 elections (SNP+Greens)

The Economic Issues: For and Against

- FOR
 - Small (esp open) economies thrive elsewhere;
 - Scotland has substantial resources both physical and human;
 - Export propensity is high;
 - Well developed institutions with good governance;
 - High levels of inward investment;
 - Strong brand!

The Economic Issues: For and Against

- AGAINST
Trade, Taxes and Oil:
- Trade linkages with rest of UK outweigh trade with EU (circa 60% compared with 15%);
- If able to re-join EU as an independent country, Scotland may need a common external tariff with rest of UK adding to trade costs;
- Taxes: low tax base, therefore reliant on heavy per capita subsidy via the Barnett Formula.
- Fiscal deficit could be as high as 8-9% of GDP compared with 2-3% in the rUK (pre-COVID);
- Tax rates would have to increase massively post independence;
- Some estimates (eg LSE and Oxford Economics) suggest that basic rate of income tax of 20% may have to increase to 40%+ to avoid a substantial austerity programme in Scotland.

The Economic Issues: For and Against

- Oil: Access to North Sea oil reserves could be disputed;
- Though oil revenues would be quite a high proportion of an independent Scotland's total revenue, this proportion has recently fallen (along with falling oil prices)- a mixed "blessing";
- Oil sector in 1980s produced circa 8% of UK tax receipts. By 2018-19 this had fallen to 0.85% of tax UK tax receipts;
- But Scotland is now a leader in renewable energy sources such as wind and wave power.

Future issues

- Sovereignty and influence would shift from London to Brussels;
- Would Scotland be able to meet Maastricht Treaty criteria to rejoin the EU? How long would this take? Would Scotland need to adopt the Euro and what currency would be used in the interim?
- It is currently suggested that sterling would be used but without a currency area with rUK;
- Then, what are implications for independence of monetary and fiscal policy within a common currency area aligned to the UK/ Bank of England and *lender of last resort* function?
- Plus the importance of some Scottish financial institutions at UK level eg Royal Bank of Scotland;
- And issue of Scotland's share of continuing UK debt liabilities (esp post-COVID-19).

Validity of other historical arguments

- Dominance of London and South East of England economy across the UK- but also applies to other UK regions;
- “Scotland never voted for austerity”!
- Is there a stronger culture of community in Scotland (examples in: free higher education, prescriptions, free bus travel for over 60s etc)?;
- Independence would break a dependency culture in Scotland;
- But should a union of 300 plus years be broken up?
- Or are we “Better Together”?

Validity of other historical arguments

- The Union can be viewed as a family of nations;
- Just as in a family, the strong support the weak;
- As former UK PM Gordon Brown said, Scotland is supported by the “broad shoulders” of its larger neighbour (like a big brother or sister);
- Is the case for independence based on an unjustified mindset of *victimhood/grievance* and a so-called “colonialist mentality” on the part of Westminster?

Some Christian Perspectives on Scottish Independence

- Are the economic risks from independence too high, especially for the poor and vulnerable (“widows and orphans” James:1:27; “Jubilee” Leviticus 25)?;
- Is it better from a scriptural perspective to be pragmatic rather than ideological on this issue?
- Is a *Consequentialist* approach (based on *telos* or purpose) not the best approach (Jeremiah 29;11; Proverbs3:5-6);
- Is an ideologically based nationalism self-centred and narrow?
- An example here would be: with independence could we afford to have an ODA (foreign aid) programme to help less developed countries? Could we afford 0.7% of GDP?
- Or is this not better achieved with the pooling and harnessing of resources at a UK level? With COVID-19 this will be a key issue at a global level going forward (Isaiah 58:10-12).

Some Christian Perspectives on Scottish Independence

- Is an over-reliance on public expenditure or a “welfarist” state, as Scotland has been described, consistent with Biblical exhortations to work hard in our lives (eg Psalms 128:2; 1 Tim 5:8)?;
- Of course, it is possible that post-independence, Scotland could move away from such a dependency on the state as it feels more liberated and self-confident;
- Finally, my conclusion is that Scotland could be economically viable like many other small economies, but that the costs are too high (and certain) and the potential benefits are uncertain;
- The logo of the pro-Union campaign in the 2014 referendum “*Better Together*” had it right and I would conclude, without being defiant about it, that this has some supporting Biblical principles as well as the economic arguments presented above.