

# chokka blog

thinking allowed: musings on business, the economy and scottish politics @kevverage

Saturday, 18 April 2015

## Full Fiscal Autonomy for Dummies

Full Fiscal Autonomy (FFA) means Scotland keeping everything we raise from taxes and using that money for our own spending (including paying the UK government for defence and foreign affairs and certain shared administrative services).

If we spend more than we raise we run a deficit. That is not in itself necessarily a problem; FFA doesn't mean we can't run a deficit.

Under FFA we would still be sharing a currency and a national debt with the rest of the UK, so to be paying our way we would simply need to be running a deficit at a similar rate<sup>1</sup> to the rest of the UK.

If Scotland's deficit rate<sup>1</sup> was *higher* there would be a funding gap (i.e. our fair share<sup>1</sup> of UK debt would not be enough to balance the books). It's expected this would be handled by Scotland having its own limited borrowing powers. A limit would need to be agreed because we'd be sharing a currency meaning Scotland's borrowing could affect the UK's international credit rating and cost of debt.

Of course if Scotland's deficit rate was *lower* than the UK's we would be running a relative surplus. Under FFA any such funds would be kept for Scotland to pay for future tax cuts and/or public spending increases or - whisper it - to build a wealth fund.

In summary: for Scotland to be truly fully fiscally autonomous we would cease exceptional transfers to or from the rest of the UK.

Now let's remind ourselves of some of the rhetoric used by the Yes campaign and think what it would mean in the context of FFA;

- If the fact that Scots have "**paid more tax per head of population every year for the past 34 years.**" means we're hard done by within the UK then FFA will fix that because we'll get to keep it all.
- If we really do "**send more to Westminster than we get back**" then FFA would put a stop to that immediately because we wouldn't be sending any of our taxes to Westminster.
- If the statement "**Independence would have made Scotland £8.3bn better off over the last 5 years**" has any meaning then FFA would allow us to keep our hands on that excess wealth in the future
- If "**Scotland's GDP per head is £2,300 higher than UK as whole**" meaning "**Scotland is the 14th richest country in the world**" translates into practical economic advantage then FFA will allow the people of Scotland to enjoy those riches without them be leached away by Westminster
- If "**Oil is just a bonus**" then the oil price decline shouldn't really matter

If these economic claims made by the SNP during the Independence Referendum

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can be taken at face-value then FFA would be a highly attractive proposition for Scotland.

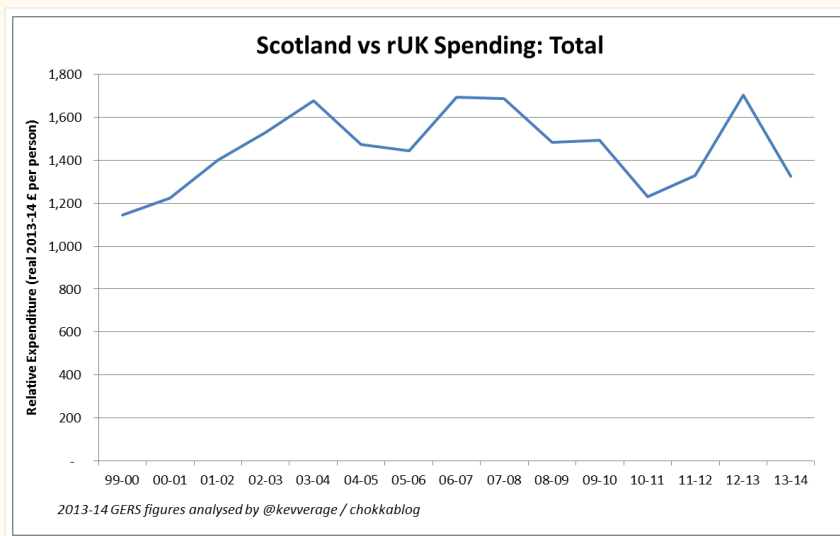
## The Numbers

We can see what FFA would have meant historically for Scotland's finances by simply looking at the Scottish Government's own **GERS report**. We need to be absolutely clear about this: these are not Westminster's figures - the Scottish Government's Chief Statistician takes responsibility for them.

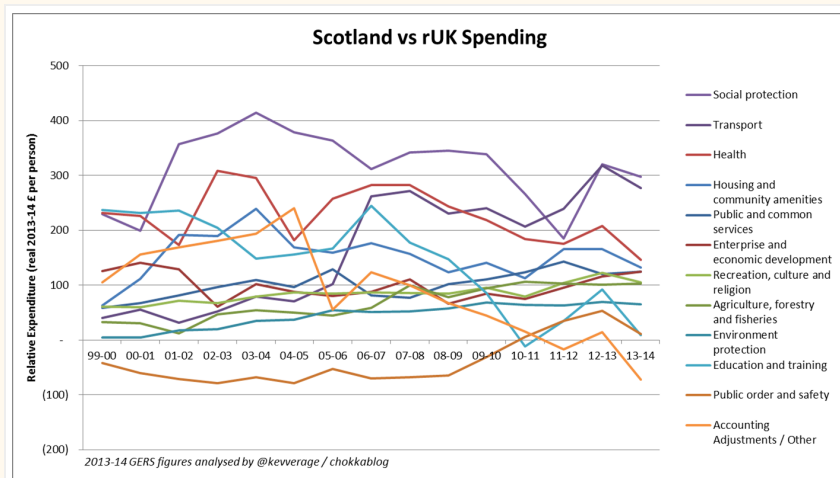
If you don't think the GERS figures are meaningful then please read footnote 2. If you still doubt them please read this > **How Scotland's Economy Contributes to the UK**. If you still doubt them after that please stop reading this blog.

## Public Spending

The GERS figures shows how Scotland's public spending is consistently higher per person than the rest of the UK<sup>3</sup>. Over the last 15 years (adjusted for inflation) the average higher spend is £1,456<sup>4</sup> per person or **£7.8bn per year**.



If we break this spend difference down by category it shows we spend more per capita in every major cost area<sup>5,6</sup>



These higher per capita spend levels should not be interpreted as evidence of some wild profligacy by the Scottish Government or excessive generosity on the part of the

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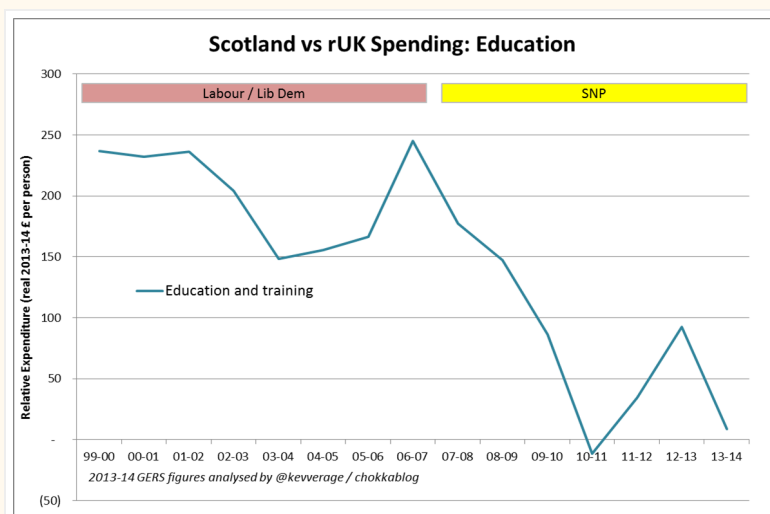
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UK towards Scotland. Our population density is 80% lower than the rest of the UK and we have extensive island communities to serve - this obviously makes it more expensive to provide the same level of public services in areas such as education, health, and transport. There are of course other reasons for higher per capita costs in Scotland related to our demographics and health needs - but let's not get distracted by that topic here<sup>7</sup>.

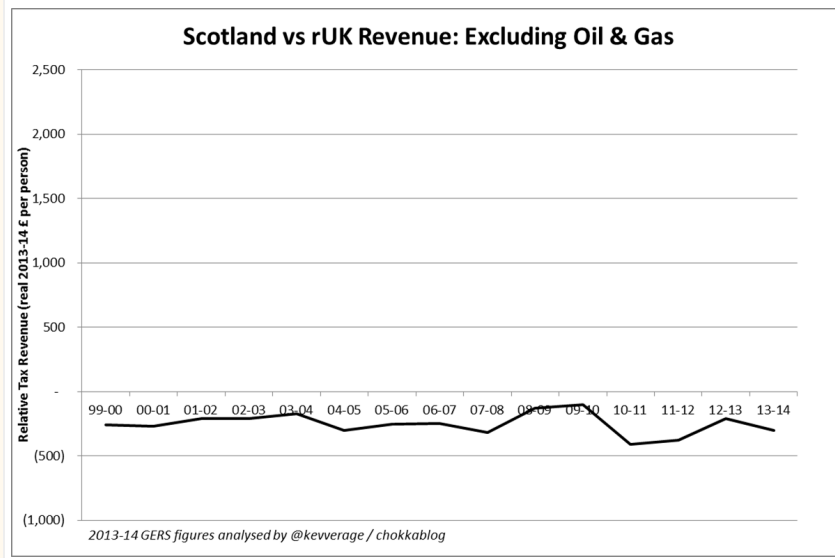
The point is that today - based on the principle that where possible the same public service levels should be provided nationally - these higher costs are spread across the whole UK population. Of course under FFA (as with Independence) the burden of our higher "costs-to-serve" would have to be borne exclusively by Scottish tax payers.

*As an aside: you might spot in the graph above that these figures expose the fact that under the SNP government education spending has been cut in relative terms. Widespread access to good quality education is surely crucial both to address "social justice" concerns and to ensure we have well-educated talent entering our working population to help grow the economy. This prioritisation of education spending is something we'll surely here more of come the Holyrood elections in 2016.*

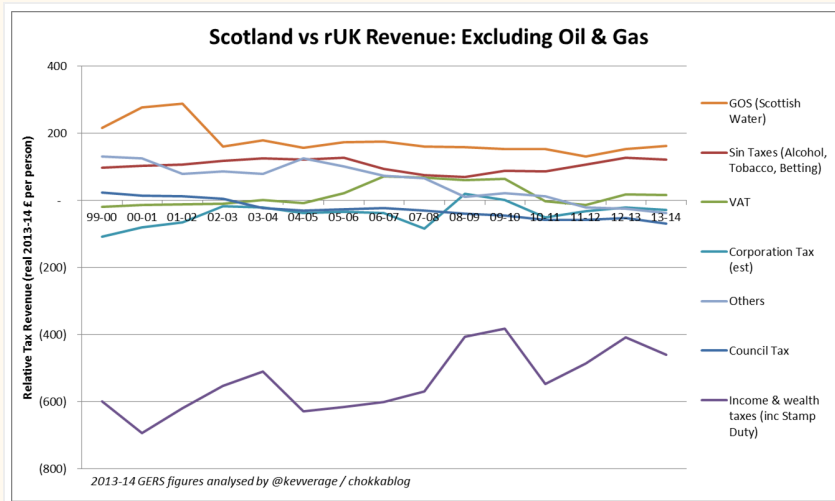


### Tax Revenues excluding Oil

The GERS figures show that - before oil is included - we generate slightly less tax per person than the UK average. This is a remarkably consistent trend; over the last 15 years (adjusted for inflation) the average difference is £250 per person or **£1.3bn per year**



As with the costs it's interesting to break this figure down into its component parts<sup>8</sup>



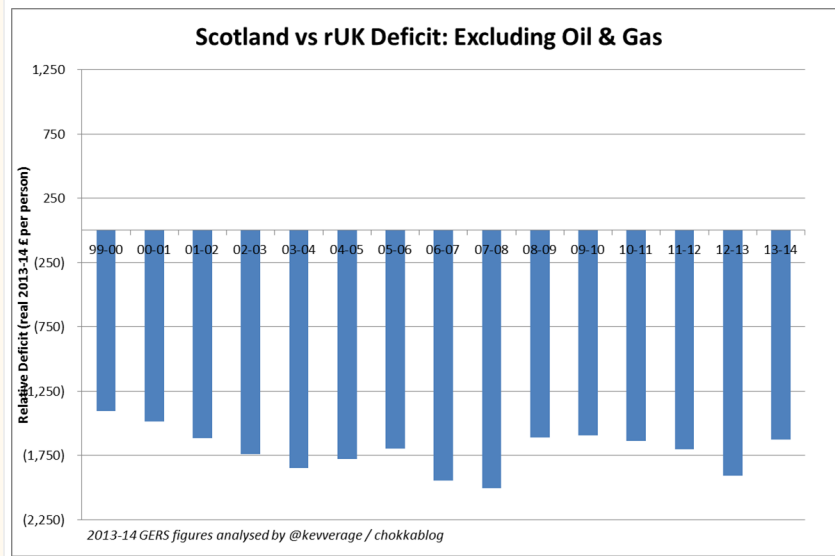
What's striking is the extent to which Scotland's income and wealth tax generation lags the rest of the UK. Given that the same tax rates apply UK wide this is of course primarily a function of average employment and pay levels. Since 2006 the unemployment rate in Scotland has generally been near or below the UK rate (see [UK regional employment stats over time](#)) so we can infer that the difference is due to lower average wage levels. There does at least appear to be an encouraging trend in this respect.

As a slightly depressing aside it's worth noting that we generate just over £100 per capita (or £0.5bn) more than the rest of the UK through "sin taxes" on alcohol, betting and tobacco.

### Relative Deficit Excluding Oil

During the referendum the SNP told us "Oil revenues will be a "bonus" but not the basis of the economy in an independent Scotland" [ Alex Salmond, July 2013].

So *before* including the "bonus" of oil let's look at the last 15 years actual difference in deficit per capita between Scotland and the rest of the UK;



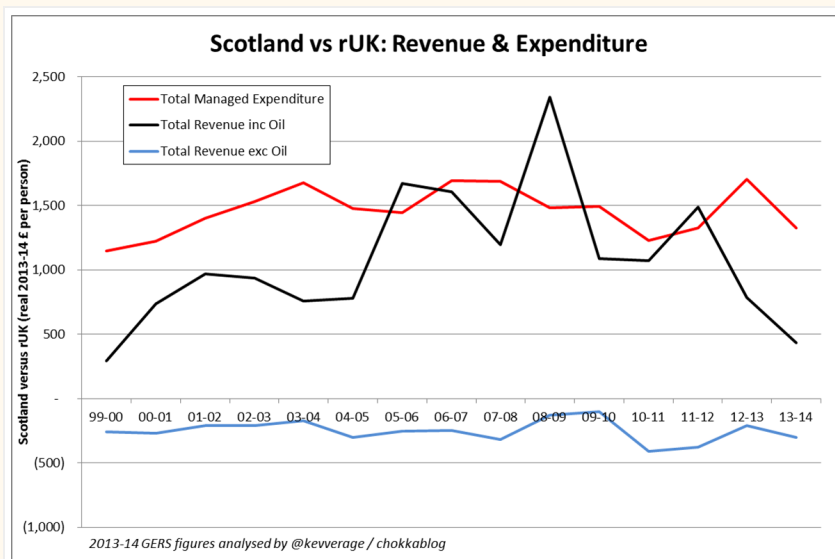
Of course this will come as no surprise if you're following the logic here; we spend about £1,450 more and raise about £250 less per person so we'd expect an average deficit difference of about £1,700 per person and that's exactly what we see.

Gross that up by Scotland's 5.3m population and you get to an underlying (before oil) deficit gap of **£9.1bn**. This is not just a snapshot - this has been true (give or take<sup>9</sup>) for every one of the 15 years for which data is available.

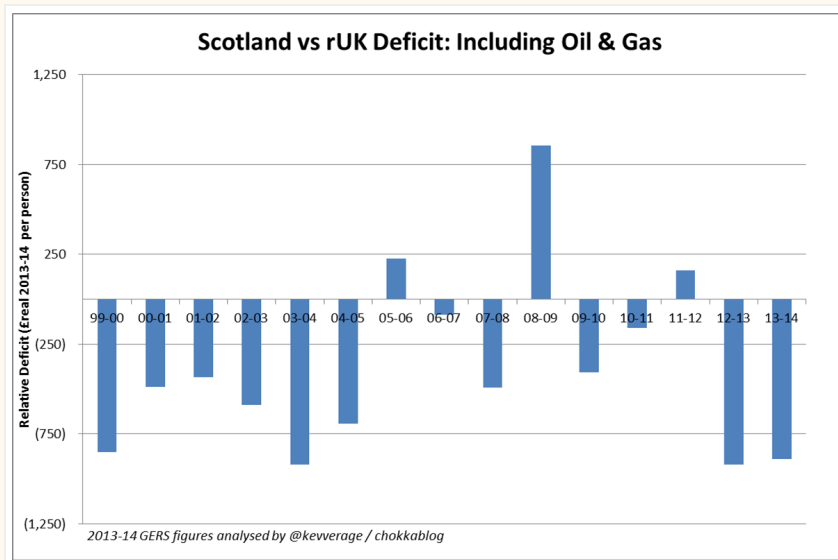
At this stage somebody normally argues that this observation is evidence that the UK has failed Scotland - it must be Westminster's fault that our underlying deficit is so much worse. Let's just think about that for a moment. Of that £9.1bn gap only £1.3bn is due to lower tax generation (i.e. less successful economic activity); the balance of £7.8bn is due to higher public expenditure. It seems a little harsh to cry foul against the rest of the UK for making us suffer higher levels of public funding.

### The Impact of Oil

So now let's move on to the "bonus" that is oil. The following graph shows the higher spend per capita (the **red** line) and the lower ex-oil revenue per capita (**blue** line) that we've just been looking at. The new **black** line is the total revenue per capita difference if we include Scotland's full geographic share<sup>10</sup> of North Sea oil



Clearly when the black line is above the red line Scotland's deficit per capita is less than the rest of the UK's. That's happened three times in the last 15 years as the graph below perhaps more clearly shows (we're just plotting the difference between the red and black lines).



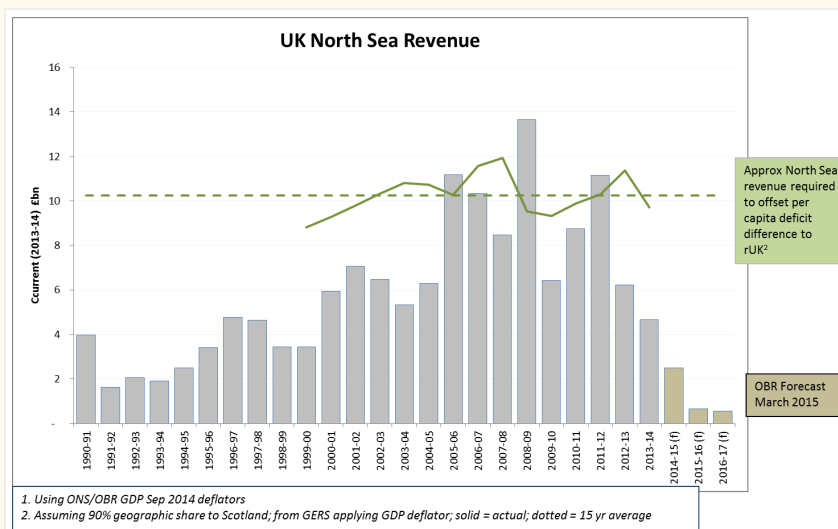
Surely by now its clear. **Oil is not a bonus; in fact it's all about the oil.**

Three times in the last 15 years the oil tide has risen high enough to submerge the underlying £1,700 per capita deficit difference and give Scotland a lower deficit than the rest of the UK. When the oil tide flows out we can see more of that underlying £1,700/person deficit difference, we see more of the £9.1bn.

So let's take a closer look at the oil figures.

For Scotland to cover the underlying £9.1bn deficit gap we' need total North Sea oil revenues of £10.1bn (because c.90% of North Sea oil revenues are attributable to Scotland<sup>11</sup>).

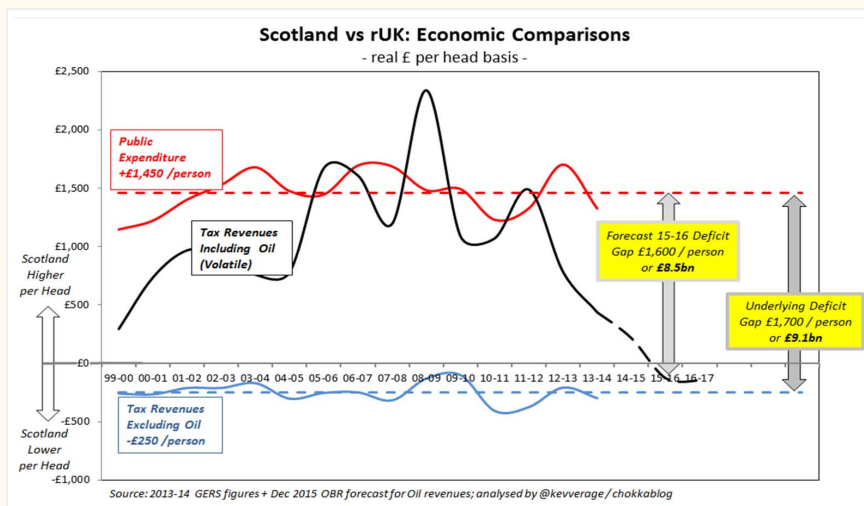
Let's look at that in the context of historical actual figures (grey bars) and the OBR's latest forecasts (sludgy bars). The solid green line is the approximate actual North Sea revenues we would have needed in each year to off-set our deficit difference to the rest of the UK; the dotted green line is the 15 year average requirement.



Roughly speaking: the gap between the bars and the green line is the size of the

deficit gap that Scotland would have faced (or would be expected to face) under FFA.

This is where the IFS £7.6bn "black-hole" figure comes from; they're simply recognising that when Scotland's share of North Sea oil revenues slumps as low as £600m (as the OBR forecast for 2015-16) then more of the underlying deficit gap will be exposed. Note that the OBR forecast a further slight deterioration of North Sea oil revenues in 2016-17; the black-hole is not expected to be getting any smaller.



Note also that £7.6bn is not the size of Scotland's forecast deficit as some seem to think - the forecast deficit is £14.2bn or 8.6% of GDP.

	GERS		IFS/OBR (03/15)	
	13-14	14-15	14-15	15-16
<b>Deficit/GDP</b>				
Scotland	-8.1%	-8.6%	-8.6%	-8.6%
UK	-5.6%	-5.0%	-5.0%	-4.0%
Difference	-2.5%	-3.6%	-3.6%	-4.6%
<b>Total Deficit £bn</b>				
Scotland	12.4			14.2
UK	97.3	95.7	95.7	72.9
<b>Deficit Gap (£bn, pro-rata GDP)</b>	3.9			7.6

Source: @kevverage via GERS, IFS, OBR

The sharper of you will have noticed that our figure of £9.1bn - £0.6bn from oil = £8.5bn compared to the IFS headline "black-hole" figure of £7.6bn. There are good methodological reasons<sup>12</sup> for the difference but frankly these are not worth arguing about in the big scheme of things.

Let's stick with the easy round number of a forecast £8bn deficit gap - this is the FFA "Black-hole".

*Addendum: You might be thinking that a recovery in the oil price changes everything. It doesn't as I explain in detail here > Oil Price and Scottish Tax Generation. The problem - simply - is that it's profit that gets taxed and the profitability of North Sea oil production is in long-term decline because of increasing production costs. The tax that an oil price of \$100 generated 2 years ago is a lot more than the tax a \$100 price would generate in 2 years' time*



## So What?

Clearly for the SNP the undeniable reality of the FFA figures is a huge problem, particularly given the boldness of their referendum rhetoric. Remember:

- "We paid more tax per head of population every year for the past 34 years."
- "We send more to Westminster than we get back"
- "Independence would have made Scotland £8.3bn better off over the last 5 years"
- "Scotland is the 14th richest country in the world"
- "Oil is just a bonus"

It must be pretty difficult for Yes voters who were won over by these oft repeated sound-bites to understand how we can now see that a Fully Fiscally Autonomous Scotland would be c.£8bn a year worse off. You'll forgive me if I suggest that those who read Chokkblog will not find that so difficult to grasp; well done you.

So what of the Independence case now? Well there appear to be two approaches being taken to deal with the inconvenient economic truth;

### 1. The "No Detriment" Defence

This is the line taken by [Alex Salmond](#) in what Kenny Farquharson (Deputy Editor of the Scotsman and Scotland on Sunday) described as "perhaps the most ludicrous political intervention of his career"

Just catching up with Salmond's piece in The National. Perhaps the most ludicrous political intervention of his career.

— Kenny Farquharson (@KennyFarq) April 13, 2015

Salmond's argument goes something like this (forgive me but it's hard to paraphrase logical nonsense);

The Smith Commission decided against full fiscal autonomy but instead recommended a far more nuanced solution that allowed a number of principles to be maintained, one of which was "no detriment". I want to throw away everything the Smith Commission recommended *except* "no detriment" and use that to suggest we couldn't be worse off under FFA because it would be a betrayal of the Smith Commission commitment

Is it necessary to spell out the insanity of this position? The Smith Commission had a number of principles (Frances Coppola covers the detail in her excellent [Pieria piece](#) on this topic) - you can't just cherry-pick one and throw away the rest. The "no detriment" principle is clearly intended to cover the fact that the transfer of any specific tax to Scotland would be off-set *on day one* by a commensurate reduction in the Barnett Formula so that no *immediate* gain or loss resulted for either party.

Smith did *not* recommend devolving oil revenues to Scotland presumably at least in part because it is so volatile - the day chosen as "day one" for the transfer would make a huge difference to the long-run implications for both parties.

More fundamentally; arguing that Barnett needs to be maintained to avoid Scotland losing out financially as a result of FFA gives a lie to all of Salmon's pre-Indyref rhetoric about Scotland being better off, being "the 14th richest country in the world". Remember: those statements were not made about what Scotland could become, they were assertions about where Scotland already is.

### 2. The "Kick It Into The Long Grass" Defence

This seems to be the approach favoured by Sturgeon. The argument goes something like this

Look it won't happen soon anyway so don't bother looking at the numbers now because they'll all have changed before we could negotiate this. Ooh Look over there - see that foodbank? Tories are nasty bastards



aren't they? Labour are just as bad but if you vote for us we'll make them better etc.

Despite her best attempts to distract from the economic facts it's clear that the only ways the figures will get better for an FFA Scotland are

- If oil recovers dramatically. Which it might. But surely now every Scottish voter "gets" how volatile oil revenue is, understands that a decision to leap for fiscal freedom in a good oil year is likely to bite us in the arse come the next oil slump
- If we dramatically reduce public spending in Scotland *beyond the levels of UK wide cuts* (remember: its the deficit *difference* to the rest of the UK that counts here). Frankly that clearly won't happen unless it's forced on us through Barnett cuts.
- If we increase tax rates dramatically such that we raise an additional £8bn or so from onshore taxes. The current onshore tax take in Scotland is £50bn so that would be a 16% increase.
- If we manage to buck the trend of the last 15 years (at least) and start generating economic growth *over and above* that of the rest of the UK so that our tax take increases without having to increase tax rates. The sum is the same as the one above; this would require 16% growth over and above that achieved by the rest of the UK to close the FFA gap

Even assuming a following wind and some combination of all of the above happening it's hard to see how things could particularly rosy for the Independence case even by 2020.

The possible exception I suppose is the possibility that the Barnett Formula could end up being scrapped. Given her antagonistic approach to the Tories maybe that's what Sturgeon is secretly hoping for? Sure Scots would suffer directly as a result - but if all you care about is achieving Independence, I guess you consider that a price worth paying.

### **Implications for Independence**

Of course all of the above is about FFA, so some would argue that it merely proves that a compromise won't work and only full Independence can give the Scots what they want. Fair enough. All I've ever argued is that voters should be aware of the economic realities of what they're voting for and not be misled by the Yes campaign's rhetoric.

The possible upside differences between FFA and Independence are reasonably easy to describe in summary;

- We'd get control of the defence expenditure that would remain devolved to Westminster under FFA. Given the SNP's commitment to NATO and their target of spending 2% of GDP on defence this is unlikely to be a significant cost saving; the GERS figure allocated for defence is £3.0bn or almost exactly 2% of GDP already<sup>13</sup>
- Similarly "International Services", but these are only £0.8bn and Scotland would need to create its own international diplomatic and trade networks
- We'd no longer have to pay our share of UK wide administrative costs - although these would likely be more than offset by the requirement to create our own administrative infrastructures<sup>14</sup>.
- If oil booms again as it did in the 1980's we'd get to keep the surplus riches for ourselves
- We'd get to pursue our own economic policies and not be forced to follow the Westminster led austerity plans.

Unless you're in favour of impotently waiting for the global oil market to recover and hoping our oil reserves have long-term economic viability ... the last of these is

the big question.

I've yet to hear a compelling argument as to why an independent Scotland would achieve superior economic growth compared to being in the UK. If Westminster parties believed relaxing spending cuts would be self-funding through improved economic growth they'd be all over it - but they could of course be completely wrong and it may be that simply "not pursuing austerity" could make the difference.

I don't mean to understate the alternative choices that we would have under independence. One of the major frustrations of the indyref campaign was that so much bollocks was talked about what our economic starting position really was that we never managed to have a substantive debate about what we might actually do with the power that independence would give us.

Remember that what we've shown here is that our underlying (excluding oil) economic under-performance versus the rest of the UK is mainly down to higher spending not lower revenue generation - it's predominantly a structural cost-side issue which is not going to be easily overcome.

Of course it goes without saying that there are additional downsides of independence that we don't need to revisit in full here. Suffice to say that currency, hindrance to UK trading, risk of job losses as companies serving the wider UK market head south to avoid exposure to export risk, EU membership conditions etc. are all major uncertainties introduced by independence that would appear to offer us more downside than upside.

But let's run some simple numbers to think about what growing out of the deficit gap would actually require. We need to grow our tax revenue base by 16% *over and above the UK's growth* to off-set the underlying deficit gap.

The Independence White Paper itself provided an illustration of what might be a realistic superior growth rate to assume as the "bonus of being independent". I cover the detail in a separate blog post (> [Let's Talk About Growth](#)), but the summary is this;

*The Scottish Government's own attempt at scaling the economic growth benefits that "the bonus of being independent" might bring a cumulative benefit of 3.8% over 30 years. We're looking for 16.0% to grow our way out of the deficit gap. As one of my erstwhile American colleagues used to say: you do the math.*

But let's be incredibly optimistic and say we were able to consistently grow 1% faster than the rest of the UK - in that case it would take us 15 years (compound growth) to get there.

What would the average deficit gap be over that period - how much would it cost us to get there?

Well given the strategy seems to involve spending more to make it happen (avoiding austerity cuts) the starting deficit gap would in fact be more than £8bn and - if we'd continue to spend more - it would take us more than 15 years to close the gap. But let's be highly optimistic and assume the average deficit gap would be £4bn over a 15 year period.  $15 \times £4bn = £60bn$ . Let's assume we fund that with debt - that's over £12,000 of debt for every man, woman and child in Scotland.

Now there are many who would still argue that independence is a worthwhile cause even if it *incredibly optimistically* would cost us £12k per head. If they are willing to recognise the reality of the economic challenges we face and still argue for Independence despite them, then I think we will have some very interesting debates ahead of us.

## Notes

1. I've intentionally referred to "deficit rate" and "fair share" of borrowing to avoid getting bogged down in definitions that make little material difference. Basically these can be defined as being on a per head basis or percent of GDP basis. There is an inconsistency in most figures used at the moment because debt costs tend to be allocated on a per capita basis but deficits compared on a % GDP basis. To make it easier for readers to relate figures to those widely quoted I'm going to follow this inconsistent method. If we defined deficit rate on a per capita basis instead of % GDP it would make the case look slightly worse for Scotland.

2. Although you won't hear the accuracy of GERS figures questioned by serious politicians, some disreputable commentators have been responsible for spreading ridiculous misconceptions about them. The likes of Business for Scotland and Wings Over Scotland have made startlingly misinformed statements about VAT and Alcohol Duty not being fully included in Scotland's numbers. If they were right it would be a terrifying indictment of the Scottish Government's incompetence. They are wrong of course: references to VAT being "paid at companies' headquarters" and Scotland not getting attributed "Alcohol Duty at point of export" demonstrate a fundamental misunderstanding of how these taxes work and how they are attributed in GERS. These are consumption taxes and GERS estimates Scotland's share of these based on consumption data. There is no such thing as "Export Duty" on whisky.

3. I compare Scotland to "rest of UK" (rUK) because otherwise we are comparing to a UK figure which includes us. I don't understand why so few others do this - maybe because it's a little more analytical work.

4. This figure is commonly quoted as £1,200. That figure is the non-inflation adjusted average from 07-08 to 11-12 (the period available when the White Paper was produced) based on comparing Scotland to total UK rather than "rest of UK". If we update to the most recent available 5 years GERS (09-10 - 13-14) the figure would be £1,245; adjust to be vs rUK instead of vs UK and it becomes £1,360; adjust for inflation and it becomes £1,415; take a 15 year average it becomes £1,465. I'd say £1,400 is a good figure to use.

5. Note that defence, foreign affairs and debt interest costs are not included on this graph because in GERS figures they are allocated on a simple per capita basis so the per capita difference is of course zero. This is consistent with the principles of FFA.

6. The "Accounting Adjustment/Other" line is worth explaining. It's primarily the difference between capital expenditure and depreciation (and of course we are looking at the relative difference in this difference). In layman's terms it means Scotland is (very slightly and only in the latest year) at a point where it's rate of investment in capital programmes (compared to its historical average) is lower than rUK's.

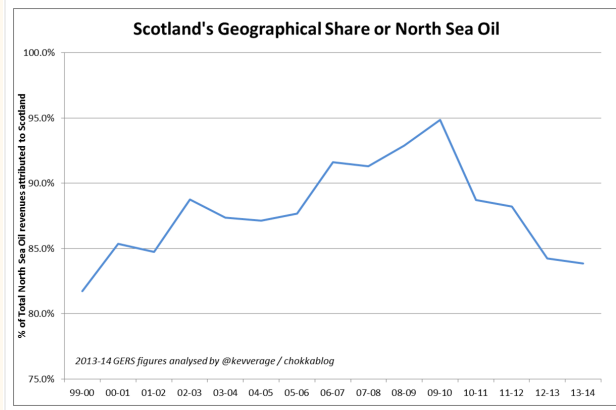
7 A technical point is worth highlighting as mentioned in GERS - "water and sewerage services are a public sector responsibility in Scotland, and are therefore included in Scottish public expenditure, whilst in England they are operated by the private sector". This is of course balanced on the "tax generated" side by the operating surplus that Scottish Water contributes to our revenues

8. The Gross Operating Surplus (GOS) is mainly due to publicly owned Scottish Water; to some extent this surplus will offset associated higher spending compared to the UK where this utility is privatised

9. The actual range over the 15 year period is £1,405 to £2,003

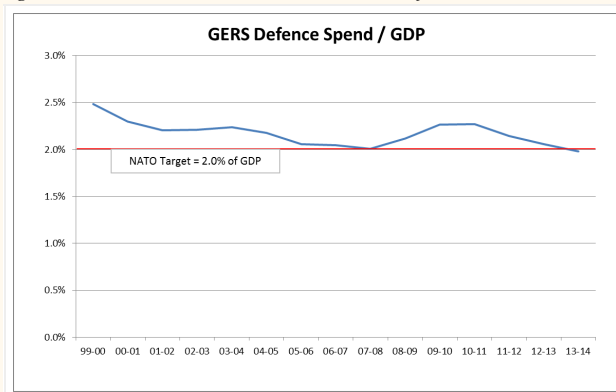
10. Geographic share means we get to keep our oil - I'm stunned how often I still have to explain this

11. The percentage of North Sea Oil revenues attributable to Scotland varies because there are North Sea oil fields that lie in "rest of UK" waters and it depends on their relative production output levels. Using the Scottish Government's preferred geographic share methodology the average Scottish share of North Sea oil over the last 15 years has been about 90%



12. I've recreated the £7.6bn using the IFS assumptions here (> [Explaining the £7.6bn "black-hole"](#)) and there are two factors that explain the difference. Firstly the figures above assume that the equivalent deficit rate we'd be required to achieve would be defined on a per capita basis. Given this is how debt costs are currently allocated in GERS I think that is a better assumption than the IFS's which requires the deficit to match as a percentage of GDP basis. Secondly the IFS analysis compares Scotland to UK total (where UK obviously includes Scotland). I have stripped Scotland out of the UK figures to compare Scotland and rUK which again I think is a better analysis

13. Defence spending allocated to in GERS is £3.0bn in 2013-14 which is exactly 2.0% of GDP



14. The House of Lords costs £87m to run - Scotland's share of that cost is therefore <£10m

Posted by [Kevin Hague](#) at 03:04

Labels: [£7.gbn](#), [£8bn](#), [deficit](#), [ffa for dummmies](#), [independence](#), [indyref](#)

## 56 comments:



**Jim Coleman said...**

A careful analysis of the costs to Scotland of FFA. It's a pity that the nationalists will not bother to read it. Wild assertions work better for them.

18 April 2015 at 03:28

**Terry Summers said...**

Kevin,

An excellent piece of work. Incisive analysis accessibly presented, Sturgeon/Swinney/Hosie should be able to follow this and see that the jig is up for FFA. Salmond seems to have emigrated to LaLa land so will ignore this. I wonder if you could bend your mind to the last crutch the SNP seem to

have, cost savings on Trident.

I have been forced to shout at the television and radio every time anyone mentions the figure of £100Bn without a challenge to its authenticity ever since I found out that it was an estimate made by CND.

An annualised figure based on the UK government estimates of construction costs and operating costs for the Trident replacement and how much of this cost would fall onto Scotland vs the income to Scotland from hosting Trident, I guess, would take away the economic argument and with the last economic crutch of the SNP campaign.

I know you don't do requests, but could you think about it.

Cheer

Terry

18 April 2015 at 04:41

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**Anonymous said...**

Incisive, well researched and as ever takes a flame thrower to the economic lunacy spouted by the yes side.

The fact that this mob of charlatans are riding as high in the polls as they are is a depressing indictment on the country.

18 April 2015 at 05:28

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 **Dave Cohen said...**

Thanks for that, very informative. I realise this is a huge 'what if', but would scrapping Trident bring a one-off financial bonus to Scotland?

18 April 2015 at 05:35

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 **Dave Cohen said...**

Very clear and informative. Hugely hypothetical question I realise - but would the scrapping of Trident bring a one-off bonus to Scottish finance under independence?

18 April 2015 at 05:37

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**Kevin Hague said...**

Thanks Terry

The key point about Trident is that scrapping it is not a cost saving assuming the SNP remain committed to the 2% of GDP defence spend NATO target.

Either way the numbers aren't as big as they make out (even if you divide them by the lifetime and then by 10 to work out Scotland's share) as this [Guardian Article](#) explains

18 April 2015 at 06:48

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**Ron Sturrock said...**

First off, the 2 main parties say they will not back FFA.

However, this does not mean we should disregard the SNP position for this fools folly.

An area which requires some consideration:

If FFA were to be established, imo, earliest would be April 17, at this point the UK debt would be apportioned though still covered by the LOLR facility of the BoE.

Even though rUK debt may fall by economic measures the assigned debt level for Scotland would probably remain the same.

Any debt incurred by an SG after establishment of FFA would be to Scotland's own account and under strict borrowing levels, 3% GDP?

The other aspect to be considered is the debt/GDP ratio.

For 17/18 PSND is fcast circa £1.6trillion so Scotland on pop share= £133bn. (76% GDP)

For 17/18 fcast GDP of £175bn, borrow @3% = £5bn.

Of course the aim will to ensure debt as a %age of GDP is reducing.

What really is unsatisfactory (so far) is the reluctance of SG to produce their own figures for FFA.

Still not to worry, BfS say that if oil returns to \$70/80 deficits will be solved.

18 April 2015 at 06:56

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**Anonymous said...**

I'm a Celt watching from the sidelines so please forgive me if I've missed something.

My reading of the situation is that Scotland is quite keen on the idea of being an independent, social democratic nation that's a full member of the EU and NATO. What holds it back is the financial arithmetic of independence especially after the decline of the oil price.

Given the aspiration to be independent some time in the future, it seems perfectly natural for Scots to support the party that shares this view. Hence, the rise of the SNP and the fall of the London parties.

Similarly, it's perfectly logical for the SNP to negotiate further devolution from the UK and to seek to do so without disadvantaging Scotland in any way. It could, with new economic powers, aim to raise productivity and output/head. For example, the UK has failed badly at regenerating some of its old industrial areas. Parts of Scotland have low GVA/head levels and the attendant health and social problems which drive public expenditure up and tax revenues down. Could a Scottish government, with genuine fiscal powers, do for the west of Scotland what's been done in the Ruhr Valley, in Pittsburgh, in the Basque Country and other autonomous post-industrial regions? Similarly, could a Scottish government replicate the success of the Irish Republic in raising output and productivity?

For the life of me, I don't see why the transfer of such powers should be such a problem so long as the transition is managed and negotiated fairly and with skill; in this respect, Sturgeon and Salmond strike me as two of the most accomplished politicians in the UK.

Should the Scottish government succeed and should the oil price recover then a new referendum may beckon in 10-15 years. So be it.

So far as the FFA analysis above is concerned, it's very detailed but the commentary is, perhaps, too emotive. Seriously and with the best will in the world, no-one is going to agree to FFA as described. Soon enough, and after May 7, realpolitik will take over and the hysteria will subside and I, for one, will be eager to discover what the Scottish government with its (I hope) new economic instruments can do for the old industrial regions. I wish it well.

18 April 2015 at 07:14

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**Anonymous said...**

Agreed, another excellent blog.

Can I also make a request? The figures in the last four paragraphs would benefit from being put into bar/line graph, or pie chart format. I had to re-read them several times before I got my head round it.

Other than that, the only thing to say is please keep up the good work!

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18 April 2015 at 08:03

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**Anonymous said...**

So what?

18 April 2015 at 11:37

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 **Martin said...**

Anonymous Celt,

What are the necessary economic powers you speak of, that the Scottish government don't already have, or will not have under the Smith Commission proposals?

I'm genuinely curious.

18 April 2015 at 13:42

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**Jason Hoffman said...**

Terry

Maybe, just maybe, most people who are opposed to Trident do so on ideological grounds rather than economic.

The cost of a weapons system that will never been used is extremely high, and sucks in funds that could be better spent elsewhere, even on conventional defence.

However, we continue to pay for a nuclear deterrent to allow the UK to carry on playing with the big boys. It's time for us to move on.

Not everything in life comes down to money, although I am sure that you'll argue the toss about that.

19 April 2015 at 00:58

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**Jason Hoffman said...**

Kevin

As ever you continue to impress with the depth of your analyses and the passion with which you dissect the SNP/Nationalist/Pro-Indy view on economics.

I get it.

But by slamming the "alternative" you are therefore endorsing the status quo.

And this is where you're going wrong.



Do you not get that support for the SNP is because people in Scotland and now the UK are expressing views that we are not happy with how the UK is run?

If FFA or independence is unsustainable, does that mean that the UK economy as it is, works for all of us? Are we living in a land of milk and honey? Do we all share the true benefits of a large world economy or could things be done better.

Have the current ConDem coalition and before them the Brown Labour administration made a good fist of running the economy. If not, why not?

How do the Conservative and Labour parties plans for the UK economy after May stack up?

Instead of writing as nauseam about FFA and independence economics (which will probably never happen), why not start doing the digging on what the status quo is?

I keep asking this and you keep saying no.

All you sound like is a stuck record, anti-SNP, anti-independence campaigner. You want people to read your posts? Use you clearly analytical mind and show us how better off we are together - and not by just attacking SNP policies.

Else you'll only ever be preaching to the converted like the five or six followers who comment on your posts.

19 April 2015 at 01:09

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**Anonymous said...**

Anonymous Celt,

You say Sturgeon and Salmond are 'accomplished'.

There is nothing 'accomplished' in skewing and misrepresenting economic data and basically lying through their teeth to a largely economically ignorant support base.

Cynical manipulators who are rapidly pushing Scotland towards a day of reckoning with the rest of the UK, is a more apt description of their qualities.

When that day of reckoning arrives, Scotland may not know what hit it.

19 April 2015 at 01:44

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**Anonymous said...**

Jason

Trident is a deterrent, it is used everyday. Also if it is used to play with the big boys as you say, then it gets used twice everyday.

19 April 2015 at 09:53

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**Terry Summers said...**

Jason,

I have no problems with people being ideologically against Trident, what I object to is SNP and Green politicians bandying about s made up and grossly exaggerated figure of £100bn as a scare tactic to make the voters think that there are massive annual sums of money to be saved from getting rid of the deterrent. the £100Bn was an estimate produced by CND, and has been repeated often enough that it has become accepted fact. Similarly the idea that Scotland wants rid of Nuclear weapons has become totemic through constant repetition, but a

recent poll by Ipsos Moris showed it was No 12 on a list of voters priorities.

Cheers

Terry

19 April 2015 at 10:27

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**Terry Summers said...**

Jason,

I have no problems with people being ideologically against Trident, what I object to is SNP and Green politicians bandying about s made up and grossly exaggerated figure of £100bn as a scare tactic to make the voters think that there are massive annual sums of money to be saved from getting rid of the deterrent. the £100Bn was an estimate produced by CND, and has been repeated often enough that it has become accepted fact. Similarly the idea that Scotland wants rid of Nuclear weapons has become totemic through constant repetition, but a recent poll by Ipsos Moris showed it was No 12 on a list of voters priorities.

Cheers

Terry

19 April 2015 at 10:27

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**Gary Ether said...**

The FM appears to me to be toning down her argument for FFA and the idea that it should be introduced at the earliest. That's a step in the right direction for me as Kevin's figures make it evident that FFA simply isn't economically feasible in the short (or even medium) term. The SNP need to put together a forward plan, similar to a business case, setting out criteria that have to be met, timing based on supportable forecasts, worst case scenario, expected case scenario etc. The goal of FFA shouldn't be embarked upon with a "wing and a prayer" approach as the SNP seem to be taking at present. BTW, I intend to vote SNP on the basis that there's no way they will get FFA during the next parliament. If I thought for a minute that they would, then I wouldn't vote for them.

19 April 2015 at 10:54

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**jason hoffman said...**

A deterrent against what? Against nuclear annihilation by Russia? Please? Against North Korea? Iran? "terrorists".

If we spent the money on conventional forces, with properly thought out procurement of material and an actual strategy, the UK may have a part to play in making the world secure.

As for playing with big boys, we get to do our bit making the world a more peaceful place. And we're clearly doing a great job in Iraq, Afghanistan, Syria, Palestine, Kenya, Yemen, Somalia, Nigeria, The former Yugoslavia, Pakistan. Have I missed anywhere?

19 April 2015 at 11:28

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**Terry Summers said...**

Jason,

The only country that I know of that voluntarily and unilaterally gave up their nuclear weapons was Ukraine. How are they doing just now?

Cheers

Terry

19 April 2015 at 12:48

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 **Jason Hoffman said...**

Terry, so what is the real, true and actual cost of replacing trident (ie the red tory/blue tory prediction). After all, the MoD have spectacularly failed to bring any large scale military hardware project in under budget and time.

You guys have all the answers. So please tell me.

19 April 2015 at 13:42

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**Terry Summers said...**

Jason,

(ie the red tory/blue tory prediction)

This phrase tells everything. Nothing I can say will have an satisfy you.

It's not about the money anyway it's about deliberately mis-representing the true numbers to mislead the voters.

cheers

Terry

19 April 2015 at 15:51

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**jason hoffman said...**

Terry

What a cop-out. You cant answer my question, so you walk off in the huff. Well done.

If replacing trident costs £90bn instead of £100bn is that better? Or £80bn? What is an acceptable figure for a seat on the UN security council? Or to be a player on the world stage. Or to fight global terrorism (for which trident is soooooo suitable).

Remind me what the UK's national debt figure is and whether the UK can afford this weapon that we'll never use. Because if do use it, all these totally tedious posts about ffa, debt black holes and the colour of Ed Millibands underpants will be rendered totally irrelevant.

20 April 2015 at 02:23

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**Tim in the Kitchen said...**

@ Jason @Terry

The first thing to say is that it's interesting how difficult it is to pin down the true (financial) cost of Trident replacement. Conservative (small 'c'!) estimates start at about £25 billion; higher ones go up to £100 billion and beyond. That's quite a range!

There's quite a good impartial discussion of it here:

<http://theconversation.com/fact-check-will-renewing-trident-cost-100-billion-39002>

Although this leaves some room for interpretation/argument, it does tend to endorse the £100 billion figure.

If we accept this figure (and personally I'm also inclined to, if only because large projects tend to overshoot, particularly where the initial sponsors have an incentive to underestimate full costs in order to secure approval) then what are

the implications of this?

Well, the £100 billion figure is spread over the lifetime of Trident. Again, there is a little dispute as to what this is, but if we accept the shorter estimate of 35 years (which has the effect of increasing the annual impact) then that works out at slightly less than £3 billion per year, of which slightly less than 10% would be met by Scotland.

So the financial benefit for Scotland of scrapping Trident, using the SNP's own figures, amounts to a maximum of £300 million. While this is a decent sum (£60 per person in Scotland) it is not much more than a drop in the ocean when compared to the size of the fiscal black hole (£1520 per person).

Just in case anyone is interested, I am actually opposed to Trident, but I think it is clear from the above that the argument about the possible financial windfall from scrapping it is a sideshow. Even if you accept the SNP figures for Trident costs (and I am inclined to do so) they don't make much impact on the fiscal black hole. At most, they would reduce it from £7.6 to 7.3 billion.

Whatever the other benefits of getting rid of Trident, making a significant contribution to bridging the gap between revenue and expenditure in a fiscally autonomous (sorry, 'responsible') Scotland is not one of them.

20 April 2015 at 07:31

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**Anonymous said...**

Again Jason, a deterrent is used everyday, please get that into your head.

I don't see how Terry is walking off in a huff, he is pointing out your prejudices which are blatantly obvious to everyone.

In a interconnected world economy, what price would you put on being able to put your interests to the top table? I personally think 100billion over 30 years is rather cheap, you obviously don't and never will, but your reasons why are populist claptrap. Then as a bonus it provides security and stability as a bonus.

Can the UK afford it, assuming growth continues, and the ability to devalue currency if need be, yes it can.

20 April 2015 at 08:14

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**Terry Summers said...**

Tim,  
Thanks for the information on Trident costs. It is interesting to see that, even on the most pessimistic overall cost and shortest in service period the cost of Trident replacement to Scotland would be £300m, approx 2/3rd of the Budget underspend that John Swinney patted himself on the back for at the end of last financial year.

I wonder what the income to Scotland is resulting from Trident on the Clyde?

20 April 2015 at 12:40

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**Tim in the Kitchen said...**

"This phrase tells everything. Nothing I can say will have an satisfy you."  
"What a cop-out. You cant answer my question, so you walk off in the huff. Well done."

Everyone has strong feelings about the issues (on both sides) but surely we can debate these without descending into mutual insults? If your oponent's

argument is obviously wrong, then it should be possible to point this out without the bad-tempered asides.

20 April 2015 at 12:42

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**Ron Sturrock said...**

Trident is and always will be in essence be a "moral" argument.

The £100bn cost issue argument is, in my opinion, ridiculous.

No way will any saving by not renewing Trident result in an uplift for non-defence current or capital expenditure.

Trident is part of the defence budget which if not renewed will result in spending on other military assets to maintain the NATO recommended total defence expenditure of 2% of GDP (For Scotland currently about £3.5bn)

The main question however, is why the SNP with their long held policy of being anti-NATO suddenly performed a volte-face?

The SNP stance now seems to be the "don't ask, don't tell" policy.

My theory is that a former FM on a visit to the US got his fortune told in no uncertain terms.

The conundrum remains, and one which the SNP have never answered satisfactorily is, "why be part of an organisation that at its heart has nuclear weapons" when you are so set against it?

20 April 2015 at 12:48

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**Anonymous said...**

The change on NATO is obvious. The independence case on defence is a weak area, hence the it won't change we will still be in nato

20 April 2015 at 13:07

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**Tim in the Kitchen said...**

@Terry "I wonder what the income to Scotland is resulting from Trident on the Clyde?"

Who knows? Of course, it's also possible that the absence of Trident would provide a boost for the local tourist industry!

I don't think there's much point trying to get down to this level of detail, to be honest.

Firstly, because the margin of error would almost certainly dwarf the actual calculation itself (unlike fiscal black hole, where the hole is much larger than any possible calculation errors).

And secondly, because small sums like this are also dwarfed by the bigger issues: independence vs. continuation of the union; disarmament vs. deterrence.

In other words, I can't imagine anyone changing their mind because they had been convinced that the removal or continuation of the Trident bases would have a negative or positive impact on the local economy. (At least, I hope that we haven't sunk to that level of trivia!)

20 April 2015 at 13:30

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**Anonymous said...**

You are a competent accountant who is not an economist. Those who promote

you have the same vested interests: to keep the status quo because they mistakenly believe that Westminster knows best. The belief system of economists is as influential as the raw data. Your fatal flaw is that you deny an inherent bias towards a failing economic model. Macroeconomics will always have a greater effect than the raw data suggests. Read a book or two. I suggest Thomas Piketty 'Capital in the 21st Century' - It may expand your rather narrow business model view of the economy.

22 April 2015 at 01:43

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**Anonymous said...**

The issue is first and foremost that the majority of Scots simply didn't want independence. Scotland isn't "quite keen" on the idea of independence, it flat-out rejected it. In real terms, only a third of voting-age adults supported it.

Add into the fact Scotland was told repeatedly that EU membership wouldn't be automatic, that the EU itself wasn't looking to expand at all in the immediate future (next 5 years), and that NATO too rejected the idea of automatic iScotland accession, there is indeed a lot more to be said aside from the fiscal in terms of arguments against Scottish independence.

The simple fact is that the SNP were consistently wrong, or even out-and-out lied to us, about numerous big issues. The economy was, is and seems likely to remain simply the largest and most blatant example of this.

The simple fact of the matter is that the SNP has continuously and needlessly neglected education, the economy, and the NHS in Scotland whilst at the same time having sufficient powers to raise additional funding all the while. It simply doesn't, because the suffering of the Scottish people is a tool that it uses most effectively to engender a feeling of victimhood. It then wields this anger and directs it at Westminster. As a prime example they were given £1bn to alleviate poverty in Scotland. There were any number of ways that could've been invested to boost the economy, to help directly feed people, thrown into education, health services, public services. But, no. It was squandered instead on a council tax freeze - a purely political move, and a cynical one at that, given it aids the wealthy far more than the poor. No, the SNP have shown that they cannot be trusted.

Why the transfer of such powers should be a problem? Well, if the SNP cannot even get the basic figures of the Scottish economy right, why should they then be trusted with powers that could well lead Scotland into the same issues within the UK "single market" that Greece found itself in with relation to the EU? Bear in mind this is a party which genuinely believes its own rhetoric regarding the Scottish economy, rhetoric which this article has shown (thoroughly sourced) is absolute nonsense.

FFA under the SNP with their current mindset will ultimately lead to major issues for Scotland. I'm sure it would please the Unionists to see Scotland then having to be bailed out by the rest of the UK, but I fail to see why the people of Scotland should have to suffer at the hands of SNP ideology and ignorance.

I'd love to see Scotland reinvigorated economically. But until Holyrood is held to account we really do face nothing but potential disaster all in the name of a minority ideology for whom the ends justify ANY means.

22 April 2015 at 04:21

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**Anonymous said...**

Perhaps they do. But it's worth bearing in mind that Trident doesn't just suck in money. It generates jobs, technical expertise, provides vital income in some local economies, and it works as an actual deterrent.

One cannot help but wonder how Ukraine may have fared in recent times had it

retained its nuclear arsenal? Perhaps there wouldn't be Russian troops on the ground in one of its provinces.

22 April 2015 at 04:24

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**Anonymous said...**

Hello Gary Ether "BTW, I intend to vote SNP on the basis that there's no way they will get FFA during the next parliament. If I thought for a minute that they would, then I wouldn't vote for them."

Ok, you've got my attention. Given that Kevin has shown how the SNP have so completely misled the nation on the nature and state of the economy, they've been dishonest about the role oil revenue plays in balancing the books, that they have slashed education spending, that their universal policies benefit the privileged (particularly the Council Tax freeze where councils are hiking up rents because they can't generate any money from the rich folks in the big houses and the SNP, if they are a non-SNP controlled council, have cut the block grant), etc etc why are you voting SNP?

22 April 2015 at 10:46

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**Anonymous said...**

I once had a few drinks with an older Russian chap who claimed to have some inside role in the Soviet Union days. When Trident was mentioned he creased up laughing and said that the USSR only targeted American forces in the UK, not Trident. He said that the Russians knew for sure that it wouldn't work if fired. "The Americans as so paranoid they won't even let some computer chips out of the country", he said "do you seriously think they would sell anyone a working nuclear weapon?". "All that money" he giggled, "for nothing."

23 April 2015 at 16:59

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**Terry Summers said...**

Anonymous Hearsay,

Is that like the chap in the pub who said there was a massive oil field off Shetland that was being kept secret until after the Referendum.

The Referendum was last year, where is the massive oil field? Is it still being kept secret?

The only massive oil field found recently is under Gatwick!

Cheers

Terry

24 April 2015 at 05:35

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**Anonymous said...**

I smell bs

24 April 2015 at 08:43

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**Kevin Hague said...**

in Response to:

*You are a competent accountant who is not an economist. Those who promote you have the same vested interests: to keep the status quo because they mistakenly believe that Westminster knows best. The belief system of economists is as influential as the raw data. Your fatal flaw is that you deny an inherent bias towards a failing economic modal. Macroeconomics will always have a greater effect than the raw data suggests. Read a book or two. I suggest*



*Thomas Piketty 'Capital in the 21st Century' - It may expand your rather narrow business model view of the economy.*

1. I've never claimed to be a competent accountant let alone an economist. Whether I am either I'll happily leave to readers to decide
2. I have no "vested interest" in the status quo - hard as it may be for you to comprehend I'm personally fine either way - I simply have a strange compulsion to want to respond when I see data being badly misrepresented and voters being misled. I'm weird like that
3. My "fatal flaw": apart from implying I'm writing this from beyond the grave ... if you read what I wrote (I fear you didn't) you'd see I focus on trying to ensure we have a shared understanding of our starting position. Where we go from here is up for debate - imho where we start from needn't be
4. As for reading a book or two - I'm not sure I could manage two and if I can only read one it wouldn't be Piketty. Joking aside - of course I've read Piketty - unlike you I suspect, I read it with a critical eye.
5. My business model view of the economy? I have at no point laid out such a thing - again I am merely trying to ensure what is already known is shared honestly

Thank you so much for your anonymously offered advice

5 May 2015 at 09:56



**Tim in the Kitchen said...**

First of all, thanks for your all your blogposts and analysis, Kevin. They provide much needed clarity amid the claims and counter-claims that pass for public debate around Scottish issues.

Post-election, I wonder what everyone's thinking is on where things go from here.

The way I see it, there are four options:

1 - Some further devolution, a la Smith Commission, accompanied by EVEL. It's hard to see how this could be spun by the Conservatives as "saving the Union" as the SNP would demand more while the Conservatives would still have to defend Barnett to English voters.

2 - Substantial further devolution, including tax powers etc., introducing EVEL while retaining Barnett. This appears to be the SNP position. Again, not clear if the Conservatives would be keen on selling this to English voters.

3 - Substantial further devolution, including tax powers etc., introducing EVEL and replacing Barnett with a transparent block grant. This would presumably involve an 'independent' body calculating the size of the grant on the basis of 'objective' criteria such as deprivation, demographics and population density. My guess is that this would lead to cuts in the size of the transfer (although maybe not?). It would also make the size of the grant the object of political conflict both north and south of the border. On the other hand, the Conservatives could sell it as a situation that was 'fair' for all members of the UK.

4 - full fiscal autonomy and EVEL, with the impact of the disappearance of the Barnett formula perhaps softened by a gradual phase-out over the course of the parliament. I don't imagine the SNP want this, although it's hard to see how they could refuse it. The attraction to the Conservatives is obvious (cuts to spending while appealing to English votes) as are the longer-term dangers (if it backfires, the Conservatives become the party that destroyed the Union).

My own guess is that we are headed for some version of option 3, but I'd be very interested to know what other people think (including SNP supporters).

9 May 2015 at 04:17

**Anonymous said...**

Can you show an analysis without Barnett allocation. Would we then be better off independent? I ask as Barnett it is constantly raised and i do not think that Scotland will continue to receive the same Barnett allocation we currently do. I suspect it will be challenged when smith is implemented and we will see erosion of it with the new income tax powers. Also some commentary on them and how they work when written into the smith commission is that no part of the UK can be worse off. That is where i remain to be convinced.

19 May 2015 at 11:11

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**Kevin Hague said...**

Anonymous

Without Barnett we'd be about £8bn worse off - given independence throws currency and business flight into the mix we'd be more than £8bn (per annum) worse off if independent.

Try this blog post that explains why [The Great Escape](#)

19 May 2015 at 15:44

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**Anonymous said...**

If you cannot persuade people with exhaustive figures and analysis, you have to ask why? Maybe because you have revelled in being embraced and re tweeted by the Unionist Twitterati? You have been quoted extensively in MSM in a favourable way yet you frequently partake in snark sessions with a group of truly reprehensible people whose main aim is to tell people with a different view that they are inadequate, stupid and deluded.

Is it any wonder you cannot get your message across?

You display zealotry wrt to your pursuit of the minutiae of these figures and yet condemn others for that very trait. You have not just lost sight of the wood amongst the trees, you are blind.

I think you are well meaning but naïve and have been used by a group of people with an agenda beyond your own. Look at the history of McTernan et al, these are master manipulators. Labour has no money to do its own work, you are doing it for them. If you are happy with that, fine. But do not underestimate what it will do to your reputation.

29 May 2015 at 04:02

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**Anonymous said...**

Wow, just seen you mooted as a Labour Holyrood candidate by Gerry Braiden in the Herald.

It all makes sense now...

29 May 2015 at 05:49

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**Anonymous said...**

Fraid so. The common English presumption that "Scots are sensible" has taken an immense battering over the past year or so.

1 June 2015 at 11:02

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**Anonymous said...**

I keep returning and rereading this post just to remind myself that there are at least a few rationale/ thoughtful/ intelligent/ autonomous people left in Scotland. Thanks Kev, you are a breath of fresh air in among all the endless nationalist BS.

Something I would like to add, that is not directly related to the post, but is crucial to Scottish business and therefore income, is the point about setting up overseas diplomatic service and trade networks. Irrespective of the costs there is no guarantee in the short term that this would be possible. The notion that 'the world' would or even could politically embrace Scotland is fanciful. We all know about Europe, but other important export sectors (especially Oil and Gas and Marine tech) are reliant on countries who are very touchy about sessionist movements. China, Brazil, Singapore, Malaysia, Indonesia, Burma, Mexico... The Chinese especially will not do any favors to a new Scotland given Hong Kong and the history. They really don't want a 'new' small country turning up and giving people ideas. Scotland could find itself in a position where it is frozen out through Visa restrictions. This would destroy be devastating for the renewable, Subsea and Marine industries. A hefty part of Scotland's economic future.

10 June 2015 at 10:14

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** Lucretia mollison said...**

Oh Kevin your article about FFA is more about politics than economics .EG your graph about SNP education spending is not only alined with an SNP govt but more to the point is alined with westminster cuts to the block grant .

But to FFA --your comparing Gers figures for Scotland for non oil revenues with RUK revenues is Spin because the figures for RUK will contain oil revenues and more revenues from Scottish firms paid to HMRC .

Likewise when you compare Scottish revenues with oil you are also counting RUK revenues having the same oil revenues

2 July 2015 at 05:02

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**Kevin Hague said...**

Oh Lucretia ...

1. The education spend graph shows the \*relative\* spend difference so has nothing to do with reductions in block grant and everything to do with the Scottish Government's deprioritisation of education spend. If they simply passed on block grant reductions proportionately the \*relative\* gap would remain the same.

2. It's not spin because I exclude oil from the rUK numbers as well when making that comparison (as rUK only gets <10% of total oil revenues allocated it makes little difference when using per capita comparisons but I removed it anyway because I'm careful like that

3. No I'm not - the rUK numbers (when comparing "with oil" only contain their <10% geographic share of oil revenues).

I recognise I have failed if you haven't understood the analysis - but I'd ask you to read again and pay attention to the definition of rUK = UK minus Scotland (=> minus Scotland's oil) ... and to think a little more a to what \*relative\* figures tell us

2 July 2015 at 05:24

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**e Lucretia mollison said...**

Kevin

1 I see no relative figures between RUK and SNP govt education spend .What I do see is the relative spend between lab/lib Scottish govt and SNP govt education spend .

lab/lib of course could spend more because they got more block grant .

2 If your using non oil figures for Scotland then your figures shuld show non oil for RUK ,and not 10% to be deducted but 100% because that is what RUK figures include .

3I,ll take your word for it that you only include 10% in the RUK "with oil" figures .

Where do you get these "relative " figures from because westminster are tight mouthed about RUK spending .I do hope you will take in "british" spending which is mostly in the SE of England when you do your relative comparisons .

2 July 2015 at 10:28

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**e Lucretia mollison said...**

Kevin

1 Your graph on Scotland -v- RUK spending on education is meaningless .I take it the blue line is Scottish spending, you do not give a line for RUK spending for those years .If you did you would find that the RUK spending in the years of block grant cuts would show an even steeper dive than the Scottish one .

3 July 2015 at 03:54

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**Kevin Hague said...**

Lucretia

I appreciate your engagement but fear you have misunderstood what the graphs show (which is my fault).

1. The graph shows the difference in spend between scotland and rUK on a per head basis. So take 99-00 as an example, Scotland spend roughly £240 \*more\* per head on education than the rest of the UK. This is shown as a time series so you can see how that gap has closed over the years and under different administrations. That the graph ends close to the axis (zero) means that in the most recent year we have spend roughly the same per head on education as the rest of the UK. This despite the challenges of low poulation density and rural populations which the Scottish Government themselves have said (quite rightly) that higher spend per person in Scotland is required to deliver the same standards of public service in Scotland as the rest of the UK. The recent evidence of declining education standards in Scotland is hardly surprising in this context.

2. Again you are misunderstanding - rUKL figures do NOT include 100% of oil - I know because I have done the (very simple) maths. GERS shows all figures for Scotland and for total UK, so the act of working out what rUK numbers are if very simple - I subtract Scotland's figures (wih Geographic share of oil) from UK's leaving the correct rUK figure. When I do ex-oil comparisons I subtract from both rUK and Scotland. I have spent a lot of time on these figures and they have been pored over by thousands of people including prominent economists, journalists and politicians. Nobody has yet identified a single data error - the figure I present are correct.

3. That's very generous of you to take my owrkd for it. You don't need to - you could just look at GERS yourself and cross-check the figures.

To your last comment - no the blue line is what the axis says it is and as explained in the text and as I have taken the time to explain again here - it is the \*difference\* between Scottish and rUK spending per person. To interpret it the way you have done would be to conclude we spent \*less than nothing\* on education in 2010-11!

I think I have fairly responded to your questions - I'm afraid if you still don't "get it" I will concede defeat

3 July 2015 at 06:07

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**AS said...**

Hi Kevin,

Great blog you have here. I've got some data that may be of interest to you. I've heard it several times from nats that the reason Scottish spending is higher than rUK spending is because Scottish Water is publicly owned. You allude to this, but I think it would be interesting to correct for this both on the revenue and spending side as a counterfactual (i.e. what if SW was privatised?).

I have data on SW and the former Water Authorities before it, on:

- (1) Income
- (2) Operating Expenditure\*
- (3) Net Interest Paid\*
- (4) Capital Expenditure and Financial Investment

And much else (e.g. net debt, govt. loans, repayments of govt. loans, etc.) going back to the 1999-2000 financial year. If I understand correctly, (1)-(2) would give SW's gross operating surplus, and (2)+(3)+(4) would give ScotGov spending on SW. I worked these out for 2013-14, and it improves the Scottish budget position by just over £200 a head (£300 odd from the spending side, minus lost gross operating surplus of just over £100); noticeable, but not nearly enough to challenge your conclusions.

Let me know if you want the data, and I'll email them to you.

Regards,

AS

4 July 2015 at 06:44

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**Kevin Hague said...**

Hi AS

Perfect timing - I'm putting together a presentation right now and the GOS line bugs me! Would be great to have a side-bar that shows what the net impact is as you describe - do please email me. Use Twitter and I'll DM you an address

Cheers

Kevin

4 July 2015 at 07:57

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**AS said...**

Hi Kevin,

I've just followed you now; you should recognise my initials. You'll need to

follow me back so that I can DM you (I'm sure you already know this). Btw, what/when is the presentation? Compiling the stats (from many different documents) could prove time consuming, but if it's soon, I suppose I could give it a push.

Regards,

AS

4 July 2015 at 08:16

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**Anonymous said...**

So in summation you seem to be saying that the UK government has failed Scotland and failed to grow its economy. Or is it that Scotland has a failed economy that can't survive without the help of England?

27 October 2015 at 18:17

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 **rocoham said...**

Anonymous, you choose whichever best fits your flames but the actual answer is no, and no.

3 November 2015 at 12:57

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**George Kendall said...**

Brilliant post.

They say the "Truth will out". Maybe that's true, but, if it does, it takes far too long.

All the best with your efforts explaining the truth. Maybe you'll hasten that day.

28 November 2015 at 12:23

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