World-class economist discusses the affordability of Scottish independence

February 22, 2012 7:16 pm 1 comment Sunniva Davies-Rommetveit

On Tuesday 21 February, the Domestic Politics Society (DPS) invited Professor Andrew Hughes Hallett to discuss whether Scotland could afford independence, given the current economic crisis that refuses to relinquish its grip over many European economies. Professor Hallett teaches at the University of St Andrews and has also taught at other prestigious British universities, such as the University of Oxford, as well as at the George Mason University in the United States.

Professor Hallett opened by stating that without North Sea revenues being devolved to Scotland and added to its budget, Scotland would most likely suffer a 13.5% deficit in its finances before even starting. This, Hallett added, was a statistic that 'doesn't look good for going on your own.'

However, Professor Hallett maintained that, as 91% of North Sea revenues are currently owned by the Scottish public sector, Scotland would be in a much better position with these revenues in play. Therefore, North Sea revenues would have to be devolved in order to give the fledgling state a chance of survival. Hallett also argued that the standard deviations – or the instability of revenues – are much lower for North Sea revenues than the current UK government grant which Scotland receives.

Based on figures from 2007-2008, Professor Hallett pointed out that, whereas Scotland had an admittedly tiny overall surplus of 0.3%, it fared well in comparison to the overall deficit of the United Kingdom of 2.8%. Thus, Scotland would find itself in a more beneficial position than the UK if indeed it did gain full autonomy. However, this position would also be precarious. Being a fledgling state, without established trade partners and lacking financial stability due to the ongoing economic crisis, this small surplus might turn into a deficit alarmingly quickly.

It seemed a risk that Hallett would be prepared to take, and he further argued that independence would 'allow us to design taxes and spending to suit Scotland's needs.' Hallett argued that Alex Salmond's suggestion to keep the British pound as opposed to having Scotland's own currency could have negative long-term effects; it would be one less 'political lever' that Scotland could have to control its own finances, with separate interest rates being decided based on figures from the Bank of England.

The talk proved to be an insightful economic dissection of the current UK economy, contrasted with a potentially independent Scottish one, which resulted in tentative optimism for Scottish independence from a world-class economist.