

A stronger economy with independence



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First Minister's Foreword



It has never been clearer than it is today that Westminster is taking Scotland in the wrong direction.

UK Governments, with very different priorities from those of the majority of the Scottish people, have shown, time and again, that they cannot be trusted to act in Scotland's interests.

In 2014, we were promised stability if we voted no to independence.

Since then, we've been subjected to one serious political crisis after another - all as a result of policies and decisions that Scotland did not vote for.

We now face a choice of two futures: becoming an independent country in which decisions about Scotland's future are made by the people who live here; or accepting continued crisis and control from Westminster.

In this, the third publication in the Building a New Scotland series, the Scottish Government demonstrates that the case for independence is not an abstract argument separate from people's daily concerns, but has at its heart the ambition to improve the lives, wellbeing and future prospects of the people of Scotland.

Indeed, to prevent further economic damage being inflicted by Westminster governments, independence is now essential.

As a country, we are blessed with extraordinary natural and energy resources, world-leading industries, such as food and drink and renewable energy, and, above all, a highly educated and talented workforce supported by some of the world's very best colleges and universities.

In short, we have strong foundations and great economic potential.

And yet, it is clear that the UK economic model, of which we are currently part, is ill-equipped – especially in the wake of Brexit – to cope with events like the cost of living crisis.

The UK's economy is both less productive and more unequal than independent European countries comparable to Scotland.

This was true before the UK Government's recent decision to borrow heavily to pay for tax cuts for the richest in society. It is even more so now. The calamitous consequences of the UK Government's recent choices will impact on the economy, living standards and public services for years to come.

In short, two damaging and connected economic experiments – with long term consequences – are being imposed on Scotland against our will.

First, we have been removed from the European Union and single market – a step that is now accepted and endorsed by all the main UK-wide parties.

Second, a low tax, low regulation approach to the economy – grounded in ‘trickle-down’ economic theory – is being imposed upon us. This is being driven by the UK Government’s desperation to find some so-called ‘benefit’ of Brexit, and counter its negative economic impact. It is an approach with little or no evidence of success – on the contrary, experience tells us it is likely to undermine equality and sustainability, and contribute to further political instability. And yet, the differences between the UK-wide parties on these matters is often more apparent than real.

The consequences of all of this for Scotland – if we stay part of the Westminster system – will be damaging and long lasting.

We believe there is a better way. A way that meets the aspirations of the people of Scotland: taking economic powers into our own hands, so we can tailor policy to Scotland’s needs; build greater equality and wellbeing; and become more resilient to, and, when necessary, better able to respond to, global challenges such as the current energy price shock.

This won’t happen overnight, or without hard work. Recent developments in the UK economy and financial markets underline the imperative of acting with responsibility, careful consideration and good planning, and remind us of the real-life consequences of not doing so.

However, in this economic prospectus we set out how it can be done. We consider issues of transition; financial institution-building; and the need to be fiscally credible and maintain market confidence, not least in the process of establishing a Scottish pound. We outline the choices available to any government of an independent nation, and detail some of the choices the current Scottish Government, with access to full economic powers, would make as we seek to build a country that is more prosperous, sustainable, fair and equal.

Our guiding principle is that economic dynamism and social solidarity – growth and greater equality – go hand in hand. We recognise economic policy is a means rather than an end, to help people live happy, healthy, fulfilling lives.

People are at the heart of the vision we set out: from the need to grow our population, boost incomes, and involve workers in decisions that affect them; to our plans to invest in people’s futures and provide the security they are entitled to.

This people-centred approach reflects the reality that, ultimately, whether or not we succeed as a nation is not a given, but will depend upon all of our talents and the decisions we make.

The proposals we set out in this publication include:

- re-joining the European Union (EU) to benefit from, and contribute to, the vast European Single Market
- a redesigned energy market, that aims to provide secure and reliable low cost energy
- greater workplace security and an end to age discrimination in minimum wage setting, and
- a migration policy designed to boost Scotland’s working population.

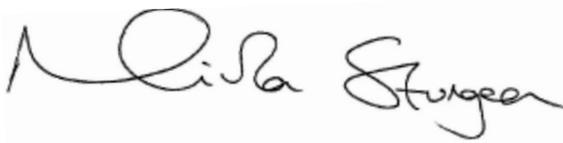
To build confidence in our ability to move from a low growth, high inequality UK that is outside the EU, to a fairer, more dynamic independent economy, we must also set out how we will manage, in a way consistent with building a stronger, fairer country, the fiscal situation we inherit; what currency we will use; and how, as we return to the EU and single market, we will also protect trade with the rest of the UK. We set out here a clear approach to those issues.

As one of the choices the current government would make, we propose a special independence investment fund – the Building a New Scotland Fund – to boost growth, accelerate our transition away from fossil fuels, and deliver long-term social benefit.

We would use new powers and access to resources – including ‘windfall’ proceeds from oil prices that are likely to remain relatively high in the period ahead – to spend up to £20 billion in infrastructure projects to, for example, build and renew homes to decarbonise Scotland’s housing stock, cut fuel bills and reduce fuel poverty.

This publication is far from the last word on the matter. Later in the Building a New Scotland series, we will address in further detail sectors such as agriculture, fisheries and energy as well as European and migration policy.

And we welcome all contributions to the debate on how we can build a better country for everyone who lives here.

A handwritten signature in black ink that reads "Nicola Sturgeon". The signature is written in a cursive, flowing style.

The Rt Hon Nicola Sturgeon MSP
First Minister of Scotland

What our proposals would mean for you

We will use the full powers of independence to build an inclusive, fair, wellbeing economy that works for everyone in Scotland. The proposals in this publication are designed to allow **you** to:

- have lower energy prices and security of supply by increasing and diversifying our electricity generating capacity, making better, greener use of Scotland's abundant natural energy resources
- have a better, fairer working life, including improved access to flexible working, greater job security through strengthened workplace rights and, if you are a young person, the same minimum wage as everybody else
- escape a UK economic model that concentrates wealth in London and the South East of England, while producing inequality, low investment, and low productivity
- regain your European citizenship and the right to study, work and live across the European Union
- retain free movement across these islands, including in the UK and Ireland
- keep using the pound sterling, until the time is right to move to a Scottish pound
- benefit directly from investments from the Building a New Scotland Fund, with an investment of up to £20 billion in major infrastructure only possible with independence, designed to give Scotland the best start as an independent country, including investment in more energy-efficient homes, greener transport, better digital and mobile connectivity, and more affordable housing
- take part in new ways for communities to own and steer the economy, including through direct stakes in local developments
- live in a country where decisions about how we use our assets, talents and resources reflect our values and democratic choices, allowing Scotland to develop the kind of inclusive consensus-driven economic policies that serve other European countries so well.

What our proposals would mean for your business

Independence would enable the creation of an economy that works for Scotland. The proposals in this publication are designed to help **your business** to:

- escape the UK's Brexit-based economic future, which is predicted to result in a long-term reduction in productivity of 4% compared with remaining in the EU
- contribute to, and benefit from, the higher productivity, higher investment economy achieved by comparable independent countries
- have lower energy prices and secure energy supplies, by increased, better, and greener use of Scotland's abundant natural energy resources
- be inside the European Single Market, the largest single market in the world and one that is seven times larger than the UK market
- operate in a country that has influence, as an EU member state, in the trade deals and regulations that affect the business environment
- get practical support to ensure smooth trade across borders, including with the UK
- get the workers you need, by reversing Scotland's long-term population trends, and regaining access to talented and committed people from across Europe and the world
- trade in a country that would be an even more attractive destination for investment
- benefit from investments made by the [Building a New Scotland Fund](#), including in more energy-efficient business premises, investment in net zero technologies, and better digital and mobile connectivity
- increase its dynamism and productivity by taking a new approach to fair work, one that is better for employers and employees
- benefit from reformed models of corporate governance that evidence shows improve profitability
- influence government policy directly through new bodies, like the Scottish Fair Pay Commission, which will assume responsibility for setting the national minimum wage.

What our proposals would mean for Scotland

Independence would enable the creation of an economy that works better for everyone who does business in Scotland. The proposals in this publication are designed to allow **Scotland** to:

- grow the economy in a way that works for everyone. Comparable European independent countries have national incomes that are, on average, £14,000 per person higher than in Scotland (£11,000 excluding Ireland). This is not performance that Scotland could match overnight, but it does demonstrate what is possible while maintaining more egalitarian societies
- demonstrate that there is no trade-off between greater prosperity and greater fairness. Indeed, as those independent countries show, economic dynamism and social solidarity reinforce each other
- avoid the instability and uncertainty generated by the current UK Government's reckless approach to macroeconomic management
- take advantage of our massive renewable energy resources so they are the bedrock of the new independent economy. Hydrogen, for example, powered by renewable electricity, may be Scotland's greatest industrial opportunity since oil and gas, creating or protecting up to 300,000 jobs
- build on the success of devolved decision-making by making the most of other key Scottish economic strengths
- escape the damage of Brexit and grow our international trade
- put a partnership approach between business, unions, government, and others at the heart of economic policy-making
- make the wellbeing of our population the fundamental aim of that partnership approach
- give greater security to our workforce
- have a migration policy tailored to our needs, growing our working population, and boosting national income and productivity.

Introduction

The choice offered to the people of Scotland in the 2014 independence referendum was often framed by those opposed to independence as the stability of the UK on the one hand, and the risks and uncertainty of independence on the other.

In the years since, however, the UK has proved to be anything but stable.

Far from shielding Scotland from risk and uncertainty, being subject to decision-making by Westminster has taken Scotland out of the EU, and subjected us to prolonged political and economic instability.¹

People in Scotland voted overwhelmingly to remain within the EU, but have been powerless to prevent Brexit or to escape its consequences.

Scotland has now been taken out of the EU, the European Single Market and the Customs Union. The implications for the UK and Scottish economies, for trade, for our living standards, and for our wellbeing will be long-lasting and negative.² The UK economic model is increasingly characterised by low growth and low productivity, stagnant wages, and high inequality.³

All of this has resulted in a UK unprepared for, and less resilient to, cost of living pressures. These pressures, while partly driven by global energy and commodity price rises that affect all countries, are to date having a greater impact, especially on lower-income households, here than in many other countries.⁴ The policies of the current UK Government (as reflected in their commitment to discredited trickle-down economics as discussed in Box 1) are currently exacerbating major economic challenges such as inflation, inequality and the cost of living crisis. Instability and uncertainty are increasing as markets express a lack of confidence in the Government's economic management and competency.

Box 1: Trickle-down economics

'Trickle-down economics' is the name given to the doctrine⁵ – developed in the US in the late 70s and popularised by the Reagan administration – that cutting taxes for wealthy people and corporations will boost growth and that the benefits of this growth will be shared widely beyond those who directly benefit from the tax cuts. The doctrine also asserts that the incentive effects of such tax cuts will be sufficient to ensure that lower tax rates actually lead to higher revenues.

The Nobel Prize winning economist Paul Krugman has argued that "any ideology whose main policy prescription is lower taxes on the rich is likely to have extra staying power: those who preach it are not going to have trouble putting bread on the table."⁶

Yet, despite its enduring popularity with particular interests, the benefits of such trickle-down policy measures have proven elusive while the downsides – in the form of lower revenues to support public services and higher inequality – are tangible and very well evidenced. Only a small minority of professional economists are now prepared to lend support to trickle-down policies.

There is a wealth of evidence to show that:

- tax cuts generally don't boost revenues
- there is no correlation between the top rate of income tax (and the thresholds at which it is levelled) or total tax revenues and the rate of growth in high income countries.

A recent paper found that “tax cuts for the rich lead to higher income inequality in both the short and medium-term. In contrast, such reforms do not have any significant effect on economic growth or unemployment. Our results therefore provide strong evidence against the influential political – economic idea that tax cuts for the rich ‘trickle down’ to boost the wider economy.”⁷

Another Nobel prize winning economist, Joe Stiglitz, has argued that the ‘rising-tide hypothesis’ evolved into a much more specific idea, according to which regressive economic policies – policies that favour the richer classes – would end up benefiting everyone. Resources given to the rich would inevitably ‘trickle down’ to the rest. It is important to clarify that this version of old-fashioned ‘trickle-down economics’ did not follow from the postwar evidence. The ‘rising-tide hypothesis’ was equally consistent with a ‘trickle-up’ theory – give more money to those at the bottom and everyone will benefit; or with a ‘build-out from the middle’ theory – help those at the centre, and both those above and below will benefit.⁸

International Monetary Fund (IMF) researchers have also found that as “the income share of the top 20 percent (the rich) increases, then gross domestic product (GDP) growth actually declines over the medium term, suggesting that the benefits do not trickle down. In contrast, an increase in the income share of the bottom 20 percent (the poor) is associated with higher GDP growth”.⁹

These trends and this instability look likely to continue. The Westminster Government’s approach to international trade deals and the UK Internal Market Act 2020 risk lower standards and diminished workers’ rights, which the Scottish Parliament has been rendered powerless to prevent. This is even the case in devolved areas, such as environmental protection and healthcare services.¹⁰

In contrast, although in a vibrant democracy there will never be complete agreement, recent voting patterns indicate that there is a broad consensus in Scotland that our economy should:

- be more like comparable successful independent European countries, combining economic dynamism with social solidarity
- benefit from, and contribute to, the European Union and the Single Market
- provide well-paid and secure jobs, improve living standards and reduce inequalities and pay gaps that have a particularly negative impact on women, disabled people and minority ethnic communities
- provide reliable low-cost energy from our abundant natural resources, and decarbonise to protect this and future generations from the damage of climate change
- be outward-looking, embracing, contributing to and making the most of international partnerships, both bilateral and multilateral.

This broad economic consensus can, as it has in other successful comparable countries, provide the basis for greater certainty in political decision-making, which in turn can help drive investment decisions and prosperity.

The choice facing Scotland, therefore, is not one of stability versus risk.

The period ahead, for all countries, will involve risk and uncertainty because the world is going through a period of challenge and change.

The only question for Scotland is what form of governance – continued Westminster control, or independence – will best equip us to navigate the future and build a country that is wealthier, happier and fairer.

The Building a New Scotland series argues that becoming independent and self-governing within an interdependent world offers the best future for Scotland. It would allow us to align economic policy with our circumstances and values. It would let us finally close the democratic deficit that sees Scotland too often subjected to governments and policies that do not command support in Scotland and do not meet our needs and aspirations.¹¹

This publication provides an overview of the economic benefits and opportunities of independence.

It sets out Scotland's significant economic strengths and considers how, with the powers of independence, we could harness these strengths to deliver better economic and social outcomes, as comparable countries do.

It also sets out how the transition to a stronger, independent economy can be made, and describes the macroeconomic framework, and supporting institutions, that an independent Scotland would have in place.

This publication presents answers to the key questions the people, businesses and communities of Scotland have about the economy of an independent Scotland.

- **can we do it?** Does Scotland have what it takes to be a successful independent country, and match the economic performance of comparable European countries?
- **do we know how to do it?** Is there a credible plan for Scotland going from being part of a low-growth Brexit-based UK economy to becoming an independent country with full economic powers?
- **and would it be worth it?** Could we, with the powers of independence, build a better and more equal economy that works for the people who live here?

We believe the answer to all three questions is 'yes'.

This publication sets out how and why.

Scotland's economic potential

Key points

The Scottish economy has many strengths, and great potential, but is currently part of a UK economic model that is less productive, with lower national income per head and greater inequality than independent countries comparable to Scotland.

This relatively poor UK economic performance was evident even before Brexit.

Outside the EU, Scotland is now outside a European Single Market that by population is seven times the size of the UK. This is likely to lead to further negative economic outcomes.

In the UK, economic activity is disproportionately concentrated in London and the South East of England. The extent of this geographical inequality is unusually high.

UK wages, adjusted for inflation, are now at around the same level as they were 15 years ago, before the financial crisis. This low wage growth is particularly concerning in the middle of a cost of living crisis.

In an independent Scotland, control of key economic powers would transfer from Westminster to the Scottish Parliament.

The Scottish Government believes that taking decisions in Scotland, combined with our economic strengths, will lead to better outcomes for the people who live here.

We have significant offshore renewables resources and are ranked first amongst the UK's nations and regions for green growth potential and opportunity.

Our food and drink sector is a success. It supported 122,000 jobs in Scotland in 2019, and added £5.8 billion to the economy that year. Scottish salmon is the UK's largest food export, with an export value of over £600 million in 2019. Scotch whisky is the UK's biggest drink export, accounting for a fifth of all UK food and drink exports.

We are a highly educated and skilled country, with a higher share of our population with a university or college education than anywhere else in the UK or EU. We have world-class universities – with three in the top 200 of the Times Higher Education World University Rankings 2023. And Scotland continues to be seen as a desirable place to study and work for international students and researchers.

We have key specialisms in digital technology, including artificial intelligence and cyber security. Edinburgh is now aiming to be the Data Capital of Europe and Dundee is a leader in the gaming industry. In 2019, the tech sector employed 73,700 people.

Given these strengths Scotland is well-placed to match the success of comparable independent countries instead of being part of a relatively poorly performing UK economic model set for further relative decline as a result of Brexit.

The Brexit-based UK economic model

The debate about our economy often focusses on the current fiscal position of Scotland within the UK.

But the point of independence is to change things. Indeed Scotland's fiscal position is a consequence of an unbalanced UK economic model in which economic activity is disproportionately concentrated in London and the South East of England.¹²

The full powers of an independent country would give Scotland the opportunity to develop a new economic model, one that is tailored to our circumstances, opportunities and strengths.

The alternative is to be a regional part of a Brexit-based UK economy. That means:

- **being tied to the UK's stagnating economy.** The UK's economic and social model does not generate broadly based prosperity: it creates concentrated wealth.¹³ Compared with neighbours in north-western Europe, the UK has high income inequality, high rates of poverty and low productivity
- **being outside the EU and a market that by population is seven times the size of the UK.** The Office for Budget Responsibility (OBR) estimates that Brexit will reduce long-run productivity by 4% compared with remaining in the EU.¹⁴ This equates to a loss of around £100 billion in lost output and £40 billion in public revenues.¹⁵ Scotland's share, calculated by head of population, would be around £3.2 billion less each year
- **population decline.** Scotland's population at the time of the Union between Scotland and England is estimated to have been a fifth of that of England and Wales.¹⁶ Today the figure is less than a tenth, or 8.1% of the overall UK population. It is projected that by 2045, if we do nothing, this will fall to 7.6%.¹⁷ A falling working age population will result in a smaller proportion of people generating tax revenue to pay for public services, and the UK's current restrictive migration policies will only exacerbate these trends¹⁸
- **low and unequal incomes.** Wages, adjusted for inflation, are now at around the same level as they were 15 years ago, before the financial crisis, with household incomes in the UK falling behind those in many other European countries.¹⁹ If pay had continued to grow at pre-crisis rates, workers would be earning an average of £9,200 more each year. Eight million young people in the UK have never worked in an economy with rising average wages, and 25 million have never lived in a country where the top 10 per cent have had incomes less than five times that of the bottom 10 per cent.²⁰

The Scottish Government's view is that this reveals a UK economy that is not well placed to meet the challenges of the 21st century.

A recent report by the Resolution Foundation set out clearly the extent of the UK's relative economic decline:²¹

- in 2007, just before the financial crisis, GDP per capita in the UK was just 6% lower than in Germany, but by 2019 this gap had increased to 11%
- labour productivity grew by just 0.4% a year in the UK in the years following the financial crisis, half the rate of the 25 richest Organisation for Economic Co-operation and Development (OECD) countries (0.9%)
- real wages grew by an average of 33% a decade from 1970 to 2007 but growth fell to below zero in the 2010s
- having surged during the 1980s and remained consistently high ever since, income inequality in the UK was higher than any other large European country in 2018
- low-income households in the UK are now 22% poorer than their counterparts in France and 21% poorer than low-income households in Germany.

The detrimental economic impact of Brexit on Scotland (see Box 2) and the UK as a whole is now evident:

“The UK is lagging behind the rest of the G7 in terms of trade recovery after the pandemic; business investment...trails other industrialised countries despite lavish Treasury tax breaks to drive it up.”²²

The OECD predicts that the UK will be the slowest growing G20 nation over the next year, apart from sanctioned Russia.²³

Catherine Mann of the Bank of England's Monetary Policy Committee recently assessed the impacts of Brexit:

“the more sluggish recovery in UK trade relative to G7 peers, which is associated with Brexit, portends downside risk to productivity growth, and therefore a lower long-term real rate. Erosion in competition, fewer varieties, and less new technology imported into the domestic UK market, and the loss of economies of scale and market knowledge associated with export expansion translate into lower firm-level and aggregate productivity growth”.²⁴

The Resolution Foundation has found that the UK economy is less open and less competitive as a result of Brexit:

“following the implementation of the EU-UK Trade and Cooperation Agreement (TCA), the UK has suffered a broad-based fall in both openness and competitiveness in 2021. Between 2019 and 2021, UK trade openness fell by 8 percentage points, significantly more than in countries with similar trade profiles, such as France which experienced a 2-percentage-point decline”²⁵

It concluded that this will have a detrimental impact on the UK's productivity and on people's wages:

“A less-open UK will mean a poorer and less productive one by the end of the decade, with real wages expected to fall by 1.8 per cent, a loss of £470 per worker a year, and labour productivity by 1.3 per cent, as a result of the long-run changes to trade under the TCA”.²⁶

Box 2: How has Brexit affected Scotland's economy?

Brexit has created new trade frictions and costs for businesses in Scotland.

Scotland's trade in goods with the EU was particularly affected at the start of 2021 when new checks and requirements were introduced under the agreed UK-EU trade deal.

Scottish Government analysis shows that the value of Scotland's **total trade in goods with the EU** (imports plus exports) was 12% lower in 2021 than it otherwise would have been under continued EU membership.²⁷ Much of this decline is driven by a reduction in EU imports.²⁸

Imports of food and live animals (dairy products, vegetable and fruit) were 21% lower.

Imports of manufactured materials (textiles, fabrics and rubber) were 23% lower.

Imports of miscellaneous manufactured articles (apparel and clothing accessories) were 33% lower.²⁹

Latest survey data show that many Scottish businesses are facing **additional costs due to Brexit**. Around 27% were facing higher transportation costs, 16% were reporting additional costs due to changing supply chains and a further 15% due to red tape.³⁰

In addition to the direct effect of increased trade costs, Brexit has contributed to a **shortage of labour** in the UK economy. This has had an additional inflationary headwind compared to other major advanced economies due to lack of available skills. Many EU nationals have left Scotland (and the rest of the UK) since the UK left the EU, during a period that has coincided with the pandemic and the introduction of the new UK immigration system. In Scotland, sectors such as accommodation & food, administration & support services as well as some areas of food manufacturing have seen large decreases in the number of EU workers, which has contributed to recruitment challenges.³¹

Trade impacts are based on one year's data. But **Brexit is a long-term shock**.

More broadly, the data suggest that the UK as a whole has **become less open**. Trade as a share of UK GDP has fallen 12% since 2019: two-and-a-half times more than in any other G7 country.³²

In other words, because of Brexit, UK trade has recovered from the shock of the pandemic much more slowly than other G7 countries.

Only independence would give Scotland the power to reverse Brexit and its associated negative impacts.

The UK Internal Market Act 2020 (the IMA) has reduced the ability of Scotland to make decisions that suit its circumstances. It deepens UK-wide uniformity, centralises economic control in the hands of the Westminster Government, and limits the Scottish Parliament’s ability to address public health issues, such as food content standards or alcohol-related harm.³³

Scotland will see devolved powers further undermined if the Westminster Government decides to accept reduced standards to secure a free trade agreement with other countries. The USA, for example, has been clear that agriculture, food standards and drug prices will be on the table in any future trade deal with the UK.³⁴

As things stand, the Scottish Parliament does not have the power to resist Westminster imposing lower standards in Scotland, even in devolved areas.³⁵ This poses significant risks to the economy. The food and drink sector is more important economically to Scotland than it is to the UK as a whole. The industry’s success is based on the quality guarantee that comes with Scottish provenance and any change in regulatory approach that compromised standards would have a severe impact.

It is worth comparing the prospects for Scotland’s economic future with the example of Ireland. EU membership allowed Ireland to escape over-reliance on a sluggish UK economy.³⁶

While a range of factors contributed to its rapid development post EU accession, Ireland’s national income increased rapidly as it diversified trade away from the UK and towards the EU and the rest of the world, as shown in Table 1.³⁷

Table 1
Ireland’s population, Ireland and the UK’s GDP and net national income per head, and Ireland’s trade patterns with the UK and EU

	1973	1979	2000	2019	2020
Population of Ireland (millions)	3.09	3.37	3.81	4.93	4.99
GDP³⁸ per head Ireland (USD, constant prices, 2015 PPPs)	15,019	18,299	46,873	83,874	88,111
GDP per head UK (USD, constant prices, 2015 PPPs)	21,155	23,163	37,081	45,157	40,741
Net National Income per head Ireland (USD, constant prices, 2015 PPPs)	NA	NA	34,083	44,029	41,881
Net National Income per head UK (USD, constant prices, 2015 PPPs)	NA	NA	31,189	38,126	33,777
UK share of Ireland’s goods exports (%)	55	46	22	10	9
UK share of Ireland’s goods imports (%)	51	50	31	23	23
EU share of Ireland’s goods exports (%)	24	35	40	35	38
EU share of Ireland’s goods imports (%)	26	26	22	33	31

Sources: World Bank [Population, total](#), OECD [Gross domestic product \(GDP\)](#), OECD [Net national income per head](#), De Bromhead, A. Adams, R. and Casey, C. (2021) [Ireland’s economy since independence: what lessons from the past 100 years?](#) Economics Observatory

For Scotland, the danger of not acting quickly is that, outside the EU, exports to Europe will fall, and UK regulations will increasingly diverge from those of the EU. As part of the UK, Scotland would be increasingly locked into a UK economic model that delivers low growth.

Box 3: New economic thinking

Economic thinking has shifted profoundly in recent years. Organisations like the OECD and IMF, which had prioritised market-driven approaches to economic development, are now significantly more interested in researching and promoting policies to reduce inequality and boost workers' bargaining power.

The slow, uneven recovery that followed the global financial crisis in 2008 led to a reassessment of many of the orthodoxies and assumptions of recent decades.

The rise of political populism and experience of the pandemic has intensified concerns about an approach to economic policy-making that ultimately produced slower productivity growth³⁹ and higher inequality⁴⁰ compared with preceding decades.

The shift in attitude is reflected in international economic institutions' approach to inequality, for example, the OECD and European Union's interest in minimum wage setting and extending collective bargaining coverage, and renewed interest in industrial policy.⁴¹

The range of policies supported by these institutions has widened significantly. For example, the OECD's 2018 Job Strategy promoted the benefits of policies to increase collective bargaining coverage,⁴² a significant change from its previous strategies.

The 21st century economy will require structural shifts of a scale that only government can shape. National co-ordination and substantial investments in infrastructure, for instance energy networks and public transport, are necessary to support the fastest possible just transition to net zero.

This new economic thinking informs both the Scottish Government's commitment to a [Wellbeing Economy](#) and the proposals in this publication.

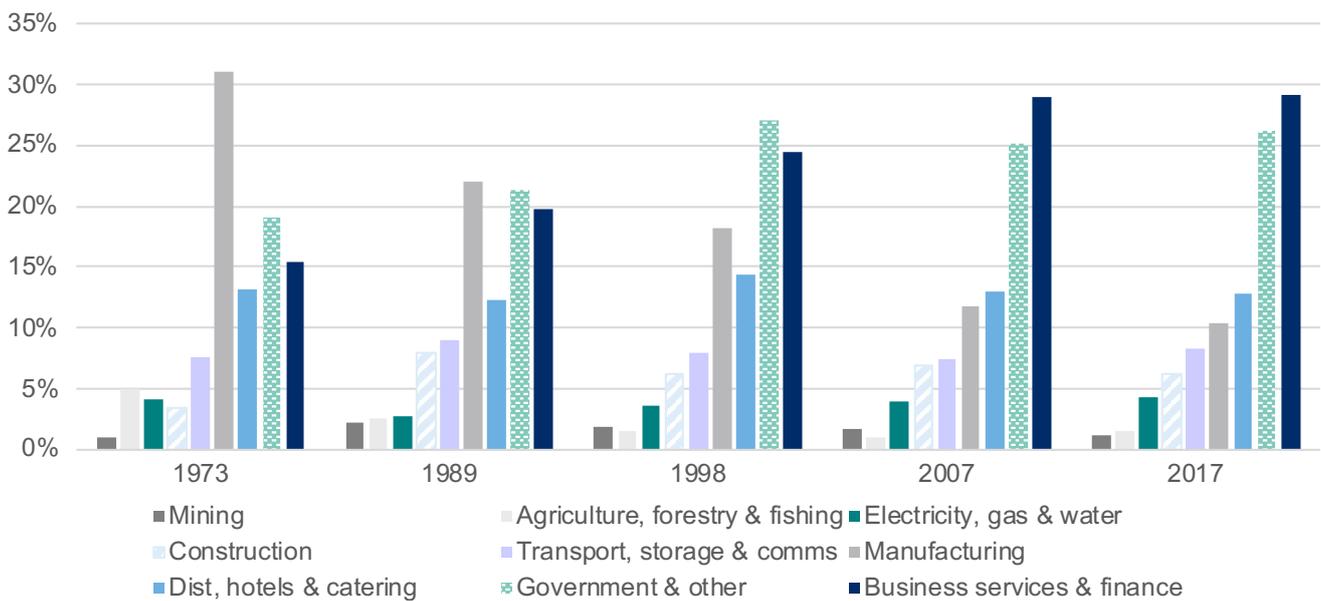
Scotland's economy

Structure of Scotland's economy

The structure of the Scottish economy has evolved significantly over recent decades in response to a range of factors including technological change, policy choices at UK level, and increased openness and competition within the global economy.

These trends have contributed to a major shift in Scotland from manufacturing to service-based activities, as shown in Figure 1.

Figure 1
Gross value added (GVA) as a proportion of total, Scotland, 1973-2017



Source: Scottish Government (2021) [Supply, Use and Input-Output Tables: 1998-2018](#) (Note: these data are not fully consistent over time because of changes in accounting systems and industrial classifications)

Performance of Scotland's economy

Since the establishment of the Scottish Parliament in 1999, the Scottish economy has performed well relative to the UK as a whole; although the UK has performed poorly, relative to independent European countries comparable to Scotland.⁴³

Successive Scottish Governments have pursued policies on economic development and productivity. Historic gaps in productivity and wages between Scotland and other parts of the UK have narrowed.

However, key economic powers are reserved to Westminster (see Box 4), and across the ten comparable independent European countries whose performance we looked at in the first Building a New Scotland publication, GDP per capita in 2021 was on average £14,000 per person higher than in Scotland (£11,000 excluding Ireland).⁴⁴

Box 4: Reserved economic powers

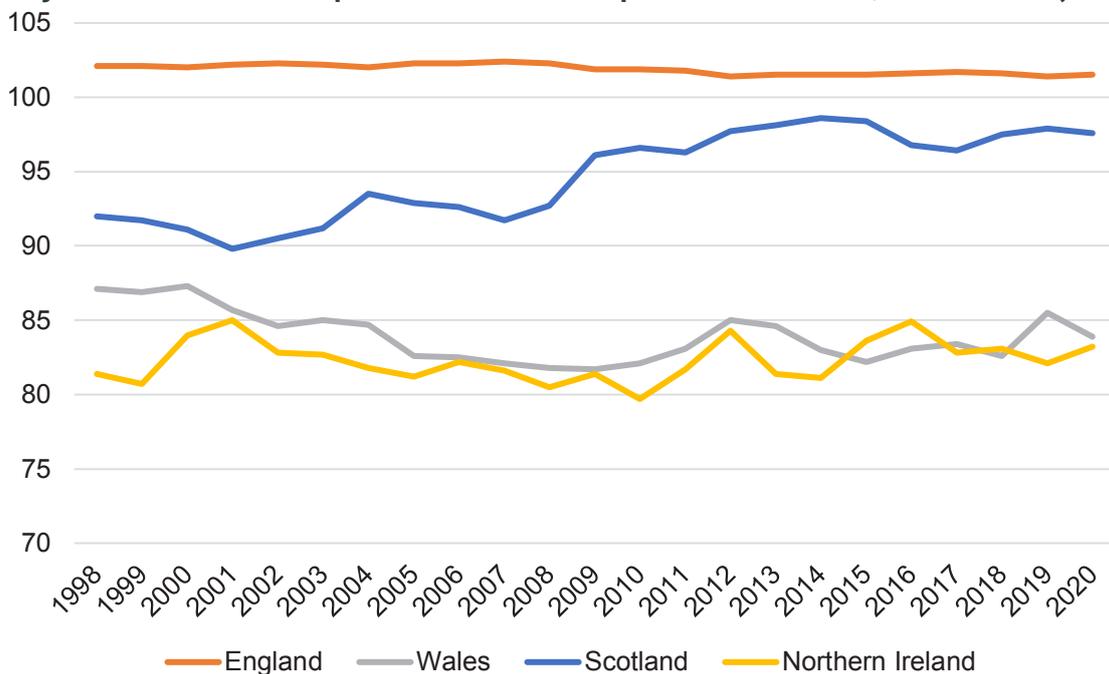
- foreign affairs and international trade
- fiscal, economic and monetary system, including most aspects of taxation
- most social security benefits
- tax credits and child benefit
- the minimum wage
- financial regulation
- immigration
- key aspects of energy policy, including North Sea revenues, generation and supply of electricity, and offshore oil and gas
- trade and industry, including company law, competition, and consumer protection
- cyber security
- many aspects of transport
- employment legislation, and industrial relations law
- broadcasting and media regulation
- telecommunications regulation.

Across a range of indicators Scotland has generally outperformed nations and regions outside London and South East England, and the gaps in performance between Scotland and the UK as a whole have narrowed significantly across some measures, as set out below.

In 1999, when the Scottish Parliament was established, Scotland’s productivity levels were 8% lower than the UK average. The most recent available data show that the gap is now only around 2%, with only London and the South East performing better than Scotland on this measure.⁴⁵ Figure 2 shows Scotland’s productivity levels, as well as those of the other UK nations, since 1998.

Figure 2

Productivity measured as GVA per unit of labour input in UK nations, 1998-2020 (UK = 100)



Source: [Regional labour productivity, UK Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

Average earnings have also grown at a faster rate in Scotland than in the UK as a whole, to the point where they are now in line with the UK average.⁴⁶

Labour market indicators have also performed well, with employment (and particularly women's employment) improving considerably since 1999, and unemployment is currently at historically low levels. However, the data also point to limited growth in real pay in the decade following the financial crisis and, more recently, a rise in economic inactivity with the latest data showing Scotland's inactivity rate 0.7 percentage points above the UK average in May-July 2022.⁴⁷

Further information on Scotland's economic performance is presented in the Scottish Government's evidence paper for the National Strategy for Economic Transformation.⁴⁸ Scotland's improving economic performance indicates that it is well positioned to learn from the experience of those nations that have used the full powers of independence to achieve significantly better outcomes, including higher national income per head and lower income inequality.⁴⁹

Scotland's strengths

Successful independent countries comparable to Scotland are common in Europe. Indeed, they are among the wealthiest, fairest and happiest societies on earth.⁵⁰

Scotland enjoys extraordinary natural heritage, a highly educated workforce, and has a range of industries, some of which are already successful in global markets and have significant potential to develop further.

Scotland's strengths and potential are closely aligned with current EU priorities,⁵¹ in particular:

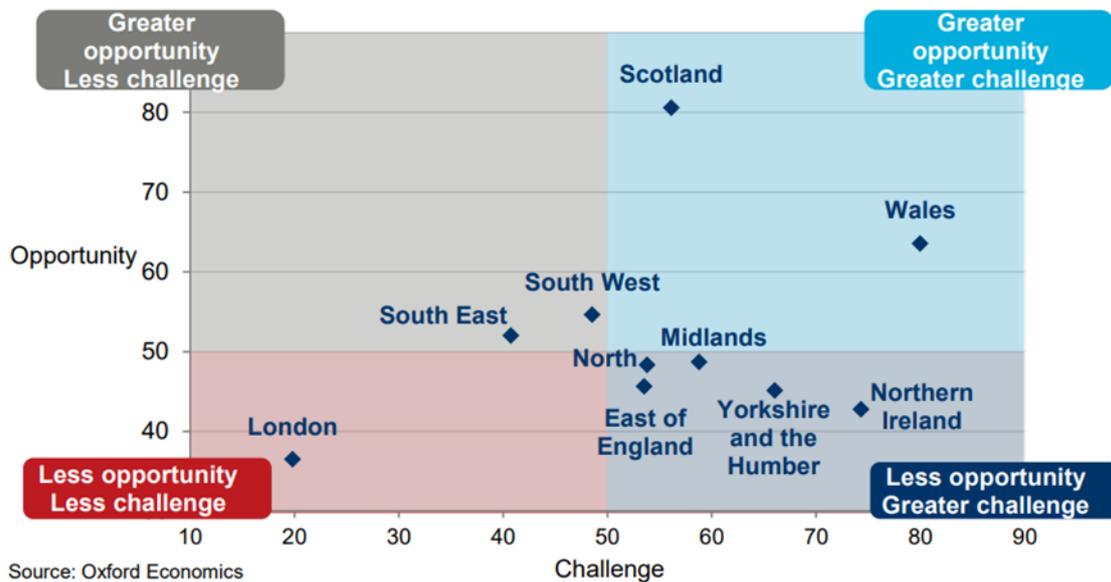
- the European Green Deal, aiming to make Europe the first climate-neutral continent by 2050
- transitioning to a circular economy
- education and skills fit for the digital era
- upholding fundamental human rights and promoting equality, tolerance and social fairness; and
- an economy that works for people.

Natural resources

Scotland has significant offshore renewables resources and recently launched the world's largest floating offshore wind leasing round through ScotWind, which provides seabed rights for potential development of almost 28 GigaWatts (GW) of offshore wind energy, putting Scotland at the forefront of the global development of the sector. Scottish natural capital assets also account, for example, for the majority of the UK's fishing (88%), renewable energy (58%) and timber (61%).⁵²

Figure 3, below, shows the Green Growth Index by Oxford Economics, commissioned by the Lloyds Banking Group,⁵³ which places Scotland first in the UK for green economy opportunities. This reflects Scotland's existing green industrial base with a growing number of green jobs and innovation activity, take-up of relevant skills and training, and development and use of renewable energy infrastructure. The report ranks the level of green growth challenge for each part of the UK based on an assessment of the relative need to reduce emissions rates and economic reliance on carbon-intensive industry.

Figure 3
Green growth challenges and opportunities⁵⁴



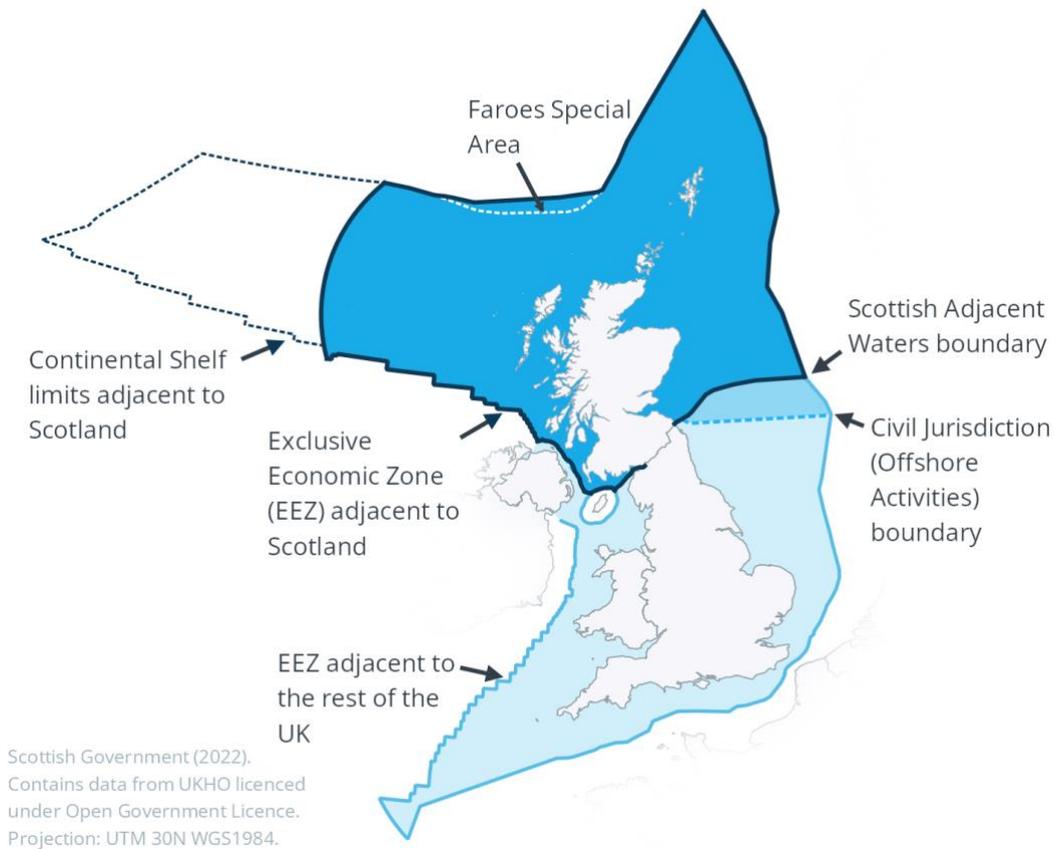
Source: Oxford Economics (2021) [Lloyds Banking Group UK Green Growth Index](#)

Figure 4 shows Scotland’s share of the UK’s current ‘Exclusive Economic Zone’. Exclusive Economic Zones (EEZs) are areas of the sea over which coastal countries have exclusive sovereign rights and duties in relation to natural resources, such as fish and energy resources.⁵⁵ Scotland’s 63% share of the UK’s current EEZ is an estimated 462,315 square kilometres and is nearly six times larger than the land area of Scotland, with 18,743 kilometres of coastline.⁵⁶

Including its entire continental shelf (areas of seabed that can extend beyond the EEZ, where countries continue to have exclusive sovereign rights over natural resources such as oil, but not fish for example),⁵⁷ Scotland’s seas are an estimated 617,643 square kilometres (an area around two and a half times the land area of the UK).⁵⁸

As an independent member state of the EU, our EEZ would be the fourth largest of EU member states’ core waters;⁵⁹ larger, for example, than those of Ireland, France or Portugal.⁶⁰ These waters are not only significant geographically, but are also among the richest in the world in terms of fisheries, marine biodiversity, and offshore renewable energy potential.⁶¹

Figure 4
Maritime limits of Scotland and the UK



Source: [Continental Shelf \(CS\) \(Designation of Areas\) Order 2013 | Marine Scotland Information](#) © Marine Scotland. Limits and boundaries are explained at [Limits and Boundaries | Marine Scotland Information](#)⁶²

A rich and diversified economy

Scotland has a rich and diversified economy, with key strengths in areas ripe for growth in the future:⁶³

- the **energy sector, including renewables**, accounted for £20bn gross value added (GVA)⁶⁴ in 2019 and 69,000 jobs in 2019. GVA per head was estimated to be over £275,000 in the energy growth sector in 2019⁶⁵
- the **food and drink** sector accounted for 122,000 jobs in Scotland in 2019, with a GVA of £5.8 billion (2019)⁶⁶
- **Scottish salmon** is the UK's largest food export, with an export value of over £600 million in 2019.⁶⁷ Scottish fishing and aquaculture (fish and shellfish farming) had a turnover of over £1.1 billion in 2019⁶⁸
- in 2019, **Scotch whisky** alone accounted for 21% of all UK food and drink exports,⁶⁹ and was the UK's biggest drink export, with turnover of £4.1bn in 2019⁷⁰
- we are home to dynamic **creative industries** including architecture, advertising, performing arts and writing and publishing, and we have growing strengths in **digital skills and technologies**. Creative industries (including digital) employed 90,000 people in 2019, with a GVA of £4.2bn in 2019⁷¹

- we are a world leader in **tourism**, drawing on Scotland's long-standing cultural assets and reputation. Tourism employed 229,000 people in 2019, with a GVA of £4.5bn in 2019⁷²
- in 2019 **financial and business services** employed 235,000 people.⁷³ Scotland has leading positions in responsible and ethical finance. Research published by the ethical finance hub finds that Scotland's share of the UK's responsible investing market outweighs its share of the conventional market⁷⁴
- our specialisms in **digital technology, including artificial intelligence and cyber security**, build on Edinburgh's international prominence in data and AI and its aim to be the Data Capital of Europe,⁷⁵ as well as Dundee's leadership in gaming, with internationally renowned gaming companies and Abertay University ranked best in Europe for gaming education and 7th best in the world for post-graduate gaming design.⁷⁶ The economic potential of Scotland's digital technologies sector is high and the sector employed 74,000 people and contributed £5.3 billion (GVA) to Scotland's economy in 2021.⁷⁷ The tech sector in Scotland is forecast to be the second fastest growing sector in Scotland to 2029 in terms of GVA (26%) – growing 1.5 times faster than the economy overall (18%)⁷⁸
- we have one of the **biggest life sciences clusters in Europe**⁷⁹ with world leading expertise in drug discovery and precision medicine, medical technologies and pharmaceutical services, digital health and care, animal health and agri-tech. The life sciences sector employed 20,000 in 2019 in 565 diverse organisations, with a GVA of £1.6bn in 2019. Scottish life sciences jobs are highly productive. In 2019, GVA per head was over £88,000 in the life sciences sector⁸⁰
- the past decade has seen significant growth in the **professional, scientific and technical activities** sector, so much so that it is now the largest sector in Scotland in terms of number of businesses (47,240 businesses, 13.7% of Scottish total). 2010-2021 also saw considerable business growth in services, information and communication, education, and arts entertainment and recreation industry sectors⁸¹
- we have a growing **space sector**. Almost one fifth of all UK jobs in the space sector are based in Scotland. We are well positioned geographically for the types of orbit best suited to small satellites used for earth observation and we are building on our manufacturing expertise in this area, currently producing more small satellites than any other country in Europe.⁸²

Education and skills

With three universities in the overall world top 200, and nine in the top 200 based on international outlook,⁸³ Scottish universities and colleges are a national success story.

Many of our higher education institutions lead the way in vital areas of research with truly global impacts, and Scotland continues to be seen as a desirable location to study and work for talented undergraduates and researchers.⁸⁴

As a respected partner in European research and innovation programmes, Scotland has expertise and best practice to share, including in areas like artificial intelligence (AI), renewable energy technology, ageing populations and anti-microbial resistance. These are areas that are best tackled collaboratively, across nations.

With our globally-renowned research and innovation, an independent Scotland would be well placed to help the EU achieve its ambition of being a global leader in AI. As outlined in our AI strategy, we share the EU's commitment to adopting AI using a values-based approach.⁸⁵

Scotland has large clusters of scientists working in life sciences, including Europe's largest concentration of animal health and aquaculture researchers.⁸⁶ As a member state, an independent Scotland would contribute positively in areas of expertise such as energy, the environment and fisheries. We have the third largest salmon aquaculture industry worldwide and are a major exporter of nutritious seafood, with the potential to make a direct contribution to enhancing European food security.

Scotland's tech sector has particular strengths in software development, data science, biotechnology, sensors, and connectivity. Scotland's ambition is to become Europe's leading space nation,⁸⁷ with Glasgow already building more small satellites than any other place in Europe. Scotland is therefore well positioned to contribute to the innovation and growth which will be critical to the EU's long-term prosperity and sustainable growth. With Scotland becoming one of the major hubs for data and technology start-ups,⁸⁸ we also have much to contribute to the digital economy, including the computer games sector.

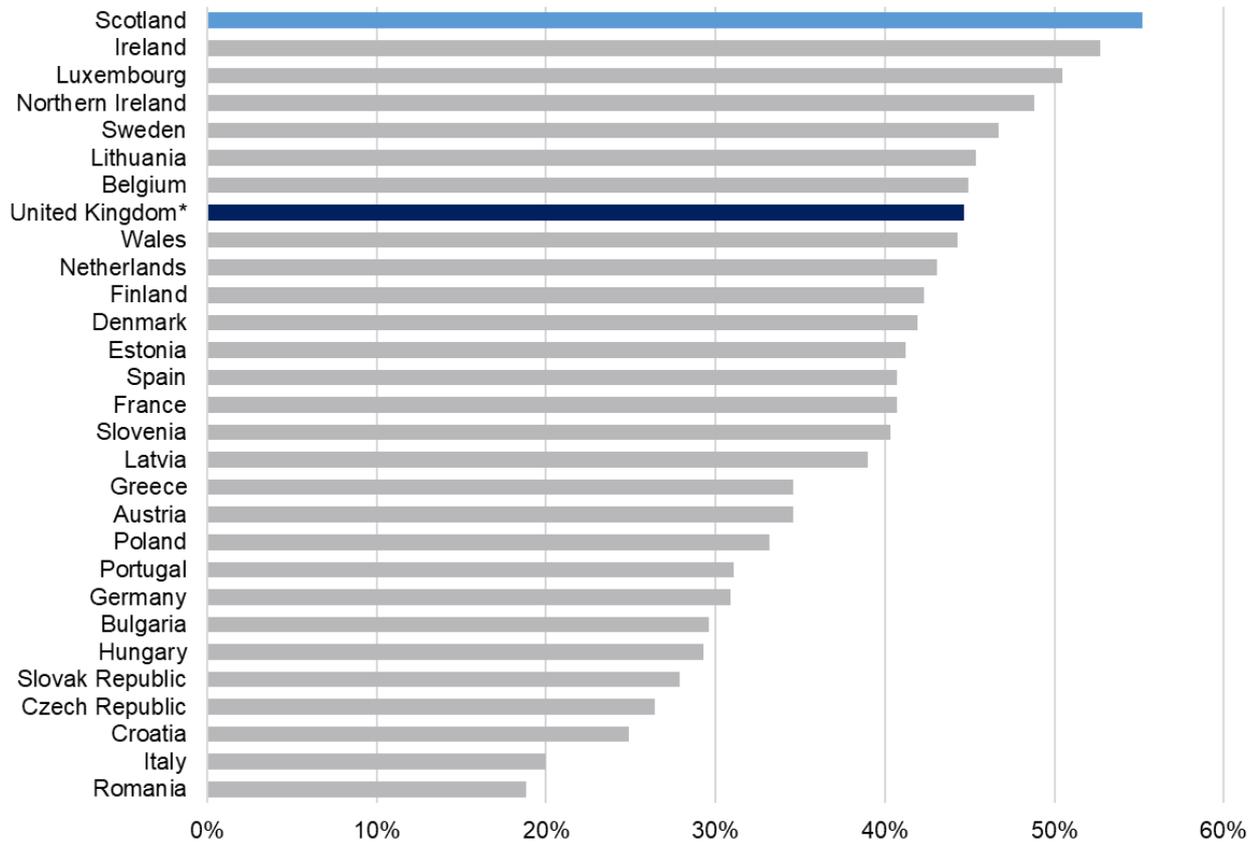
A key example is the £11.5 million InGAME R&D Centre based in the heart of the Dundee video games cluster, led by Abertay University, in partnership with the University of Dundee, the University of St Andrews and local and international industry.⁸⁹ InGAME aims to deliver innovative research and offer R&D support and services to games companies. As well as Dundee and Angus College leading the way in e-sports education, using their expertise to deliver a progression pathway that will support the future development of this industry and maximise the educational benefit.⁹⁰

Universities Scotland estimates the GVA of the Scottish Higher Education sector in 2019 was £8 billion.⁹¹

The most recent available data show that Scotland has a higher share of the population aged 25 to 64 years with a tertiary education than the UK or any country in the EU (see Figure 5).⁹² This demonstrates that Scotland performs strongly when it comes to investing in skills as measured by tertiary education qualifications.

Figure 5

Proportion of population age 25 to 64 with at least tertiary education, Scotland and selected European countries, 2021*



* UK data are from same OECD source, but was only available up to 2019 at the time these data were accessed
Source: OECD [Regional Education Statistics](#) (accessed 31/08/22)

Brexit has disadvantaged Scotland in a number of ways relating to education and skills.

For example, the Westminster Government has decided not to participate in Erasmus, depriving thousands of Scottish students the opportunity to study in the EU and worldwide. Erasmus is the European Union's programme for education, training, youth, and sport which, before Brexit, enabled 2,200 Scottish students every year to study or work abroad.⁹³

The decision has also seen a reduction in the number of EU students who came to Scotland to study under the scheme. Proportionally more people from the rest of Europe visited Scotland in return under Erasmus and so the reduction in numbers has had an impact on our economy, culture and environment as well as the diversity on campuses.

Brexit has resulted in a reduced number of students from Europe opting to study in Scotland, with the latest applicant statistics showing a 26% decrease in EU applicants applying to Scottish universities between 2021 and 2022.⁹⁴

Another example is Horizon 2020, the EU programme of funding for research, technological development and innovation. Current uncertainty over the UK's future involvement in this programme is a huge concern to Scotland's research and innovation community.

Scotland received funding of €874 million from the Horizon 2020 programme over the period of 2014-2020.⁹⁵ Scottish organisations were expected to win considerably more funding under the replacement Horizon Europe (2021-2027) scheme.

On re-joining the EU, Scotland would again be able to welcome students from EU countries to our colleges and universities, with EU students, once again, able to enjoy the same access to higher education as Scottish students. It would enable Scottish students to participate in schemes like Erasmus, equipping our young people with the language skills and international outlook required to meet the economic challenges and opportunities we face.

Being part of Horizon Europe would provide access to EU funding: in 2020/21 Scottish higher education institutions received around 7% of their total research income, including funding body grants, from EU government bodies.⁹⁶

It would also provide access to data, equipment, research infrastructure, networks and talent. It would give Scotland a seat at the table when decisions are being made on the future research priorities for the EU, providing the opportunity to shape those in line with expertise in Scotland's universities and the needs of the Scottish economy and society.

With all the levers at our disposal as an independent country, including a new approach to migration as discussed later in this publication, the higher and further education sectors could play an even greater role in growing the economy.

Conclusions

Scotland has great strengths.

We have a highly educated population and natural resources that would be the envy of most countries.

We lead in the innovative technologies that will both form and support the industries of the future.

We have the strengths to become a successful independent country, matching the performance of comparable countries in Europe.

But we are currently part of an under-performing UK economic model, already suffering the impact of Brexit which will have long-term deep and damaging costs.

Later in this publication, we will set out how the full powers of independence can be used to help realise Scotland's full potential.

But we first turn to the plan for how Scotland can move from being tied to a poorly performing Brexit-based UK model to an independent country with the powers needed to match the success of comparable independent countries.

Currency and fiscal policy

Key points

This section sets out our proposal for the arrangements for managing Scotland's economy through a new macroeconomic framework designed to provide stability and the flexibility to respond to changing economic conditions.

With independence, powers currently reserved to Westminster covering monetary and fiscal policy and financial stability, and wider regulation of the economy, will be the responsibility of the Scottish Parliament.

Currency and financial stability

We propose that, on independence, Scotland would continue to use the pound sterling for a period before moving to our policy of adopting a Scottish pound. The change would take place as soon as practicable through a careful, managed and responsible transition, guided by criteria and economic conditions rather than a fixed timetable.

While Scotland is still using sterling, many aspects of monetary policy would continue to be set by the Bank of England. However, an independent Scottish Central Bank would be established with oversight of monetary and economic conditions in Scotland and with responsibility for financial stability.

The Scottish Central Bank would also report on the economic criteria and conditions for moving to a Scottish pound. This would be part of a wider process, drawing on independent advice to inform the decision by the Scottish Parliament on when to introduce the Scottish pound.

Following a vote for independence, Scotland would remain part of the UK while the terms of independence are negotiated. During this period, arrangements would be put in place to enable financial services and products to operate in the same way following independence as they do now. This would maintain confidence and financial stability.

An early priority following a vote for independence would be for the Scottish Government to work with the Scottish Central Bank to design an institutional model and a future approach to financial regulation that would be proportionate to the size and ambition of the financial services sector in an independent Scotland.

Fiscal policy

Our fiscal policy would be designed to support improved economic competitiveness and resilience, underpinned by the principle of fiscal sustainability.

We would set out clear fiscal rules, for example on public sector borrowing, and arrangements for their independent assessment by the Scottish Fiscal Commission.

We would take a responsible approach to servicing a share of UK debt and the sustainable management of offshore revenues.

A robust institutional framework would be established to support the fiscal strategy, with an expanded role for the Scottish Fiscal Commission and a new Debt Management Office.

Of course, as in any independent country, the macroeconomic framework would evolve over time to adapt to changing economic circumstances. Independence means that future decisions and choices will be for the Scottish Parliament and Government to make.

The macroeconomic framework

With independence, responsibility for monetary policy, fiscal policy and financial stability, as well as the regulation of the economy, will transfer from Westminster to the Scottish Parliament.

In this section, we set out proposals for a new macroeconomic framework in Scotland designed to improve competitiveness and economic resilience.

A macroeconomic framework typically consists of three interdependent elements: monetary policy, fiscal policy and arrangements for financial system stability.⁹⁷ Monetary and fiscal policy are explained in Box 5 below.

The framework currently in place in Scotland is set by Westminster. The institutions that support its management, including the Bank of England, financial services regulators, and the Office for Budget Responsibility are established in law, but the performance and degree of stability, or otherwise, in the present macroeconomic system is driven by policy decisions made by the Westminster Government.

With independence, Scotland will have responsibility for our own macroeconomic framework and for the operation of supporting fiscal institutions. We would expand existing fiscal institutions, such as the Scottish Fiscal Commission and Revenue Scotland. We would also set up essential new ones, like a Scottish Central Bank and a Debt Management Office, with clear remits and strong governance structures, accountable to the Scottish Parliament.⁹⁸

Box 5: What are monetary policy and fiscal policy?

Monetary policy covers the management of the money supply, credit and interest rates in an economy. It influences the value of goods and services produced in an economy and the value of currency. The monetary policy tools available to an independent Scotland would depend on the choice of currency and the details of the currency regime. How monetary policy is conducted affects prices, business and consumer confidence, investment, trade flows, the cost of public and private borrowing, financial prosperity and wealth.

Fiscal policy covers the use of tax and spending to fund public services, and public investment, for example in transport and other infrastructure.

Effective management of the public finances is a critical requirement for all countries.

Decisions on tax, spending and borrowing must be balanced to ensure a sustainable fiscal position. A clear strategy and robust governance contribute to credibility, predictability and transparency. Fiscal policy plays an important role in stabilising the economy over the economic cycle. Fiscal sustainability is a pre-condition for a successful monetary policy and the credibility of the policy is reflected in financial markets in the cost of borrowing.

The stabilising function of fiscal policy takes two forms. The first is automatic, operating without further government intervention: when, for example, tax revenues move in line with economic growth. The second is discretionary and takes place when policy decisions are made: for example, spending pledges or tax changes in order to respond to the economic cycle, to support particular groups within society and to deliver wider policy objectives.

A stable financial system is essential to the smooth functioning of the economy.

The financial system of an independent Scotland would be regulated to ensure financial stability and to protect consumers, while also recognising the importance of international competitiveness and the need for regulation to be proportionate to the size and complexity of the industry in Scotland.

The role of currency

Box 6: Why currency matters

Currency matters to all of us. The public, business, markets and investors must all have confidence in the currency in order to hold, invest and use it, and must have trust in the wider financial system. It is therefore essential that people, businesses, investors and trading partners recognise and accept a country's currency.

The choice and operation of a currency has an impact on banking and the wider financial system. It affects prices, business and consumer confidence, investment, trade flows, the cost of public and private borrowing and government debt, financial prosperity and wealth. Ultimately it affects the competitiveness and performance of the economy.

Currency in modern economies is not backed by gold or tied directly to reserves.⁹⁹ Citizens use money for transactions and to store wealth through savings investments such as pensions. The external value of the currency – what it buys in other countries – is important for consumers, for businesses trading internationally, and for people holding or investing in assets abroad.

For example, as the value of sterling goes up and down, relative to other currencies, the relative cost – the purchasing power – changes. This is driven by markets, economic fundamentals and expectations.

For all these reasons, confidence in the currency is essential. It is dependent on strong institutional arrangements to support its operation and is an integral part of the macroeconomic framework and performance of a country's economy.

Among successful independent countries there is no single approach to the currency regime. The choice of currency is a product of economic and financial history and political decision-making.¹⁰⁰

For example, Austria, Belgium, Ireland, Finland and the Netherlands share a currency – the euro – while Denmark, Iceland, Norway, Sweden and Switzerland have their own currencies.

However, Denmark pegs its currency to the euro (meaning that it shared a fixed exchange rate with the euro) and shares it with Greenland and the Faroe Islands.¹⁰¹ The decision to peg to the euro is a policy choice: Denmark's main trading market is the European Union, so pegging provides price stability for trade with the 18 euro economies.

All of those countries, regardless of currency choice, have higher national incomes per head than the UK:¹⁰² a number of different currency arrangements can be seen to support prosperous economies within Europe.

Countries have a policy choice whether to fix the external values of their currencies or allow exchange rates to move freely in response to market forces. The choice has implications for how an economy adjusts to shocks, the monetary policy tools available, and the need for foreign exchange reserves.

With a fixed exchange rate, the country's central bank maintains a predictable value for the currency. With a floating exchange rate, the value of the currency is determined by financial markets, though monetary policy and interest rate decisions can be used to influence the exchange rate.

The currency of an independent Scotland

As an independent country, Scotland would have options for its currency regime and the underpinning macroeconomic framework.¹⁰³

At the highest level, the options are to:

- share a currency (for example, to continue to use sterling, or join another currency, like the euro), or
- introduce a new currency, a Scottish pound

Each would require different institutional arrangements with different monetary policy tools to manage the economy, and each has different implications for fiscal policy and financial regulation.

We propose two phases for currency policy after independence.

In **phase one**, from independence day, Scotland would continue to use the pound sterling.

This does not require any formal agreement with the Westminster Government. Sterling has been the legal currency in Scotland for centuries and is internationally traded.

The continued use of sterling would allow time for new institutions, including an independent Scottish Central Bank, to be established during transition and to build credibility, ensuring continuity for citizens and business during the phase immediately after independence.

In **phase two**, a new independent Scottish pound would be established.

This would take place as soon as practicable through a careful and managed transition. The decision about when the economic conditions are right would ultimately be for the Scottish Parliament. Part of the remit of the post-independence Scottish Central Bank would include advising on these economic conditions. In phase two, the role of the Scottish Central Bank would expand.

The continued use of pound sterling

Our currency proposition is grounded in practicality for households and businesses.

Businesses would continue to trade in pound sterling, with contracts, wages and savings continuing on that basis. For example, arrangements for pensions, deposit accounts, and contracts would all remain in place but be governed by Scottish institutions. Existing private and business contracts in sterling would continue as before. The Scottish Central Bank would be given a legal mandate for financial stability: it would independently oversee regulation of the banking and financial system in Scotland.

During this period regulation for financial services would align with existing regulation and all existing consumer protection would remain in place. However, oversight of regulation would be for the Scottish Central Bank. This would include ensuring all existing regulatory requirements and standards are met, and that the financial sector continues to operate efficiently. The existing deposit insurance guarantee¹⁰⁴ and pension protections would continue. Continued alignment of regulatory structures would be the responsibility of the Scottish Parliament.

Under our proposals, there would be no change in the currency in which wages and salaries are paid or savings and investments made. Financial services and products would remain denominated in sterling. Monetary policy during this period would also continue to be set by the Bank of England.

This would place a greater emphasis on the use of fiscal policy to ensure the overall strength of the economy, and on fiscal sustainability to provide confidence to financial markets. The principles that we propose should underpin Scottish fiscal policy are set out later in this publication.

Key requirements for continued use of the pound sterling

One We would use the time between a vote for independence and day one of independence to put in place all the requirements for continued use of sterling

On day one of independence, the Scottish Government would have legal and regulatory responsibility for the macroeconomic regime in an independent Scotland.

The key operational requirements for day one would be to have created the new institutions and the necessary functions to ensure financial stability.

The Scottish Government would work with UK regulators to ensure a coordinated and clear process.

Alongside this, on independence the Scottish Government would have full control of fiscal policy, further discussed below, and we would ensure sufficiency of sterling reserves to cover this initial phase.

Two We would establish a Scottish Central Bank, to be in operation from day one of independence

The main new institution to be established would be a Scottish Central Bank. It would operate independently of Government and be given a clear mandate, initially focusing on ensuring financial stability.¹⁰⁵

Further institutional capacity would be required for the development of financial regulation functions and for fiscal policy. We propose a new framework that is credible and comparable in scale and scope to those of similar economies.¹⁰⁶

Scotland's current institutional framework is significantly different from that in 2014: new institutions such as the Scottish Fiscal Commission, Revenue Scotland and the Scottish National Investment Bank are already established and operating, with the Scottish Government already performing Exchequer functions for devolved powers and spending.

The Scottish Central Bank would:

- act as banker to the Scottish Government
- assess and report on macroeconomic conditions and macroeconomic outlook in Scotland
- oversee regulatory structures. It would have responsibility for the regulation of financial services, consumer protection, prudential regulation, resolution regimes (to minimise the impact of any bank failures on depositors and the financial system) and the frameworks required to ensure continued operation of the financial system in Scotland, including cooperation with other regulators¹⁰⁷
- ensure systems are in place to enable financial transactions and the smooth operation of the financial system, including liaison with Bank of England and other central banks.

The Scottish Central Bank would also act as a lender of last resort, where necessary, to the financial system in Scotland in line with current UK practice.

As part of its financial stability role, the Scottish Central Bank would also ensure that deposit guarantees are in place. The current UK guarantee ensures bank deposits are covered up to £85,000 per account, which, in the event of a bank becoming insolvent, is guaranteed by the Government, but then funded by the financial sector through a levy.¹⁰⁸

Scottish banks would also be able to use commercial payment services for transactions in sterling and other currencies.

Three We would put in place the necessary level of sterling reserves for day one of independence

Scotland would not require foreign exchange reserves for market interventions when continuing to use sterling. It would require reserves for functions related to the Scottish Central Bank's role of maintaining financial confidence and the stability of the system.

The Scottish banking sector has changed significantly since the financial crisis in 2008-09. There is now a smaller domestic banking sector with many of the major banks operating in Scotland as part of larger UK and international groups.¹⁰⁹ The level of sterling reserves that an independent Scotland would require for day-to-day central bank operations would be proportionate to the size of the sector and in line with the regulatory requirements for the sector. The financial services sector as a whole is discussed in Box 7 below.

There have also been changes to how banks are regulated. For example, they are no longer required to hold assets in relation to a fraction of their deposits, and instead are required to maintain regulatory capital to ensure they can absorb any losses in terms of their commercial and household loans.

The Scottish Central Bank would be required, given existing financial regulations, to govern the level of capital required by commercial banks to be held as reserves and, in doing so, would follow the international capital framework standards on capital requirements of commercial banks (known as Basel II).

Box 7: Financial services in an independent Scotland

The financial services industry contributes substantially to the Scottish economy and to our prosperity.

As well as providing the essential products and services that businesses and citizens use every day, it is a means to save and invest for the future, and to start and operate a business. It also provides protection for when things go wrong. Nearly all adults in Scotland are consumers of financial services.

The sector is also a substantial employer and exporter. Maintaining stability and continuity for consumers, businesses and institutions would therefore be a key priority following a vote for independence.

In the event of a vote for independence, Scotland would remain part of the UK while the terms of independence are negotiated. During this time, all financial services and products would continue to operate and be regulated in the same way as now:

- regulation for financial services would align with current regulation
- existing consumer protection would remain in place (including deposit and pension protection schemes)
- financial products and services would remain denominated in sterling.

As Scotland prepares for independence, we would:

- put in place the foundations to transfer responsibility for the laws and institutions regulating the financial system from the UK Parliament to the Scottish Parliament, and to meet the requirements of EU membership
- put in place the necessary cooperation and regulatory requirements to ensure the continued operation of the financial services industry here in Scotland, as well as facilitating trade with the UK, EU and internationally.

There are a range of choices and models available to an independent Scotland in building a regulatory and supervisory framework for financial services.

The Scottish Government, working closely with the industry and consumer groups, would put in place a model that works best for the needs of Scotland's economy and people, balancing our ambition for a growing, thriving and international financial services sector with the importance of serving local communities, protecting consumers, and safeguarding the financial system for the long-term.¹¹⁰

As the model is designed and placed on a statutory footing, responsibility for the regulation of financial services will sit with the Scottish Central Bank, including:

- consumer protection, covering all financial services and products currently regulated by the Financial Conduct Authority
- authorisation and supervision of all firms and individuals including enforcement and countering financial crime
- prudential regulation of deposit-taking firms, insurers and investment firms and establishment of a Financial Services Deposit Guarantee Scheme
- payment systems regulation and financial market infrastructure supervision
- the establishment of a resolution regime
- general oversight of regulatory structures, including pensions regulations.

Four We would ensure regular reporting on the operation of the use of sterling to provide confidence to investors

Regular reporting on the operation of the system would be put in place to give investors the information they need to have the confidence to invest in Scotland. This would be informed by a range of statistics similar to those currently produced by the Bank of England for the UK, alongside the production of national accounts and balance of payments statistics.¹¹¹

A managed transition to a Scottish pound

We propose to establish a Scottish pound – the policy objective of the current Scottish Government – as soon as practicable through a careful, managed and responsible transition. The decision about when to do this would be taken by the Scottish Parliament, guided by transparent criteria and economic conditions, rather than a fixed timetable.

Decisions about the Scottish pound would also be made by the elected government and parliament at that time. Those would include the precise form of the currency regime for a Scottish pound – for example, a fixed or floating exchange rate – informed by analysis and advice from the Scottish Central Bank.

Key requirements for establishing the Scottish pound

One A Scottish pound would be established when an independent Scottish Parliament chooses to do so

We propose that three broad requirements should inform the introduction of a Scottish pound:

- that the institutional structure – the key fiscal, financial and monetary institutions – is in place and can be extended to take on additional functions to support the introduction of a Scottish pound
- that there is market confidence and credibility in the macroeconomic framework to support a transition
- that change is in the economic interests of Scotland, and meets the macroeconomic objectives of improved competitiveness and enhanced economic resilience.

We also propose three criteria for the transition to a Scottish pound:

- that the Scottish Central Bank has established its credibility. The phase of continued use of sterling would allow time for new institutions to be created and for these institutions to establish a track record
- that foreign exchange reserves and sterling reserves are sufficient
- that Scotland is fiscally sustainable.

In addition, rigorous analysis of trends in trade and investment patterns, the performance of the economy and the needs of Scottish residents and businesses should all inform the decision on when the transition to a Scottish pound takes place.

Two The remit of the Scottish Central Bank would expand on the introduction of the Scottish pound

On the introduction of the Scottish pound, the role of the Scottish Central Bank would expand to take on full control over monetary policy and financial stability. At this point, it is anticipated that the Bank's mandate would also reflect national policy priorities such as sustainability.

The Bank's precise functions would depend on the choice of how the currency is operated: for example, whether a fixed or floating exchange rate. In the case of the former, the Scottish Central Bank would operate the exchange rate policy to fit its mandate. In the case of the latter, the Scottish Central Bank would adjust interest rates and use other tools to influence the supply of money and credit in the economy.

Three Scotland would ensure foreign exchange reserves are in place and borrow to secure additional reserves

Countries have varying levels of reserves relative to the size of their economies, depending upon their currency arrangements (see Table 2 for information on the currencies and reserves of the comparator countries set out in the first publication of the Building a New Scotland series).

An independent Scotland's starting level of reserves would be for negotiation with the Westminster Government. Scotland's population share of the UK's, foreign exchange gross reserves of \$171 billion¹¹² would be around \$14 billion. Borrowing would be used to secure additional reserves.

Borrowing is a normal part of government activity for all major advanced economies. Running a deficit is not unusual. All but two of the 35 IMF Advanced Economies ran a deficit in 2021, including the UK.¹¹³ An independent Scotland would have the full borrowing powers available to other countries to secure reserves.

Further detail on the arrangements that Scotland would need to support government borrowing and the operation of government finances is set out below. The terms of any borrowing would be influenced by the fiscal position, by governance arrangements and by the outlook for the economy.

Table 2
Currency and reserves in European countries comparable to Scotland and the UK (2021)

Country	Currency	Shared Currency or Own Currency	Fixed or Floating Currency	GDP (\$ billion) Current USD	Foreign Currency Reserves (\$ billion) Current USD	Foreign Currency Reserves as % GDP
Austria	Euro	Shared	Floating	477	34	7.1%
Belgium	Euro	Shared	Floating	600	42	7.0%
Denmark	Danish Krone	Shared ¹¹⁴	Fixed (Euro)	397	82	20.7%
Finland	Euro	Shared	Floating	299	17	5.6%
Iceland	Icelandic Króna	Own	Floating	25	7	27.8%
Ireland	Euro	Shared	Floating	499	13	2.7%
Netherlands	Euro	Shared	Floating	1002	64	6.4%
Norway	Norwegian Krone	Own	Floating	482	84	17.5%
Sweden	Swedish Krona	Own	Floating	627	62	9.9%
Switzerland	Swiss Franc	Shared ¹¹⁵	Floating	813	1110	136.5%
UK	Pound Sterling	Shared ¹¹⁶	Floating	3019	194	6.4%

Source: Total reserves (includes gold, current US\$) | Data (worldbank.org)¹¹⁷

Four The Scottish pound would be Scotland’s legal currency, but people would still be able to use sterling or other currencies

The Scottish pound would be introduced in a clear, transparent and planned way with the Scottish Central Bank working with the financial sector in Scotland. Introducing a Scottish pound would make it legal tender within Scotland for the banking sector and for government, citizens and businesses. For example, it would be the unit of account for Government with contracts, wages, benefits and taxes all denoted in that currency.

The introduction of the Scottish pound would not prevent sterling, or other currencies, from being used. That would be open to individuals and businesses.

Many existing financial contracts will continue to be denominated in pounds sterling and individuals would continue to have a choice regarding what currency they hold their money in or transact in terms of business. The process of exchange from sterling to the Scottish pound would be voluntary and reflect the preferences and requirements of individuals, as well as the provisions available via the banking and wider financial services sector in Scotland.

Decisions about the currency that applies to new contracts, products and services, as well as the option to switch existing contracts, would therefore be for individual providers and consumers.

Fiscal policy as part of the UK

Key points

As part of the UK, estimates set out in Government Expenditure and Revenue Scotland 2021-22¹¹⁸ show that expenditure for Scotland exceeds total revenues, with expenditure standing at £97.5 bn in 2021-22 and total revenues (including North Sea revenues) standing at £73.8 bn. In 2021-22, therefore, Scottish revenue was sufficient to cover all devolved day-to-day services, all social security, including state pensions, and public sector pensions.

An independent Scotland would take on responsibility for other areas of expenditure that are currently reserved, such as defence, investment, and repaying the national debt. Were Scottish spend in these areas to be broadly similar to existing UK spend, Scotland would have a fiscal deficit, as the UK does.

In response to the challenges of rising inflation and interest rates in 2022-23, the Scottish Government is taking measures to live within its means and protect the vulnerable across our devolved responsibilities. The actions we are currently taking in our devolved capacity demonstrate the government's preparedness to take the steps necessary to safeguard fiscal sustainability.

As set out in more detail below, the UK is also in deficit and has been for most of the past 50 years. It is also true that in the financial year ending (FYE) March 2021 every country and region of the UK ran a net fiscal deficit. London, the South East and the East of England moved into net fiscal deficit in FYE March 2021, after being in net fiscal surplus in FYE March 2020.¹¹⁹

Accumulated deficits mean that the UK has a large public sector debt. Scotland's opening fiscal position would reflect, to some extent, the UK's previous fiscal decisions, and the division of UK assets and liabilities would be agreed as part of negotiations with the UK Government.

Given the uncertainty over the outlook for the global, UK, and Scottish economies, and future fiscal and economic policy decisions by the UK and Scottish governments prior to independence, this publication does not present an estimate of the starting fiscal position of an independent Scotland. However, the Institute for Fiscal Studies has considered the position under the current constitutional arrangements and suggested that, in 2022-23, the Scottish deficit could match or be smaller than the UK deficit.¹²⁰

The Scottish Government's powers are constrained by the current constitutional arrangements. On independence, Scottish governments would have full powers over both fiscal policy, and economic policies which could play a key role in boosting tax revenues. This would allow them to take decisions which ensured that Scotland is fiscally sustainable, while prioritising support for public services and investment, and rejecting the 'austerity' approaches imposed on Scotland by UK Governments in the recent past.

The limitations of the current constitutional arrangements

Under current constitutional arrangements, the Scottish Government has a total budget of £56.5 billion (in 2022/23). The Scottish Government has control over a limited range of taxes which together are forecast to raise over 30% of the total budget in 2022/23.^{121 122}

The Scottish Government has used these powers to address Scottish priorities, through a distinctive approach to taxation,¹²³ establishing a more progressive system while ensuring that it balances the budget on an annual basis.

However, under the current constitutional settlement, the Scottish Government also faces substantial constraints.

Even with recent devolution of powers relating to Income Tax (partially devolved), Land and Buildings Transaction Tax and Landfill Tax, the funding from the 'Block Grant'¹²⁴ still accounts for about 65% of the Scottish Budget on average.¹²⁵ This means that the funding available to the Scottish Government is largely decided by others, increasing or decreasing to reflect changes in Westminster Government spending in line with its policies in comparable areas to those devolved to Scotland.

Significant spending responsibilities remain reserved to Westminster, as do a range of revenue raising activities such as tax including Corporation Tax, value-added tax (VAT), National Insurance and fuel, alcohol and vehicle excise duties.

The Westminster Government also retains control over a range of policy areas which influence tax receipts, such as those over immigration, energy and trade policy. The limitations of the current fiscal arrangements have been particularly apparent during the COVID-19 and cost of living crisis.

When other governments have borrowed to fund vital support for businesses and households, the Scottish Government has had to rely on the Westminster Government deciding whether it would undertake additional spending. While some decisions ultimately resulted in additional resources flowing to the devolved nations' governments via the Barnett formula, the need to await Westminster Government announcements on the scale and timing of these funding flows created uncertainty and delay when flexibility and responsiveness was needed most.

And our ability to spend on Scotland's priorities is being further affected by the Westminster Government's use of powers provided by the UK Internal Market Act 2020 (IMA).

This enables the Westminster Government to spend directly on activity that is devolved, depriving the Scottish Government and Parliament of funding that would have otherwise been available for our programmes and services.

There are also no guarantees that the Barnett formula will continue to be applied in future. Ultimately, the Scottish Parliament's funding is controlled from Westminster.

The current fiscal context

Scotland is one of the wealthiest parts of the UK, with the highest GDP per capita of any of the UK’s nations or regions, other than London and the South East.¹²⁶

This section outlines Scotland’s fiscal position under the status quo and in the context of the UK’s fiscal position.

The UK has consistently run a deficit since 2000-01, and in most of the last 50 years has borrowed more than 3% of GDP per year.¹²⁷

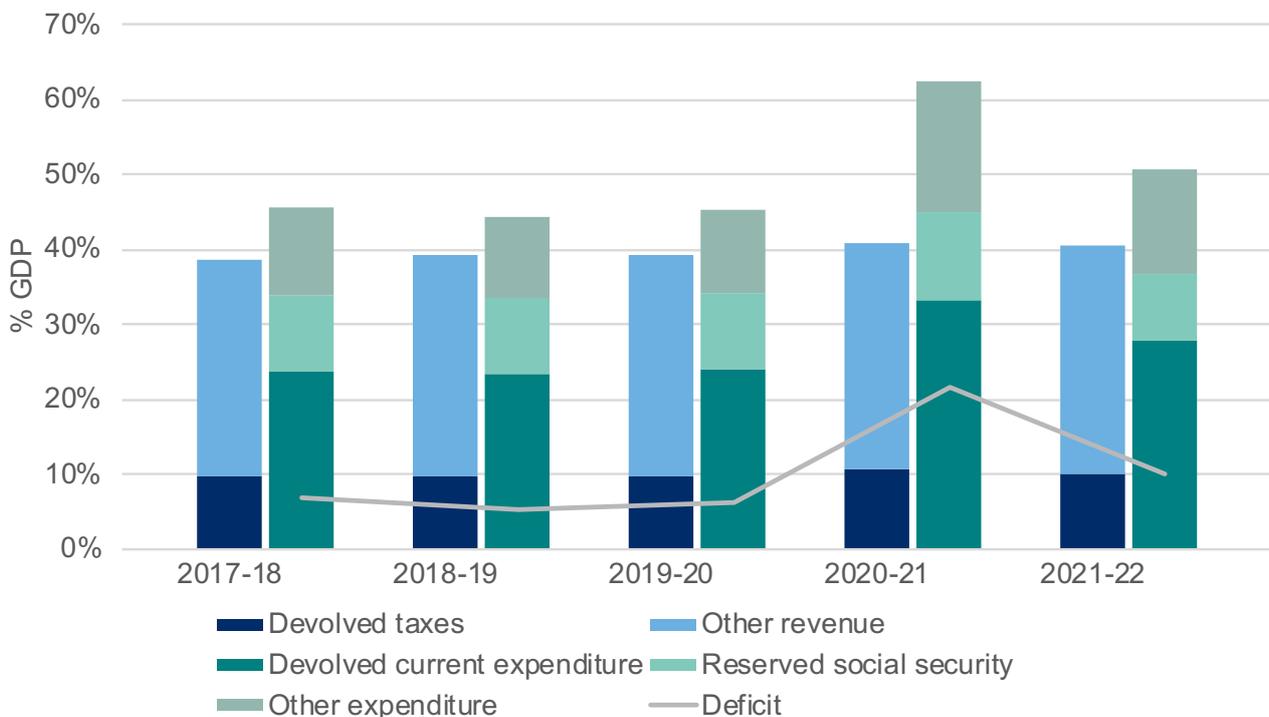
Even before the pandemic, the UK had one of the largest deficits in Europe, and during the pandemic it ran the second largest deficit amongst advanced economies, with the deficit reaching almost 15% of GDP.¹²⁸ Although the UK deficit has begun to fall, it is forecast to remain above pre-pandemic levels until at least 2023-24.¹²⁹

Within current UK constitutional arrangements, any limited borrowing undertaken by the devolved governments as part of their fiscal frameworks is reported in that aggregate UK borrowing figure.

Like the rest of the UK, Scotland is recovering from the impact of the pandemic, which has had a significant impact on public finances.

The overall estimated position based on the current constitutional arrangement is one of budget deficit as estimated expenditure exceeds revenues. Figure 6 shows estimates for the contribution that devolved taxes, reserved taxes, devolved spending, and reserved spending¹³⁰ have each made to the implied overall fiscal position for Scotland over the last 5 years.¹³¹

Figure 6
Devolved and reserved revenue, expenditure and deficit, 2017-18 to 2021-22



Source: Government Expenditure and Revenue Scotland 2021-22
[Government Expenditure & Revenue Scotland \(GERS\) 2021-22 – gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/documents/2022/04/Government-Expenditure-&-Revenue-Scotland-(GERS)-2021-22)

With independence, the fiscal outlook for Scotland would be determined by policy decisions and the performance of the Scottish economy.

We set out later in this document a vision for the economy in an independent Scotland, a vision that reflects among other things the importance of population growth and labour force participation.¹³²

The opportunities available to an independent Scotland

On day one of independence, the Scottish Government would have full autonomy to take decisions over tax, spending and borrowing to meet Scottish needs, supported by key fiscal institutions and the necessary governance framework.

The government of an independent Scotland would also have the power to issue its own sovereign debt¹³³ and have the full range of powers necessary to set fiscal limits, undertake investment, and support the management of the Scottish economy.

It would be the responsibility of the Scottish Government to demonstrate both to the citizens of Scotland and to financial markets and lenders that the approach would be sustainable, to establish its creditworthiness and minimise borrowing costs.

The first publication in the Building a New Scotland series set out how small, advanced economies generally pursue policies of more prudently managed debt and deficits than larger countries.

Taking a fiscally sustainable approach is fundamental for any country – indeed, it is a necessary foundation of the fairer country we seek to build – and would be particularly important for a newly independent country. It would be crucial in:

- establishing the credibility of the macroeconomic framework and minimising the interest rate at which Scotland can borrow, ensuring it could invest effectively. Fiscal credibility and sustainability are discussed further in Box 8 below.
- ensuring that Scotland would have sound public finances, and demonstrating to the world that we have the conditions necessary to be a high-performing market economy, ready to participate and compete in global markets, and to re-join the EU.

The framework proposed in this document is underpinned by the following assumptions:

- that Scotland aspires to become an independent member of the EU
- our proposals for Scotland's currency are implemented
- that fiscal policy needs to be carefully balanced and act in support of, rather than against, economic performance.

Box 8: Fiscal credibility and sustainability

Fiscal credibility means that people believe that a government will do what it says with regards to its fiscal policy.

It makes the economic environment more predictable, allowing firms and individuals to plan and to take decisions with confidence. It increases the confidence of those lending to the government, which, all else being equal, results in a higher credit rating and lower borrowing costs for all.

A credible fiscal framework is central to ensuring the public finances remain on a sustainable path over the medium term and support the performance of the economy.¹³⁴ This is also essential to the wellbeing of the country overall.

In periods of economic growth, higher tax revenues and lower spending on measures such as unemployment support can allow governments to strengthen their fiscal position and increase headroom against fiscal rules. Meanwhile, in periods of weaker economic performance, fiscal policy can be tailored to support the needs of individuals and businesses through more challenging times.

Establishing fiscal credibility enables a government to show discretion and use fiscal policy to respond to economic circumstances, for example by allowing spending through automatic stabilisers,¹³⁵ like unemployment benefits, to operate in an economic downturn, without damaging confidence in the long-run fiscal position.

A government can establish fiscal credibility in a number of ways:

- setting fiscal policy that is sustainable in the medium term and consistent with the government's other policy objectives
- building a track record of consistently sticking to plans rather than regularly deviating from them
- demonstrating political commitment to fiscal sustainability through fiscal targets, either in law or via published medium term policy frameworks
- ensuring independent fiscal institutions, such as the Office for Budget Responsibility operating at the UK level and the Scottish Fiscal Commission operating at Scotland level, to hold governments to account and enhance fiscal credibility and improve fiscal performance¹³⁶
- establishing a strong framework governing fiscal policy decision-making, external scrutiny of forecasts and budget decisions, and sound fiscal management via independent debt management institutions.

Fiscal rules enhance credibility: they are an important feature of credible and coherent fiscal policy.¹³⁷

Without rules, fiscal policy may suffer from deficit bias, where countries run looser fiscal positions on average (e.g. pursuing policies that increase the deficit) than would be optimal for fiscal sustainability. Governments therefore use fiscal rules to commit themselves to responsible management of the public finances and so increase confidence among taxpayers and investors.

There are four broad types of fiscal rules: budget balance rules,¹³⁸ debt rules,¹³⁹ expenditure rules¹⁴⁰ and revenue rules.¹⁴¹

Budget balance and debt rules are most common, especially amongst small, advanced economies and sub-national governments. Since 1990 almost every member country of the Organisation for Economic Co-operation and Development (OECD) has adopted some sort of fiscal rule.¹⁴²

Of European comparator countries to Scotland, all have a budget balance rule and the majority have a debt rule. Revenue rules are uncommon (see Table 3).

Table 3
Fiscal rules in European countries comparable to Scotland and the UK

Country	Expenditure Rule	Revenue Rule	Budget Balance Rule	Debt Rule
Austria	Yes	No	Yes	Yes
Belgium	Yes	No	Yes	Yes
Denmark	Yes	No	Yes	Yes
Finland	Yes	No	Yes	Yes
Iceland	No	No	Yes	Yes
Ireland	Yes	No	Yes	Yes
Netherlands	Yes	Yes	Yes	Yes
Norway	No	No	Yes	No
Sweden	Yes	No	Yes	Yes
Switzerland	No	No	Yes	No
UK	No	No	Yes	Yes

Source: [IMF Fiscal Rules Database](#)

Existing fiscal rules were designed to achieve low debt levels in an economic environment with positive, but moderate, interest rates, keeping the cost of debt servicing low.

COVID-19 has changed the fiscal landscape for most advanced economies, and high debt levels and low – but rising – interest rates are now common.

The EU Stability and Growth Pact, which sets the fiscal rules for EU countries, is currently suspended to allow member states to respond to the impact of COVID-19 and ongoing geo-political challenges.

Key requirements for Scottish fiscal policy

One The Scottish Government would establish fiscal rules informed by international best practice

Setting credible and responsible fiscal rules, and demonstrating that there is a plan in place to meet them, is essential to ensuring market confidence in a newly independent Scotland. Having that market confidence, and sustainable public finances, is necessary if we are to build an economy that combines dynamism with fairness.

The decision on fiscal rules, and on the strategy for meeting them, would be for a future Scottish Government.

We would set fiscal rules designed to put public finances on a sustainable path. The rules would ensure that day-to-day spending was kept within fiscally sustainable limits, and debt kept at sustainable levels, but would still permit the government of an independent Scotland to properly support public services and borrow to invest. The UK experience of recent years has shown that an ‘austerity’ approach to achieving fiscal sustainability, in addition to damaging people and services, also harms the economy and so is counterproductive.¹⁴³ We reject such an approach.

Developments that would inform the precise fiscal rules the Scottish Government would set include:

- the future form of the EU Stability and Growth Pact. This effectively sets out the fiscal rules for EU member states. The expectation is that the Pact may in future be more flexible, giving more weight to the need for strategic investment and the investment required, for example for a just transition to net zero.¹⁴⁴ We would propose, for the period before Scotland re-joins the EU, fiscal rules that were, as far as possible, aligned with the principles and the approach of any future EU Stability and Growth Pact. Meeting existing Stability and Growth Pact criteria is not a precondition for joining the EU
- the starting fiscal position of Scotland. No estimate of the fiscal starting position is set out in this document, given the uncertainty over the outlook for the global, UK, and Scottish economies, and future fiscal and economic policy decisions by the UK and Scottish governments prior to independence
- developments in the global economy, including international trends in fiscal rules.

The Scottish Government would, as a first step, set a transitional rule for the size of the current deficit for the early years of an independent Scotland. This would require that current borrowing be kept within certain limits over the economic cycle, while enabling and encouraging investment in long-term priorities for Scotland, of the kind proposed for the [Building a New Scotland Fund](#).

We would set out the proposed fiscal rule in advance of Scotland becoming independent, to allow it to be scrutinised and understood in advance of it coming into effect.

Setting this initial rule would provide time to consider, in detail, the fiscal position inherited from the UK, international best practice in setting rules for future years and the introduction of a broader suite of rules of the type outlined in the box above.

This broader suite of rules would include a debt rule. The position for Public Sector Net Debt (PSND)¹⁴⁵ would be determined by the outcome of negotiations with the Westminster Government on assets and liabilities, and a ‘solidarity payment’, which we explain below.

A target would be set once a sustainable level and trajectory for PSND was clearer. The right timescale would depend on the precise nature of the rules set by the government of the day as well as the economic and fiscal context of the time.

Performance against the suite of rules would be assessed annually by the Scottish Fiscal Commission, and the rules would be reviewed, and re-set if necessary, at least once every five years. This would be done with a view to ensuring fiscal sustainability and taking into account any requirements set by the EU.

It would be for the government of an independent Scotland to set out a clear pathway to ensuring overall fiscal sustainability and that fiscal targets are met.

Independence presents an opportunity for Scotland to adopt a different economic policy to the UK, and it is through economic growth that Scotland would aim to achieve fiscal sustainability. Increased growth and productivity, including through access to international markets and an immigration policy tailored to Scotland's needs, would in turn increase tax revenues for the Scottish Exchequer.

In addition, we would kick-start an independent Scottish economy through significant infrastructure investment on the government's key priorities in the early years of Independence. We set out details of the [Building a New Scotland Fund](#) later in this publication.

Governments in an independent Scotland would also consider, as all governments do, the appropriate balance of tax and spend as part of an overall fiscal strategy whilst ensuring that decisions were right for the economic conditions of the time.

Two The Scottish Government would establish a robust institutional framework to support Scotland's fiscal strategy

Under current constitutional arrangements, fiscal rules are set by HM Treasury for the UK as a whole, and key fiscal institutions – those that make forecasts or issue debt – operate at the UK level.

In an independent Scotland we would establish institutions that suited Scotland's needs, including those set out below, alongside an expansion in the economic and finance ministry functions of the Scottish Government:

Expansion of the role of the Scottish Fiscal Commission

The Scottish Parliament established the independent Scottish Fiscal Commission (SFC) in 2016, following the passage of the Scottish Fiscal Commission Act 2016, to advise on and scrutinise Scotland's public finances. The SFC currently produces independent forecasts of growth, devolved tax revenues and devolved social security expenditure to feed the Budget process.

The OECD's Independent Fiscal Institutions Review¹⁴⁶ praised the SFC's "many positive results in the two years since its creation [2017-19], building good relationships with stakeholders and a reputation for independent and credible forecasts, and improving the fiscal policy debate in Scotland."

We propose that, under independence, the Scottish Government would enhance the SFC's capacity to provide robust, credible forecasts for Scotland and to provide independent analysis of progress toward Scotland's fiscal targets. This would build on work already under way by the SFC to publish their first fiscal sustainability report in 2023.¹⁴⁷

Establishment of a Debt Management Office

We propose also to set up a Debt Management Office (DMO). In line with best practice,¹⁴⁸ this would be sponsored from within the Scottish Government's Exchequer function, but it would have a high degree of autonomy and operational independence.

The Scottish Government would carefully manage the transition from the UK Cash Management system¹⁴⁹ to an independent DMO, to ensure that new and existing cash requirements are met. The process and timing for establishing the Scottish DMO and flexibility within the fiscal framework to deliver this would be subject to negotiation with the Westminster Government.

In order to manage the cash requirements from day one of independence, the Scottish DMO would need to be established and operating cash management facilities well in advance, and the Scottish Central Bank would need accumulated reserves to support the activities of the DMO. The reserves needed to meet the Scottish Government's cash requirements, alongside the Central Bank's currency reserves, would sit outside of the fiscal rules set out above.

The DMO would be tasked with meeting the financing requirements for government and aiming to minimise the government's borrowing costs. It would manage the debt stock, the issuance of debt, local government debt, and contingent liabilities.

Its responsibilities could be extended over time to include the efficient and effective management of the government's portfolio of assets and liabilities, to help improve capital allocation and contribute to an improved fiscal position.

Three The Scottish Government would pay a reasonable share of the servicing of the net balance of UK debt and assets to demonstrate our creditworthiness

The starting position for an independent Scotland is that it would not inherit any of the UK's debt stock, as HM Treasury set out in 2014.¹⁵⁰

However, the Scottish Government also recognises that Scotland, in a spirit of co-operation and responsibility, should service a fair share of UK debt and is committed to doing so via an annual 'solidarity payment', following negotiation.

Following independence, Scotland would take on the full range of powers over tax and spending and be able to issue its own debt. But the price that Scotland paid to borrow would be determined in financial markets, and financial investors would value Scottish debt according to how much they trust Scotland to repay it.

The Institute for Government¹⁵¹ expects the 'solidarity payment' to help to reduce any 'new country' premium on its debt and minimise any borrowing premium relative to other countries. It would also contribute to a positive and respectful relationship with the Westminster Government to support a period of orderly transition, and provide a basis for positive negotiations around the apportionment of UK assets.

There would need to be negotiation between the two governments on the appropriate level and structure of contribution, based on a detailed assessment of UK assets and liabilities.

The Scottish Government would undertake further analysis of UK assets and liabilities in advance of a negotiation with the Westminster Government.

Four The Scottish Government would normally use windfalls, such as from oil and gas taxation, to invest for long-term benefit (such as the net zero transition) or hold in reserve for use in exceptional circumstances

Recent global events illustrate the difficulty in predicting receipts from oil and gas.

As noted in the second publication in the [Building a New Scotland](#) series [Renewing Democracy through Independence](#), successive Westminster Governments have not stewarded energy resources, particularly oil and gas reserves, to deliver long-term, structural benefits for the economy. It notes that the Institute for Public Policy Research has estimated that:

“If a fund had been created from the North Sea oil revenues in the 1980s, it would be worth over £500 billion [in 2018].¹⁵²

The revenue from the North Sea has had a varied, but positive, impact on Scotland’s implied net fiscal position over the last 20 years, as shown in Figure 8.

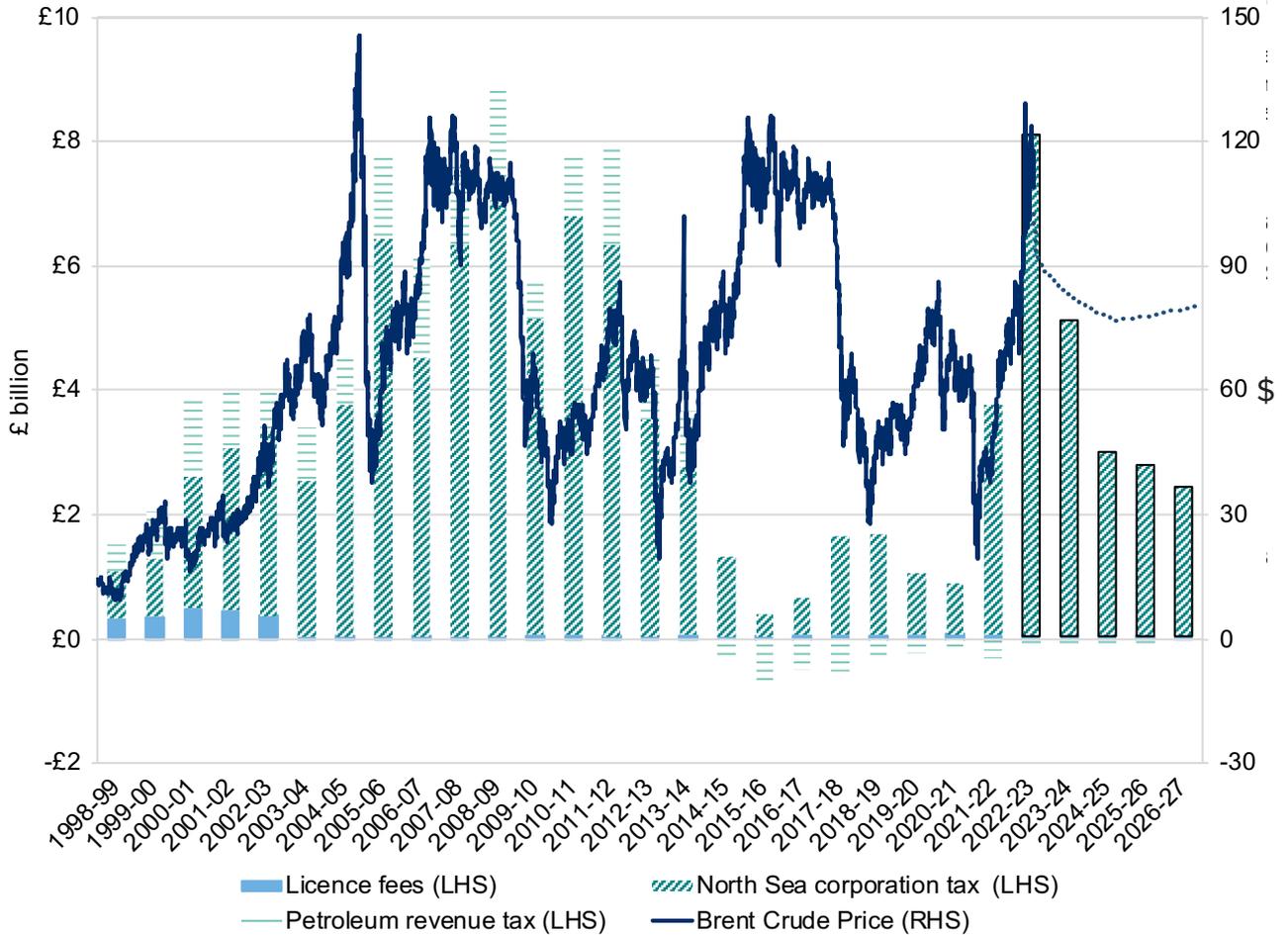
Over the last five years, revenue has averaged around £1.5 billion a year, although receipts have been variable.

In recent years revenue from oil and gas has been low by historical standards. Between 2000-01 and 2012-13 North Sea revenue contributed to Scotland’s estimated fiscal position by on average 6% of GDP a year, with the largest impact (8.1%) in 2008-09.¹⁵³

The recent increase in oil prices has led to a significant increase in UK revenue from the North Sea, rising from £0.5 billion in 2020-21 to £3.2 billion in 2021-22.¹⁵⁴ Revenue is forecast to rise further in 2022-23.

However, North Sea revenue is affected by several factors beyond just the oil price. In 2012-13 and 2013-14, tax revenue fell while the oil price remained elevated, reflecting falling production, rising operating costs, and increased capital investment, all of which acted to reduce companies’ tax liabilities. Figure 7 compares North Sea revenue and the oil price since 1998-99.

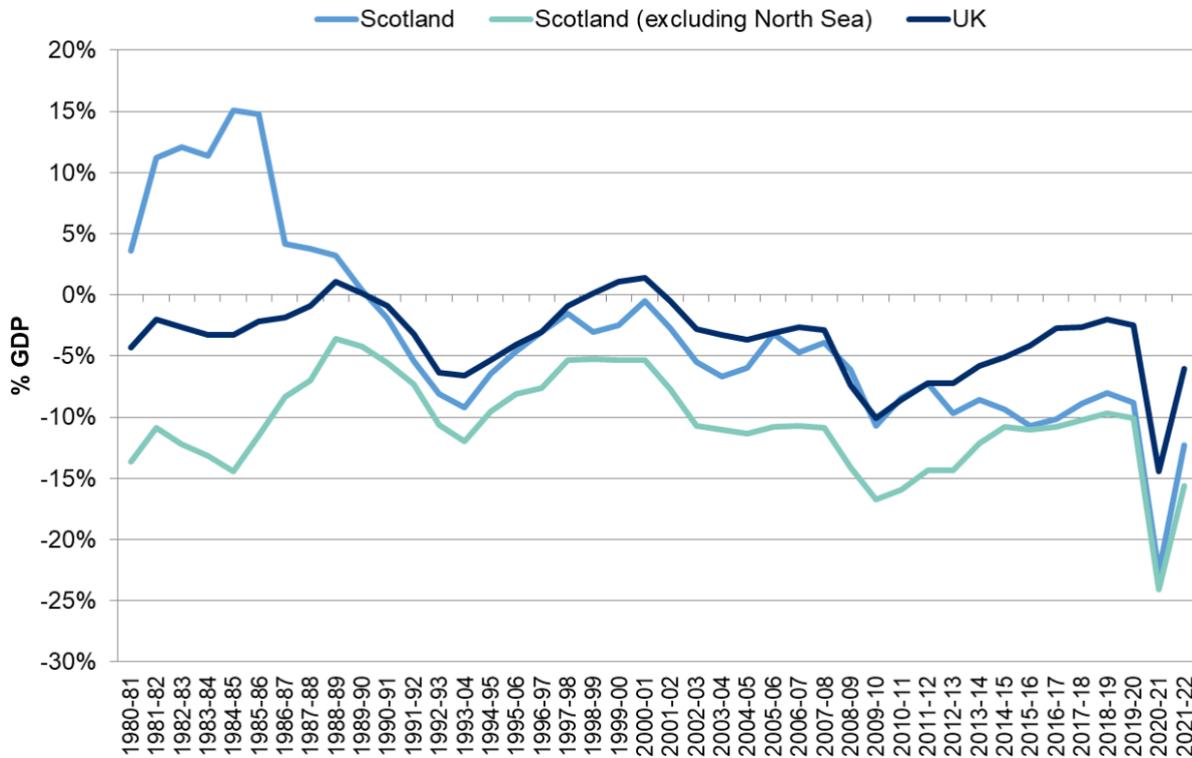
Figure 7
North Sea revenue 1998-1999 to 2021-22 with forecast 2022-23 to 2026-27



Source: Outturn from Government Expenditure and Revenue Scotland 2021-22
[Government Expenditure & Revenue Scotland \(GERS\) 2021-22 – gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-published/government-expenditure-and-revenue-scotland-gers-2021-22/)
 Forecast, Scottish Government calculations based on OBR’s March Economic and Fiscal Forecast
[Economic and fiscal outlook – March 2022 – Office for Budget Responsibility \(obr.uk\)](https://obr.uk/economic-and-fiscal-outlook-march-2022/)

This is likely to impact directly on the outlook for the Scottish fiscal position, reflecting the fact that oil and gas receipts are a more important source of revenue for Scotland than for the UK as a whole.¹⁵⁵

Figure 8
Net fiscal balance: Scotland and UK 1980-81 to 2021-22



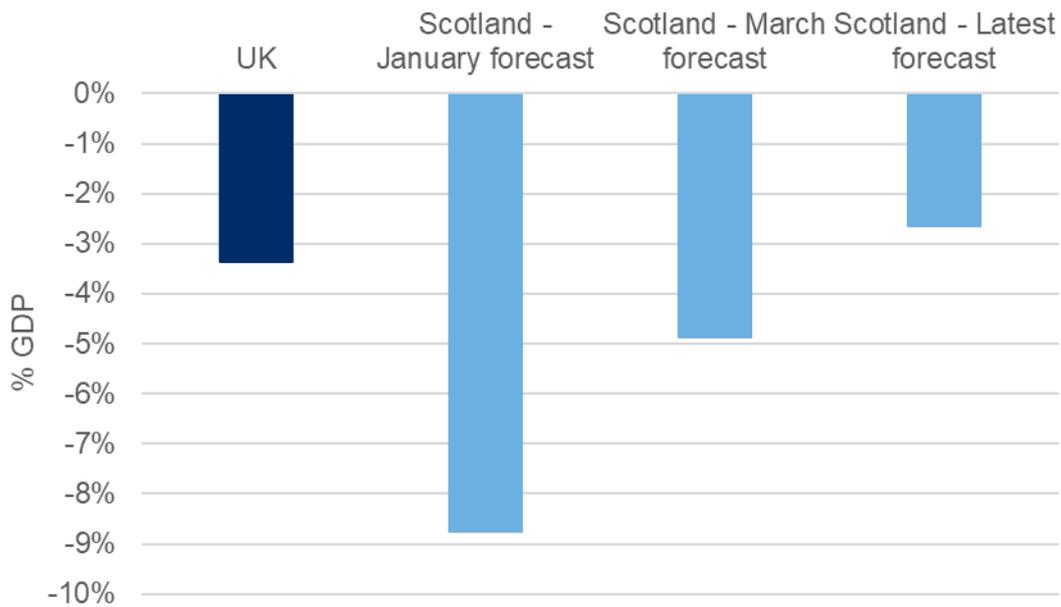
Sources: Figures from 1998-99 from Government Expenditure and Revenue Scotland 2021-22 [Government Expenditure & Revenue Scotland \(GERS\) 2021-22](#). Earlier figures are experimental statistics from: [Historical Fiscal Balances 2014 \(nrscotland.gov.uk\)](#); UK figures consistent with OBR Public Finances Databank August 2022 [Data - Office for Budget Responsibility \(obr.uk\)](#).

In January 2022, before the recent increases in the outlook for North Sea revenue, the Economics Observatory forecast that – under the current constitutional arrangements – the implied Scottish deficit in 2022-23 could be 8.8% of GDP.¹⁵⁶

North Sea revenue is now expected to be around £10 billion higher than when the forecast was made, both as a result of the increase in oil prices and the new Energy Profits Levy, whose planned introduction this year is forecast to raise an additional c.£5bn in 2022-23. This could see the implied fiscal deficit fall further, with the Institute for Fiscal Studies suggesting that the Scottish deficit could match, or be smaller than, the UK deficit in 2022-23.¹⁵⁷

Figure 9 below, illustrates how the Economics Observatory’s January forecast could change given the latest outlook for North Sea revenue, with the deficit falling to below 3% of GDP in 2022-23. With the changing economic outlook since the beginning of the year, and the additional support for household and business energy bills, the UK and Scottish deficit are now expected to ultimately be larger than shown below, although the relative position may remain unchanged.¹⁵⁸

Figure 9
Impact of North Sea revenue on the Scottish deficit in 2022-23



Source: Economics Observatory and Scottish Government calculations
[What might the public finances of an independent Scotland look like? – Economics Observatory](#)

At the point of independence, there would be a choice to be made about the use of oil and gas revenues and other windfall income. Revenue forecasts do not currently extend beyond 2026-27, but the North Sea Transition Authority forecasts that production will decline by about 7% a year every year longer term, so we would expect this to depress revenue in future years even if prices remained high. The decline in production will be driven by the maturing of the UK Continental Shelf as well as domestic and international climate change commitments.

This suggests that the peak of the forecast revenues, while still making a significant contribution, would have passed before an independent Scotland began to make its own fiscal policy.

North Sea oil and gas revenues, along with other windfall income, could be used to reduce the level of borrowing required to service the deficit that the Scottish Government is likely to face as it leaves the UK.

However, the Scottish Government believes that in normal times revenues generated from oil and gas taxation, together with other windfall income, should be separated from day-to-day resource spending, and used to invest for the long-term benefit of the Scottish people.

This approach would support sustainable fiscal policy by avoiding predicating current spending and tax policy decisions on potentially volatile oil and gas output and revenues, whilst demonstrating the Scottish Governments commitment to investing in the Scottish economy.

This is our proposed Building a New Scotland Fund.

The Building a New Scotland Fund

Key points

Independence will unlock opportunities for Scotland. We propose that there should be a Building a New Scotland Fund. This would be a sustainable use of oil and gas revenues and would last for the first decade of independence, to enable Scotland to get off to as strong a start as possible and to lay the foundations for a green, fair and net zero economy.

The aims of the Fund would be:

1. enabling the transition to net zero emissions and environmental sustainability
2. driving inclusive economic growth
3. building resilient and sustainable places.

The case for a Fund

Investment is crucial for any economy, and it would be particularly important as Scotland became independent for there to be a targeted boost to infrastructure investment.

We would undertake capital spending of up to £20 billion over the first decade of independence, supported by assigning key revenues into a Building a New Scotland Fund.

Doing so would reinforce our existing Infrastructure Investment Plan.¹⁵⁹ Targeted investment on this scale would boost the Scottish economy (see Box 9). It would also help reduce inequality and support the delivery of our climate targets, thereby accelerating our move to net zero. And it would send a clear signal that Scotland is confident, open and ready to take its place in the world.

Box 9: Infrastructure investment

There is a strong body of evidence that supports the link between economic infrastructure spending and higher economic growth.^{160, 161, 162}

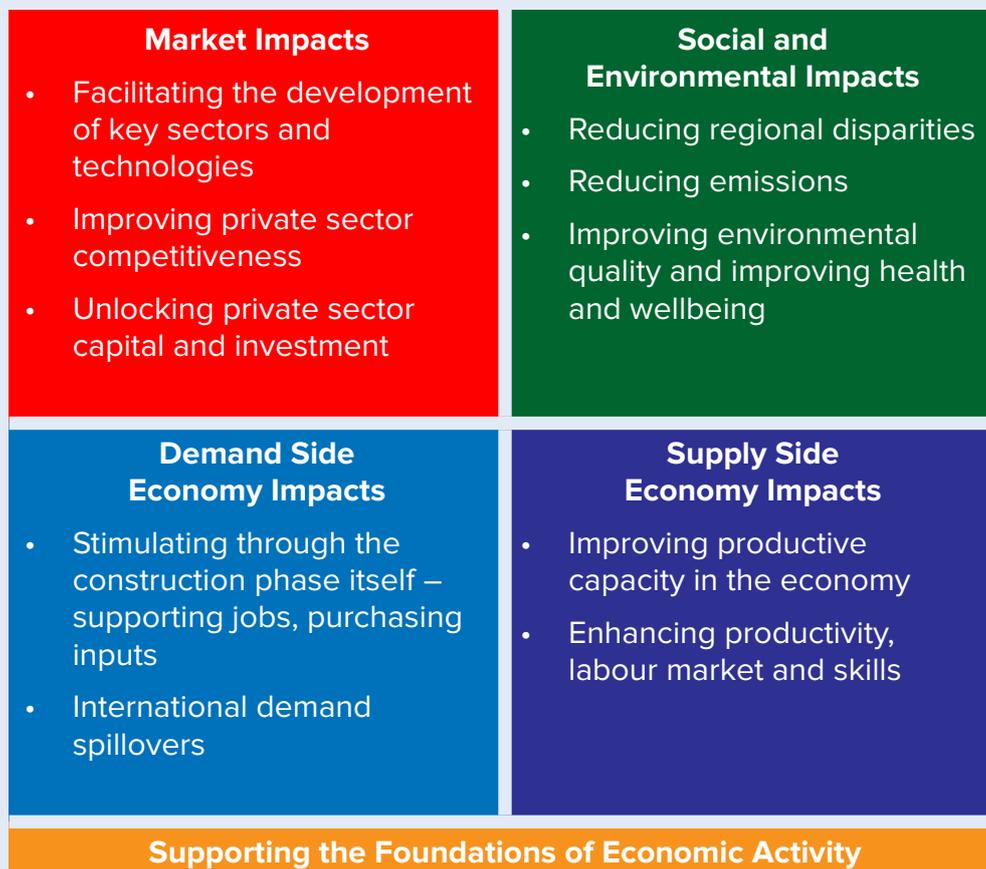
Infrastructure investment can boost the economy in two main ways:

- directly in the short term, for example, through employment and purchasing inputs from other sectors
- indirectly in the long term, by raising the productive capacity of the economy, by reducing transaction and other costs, and enabling more efficient spending.

The main channels through which infrastructure enables economic growth are shown, in Figure 10, below.¹⁶³

Figure 10

How infrastructure investment enables economic growth



Scottish Government modelling of an investment package in Scotland¹⁶⁴ has shown that a fund of an equivalent scale and scope to the proposed Building a New Scotland Fund would have both a short-term demand effect and a longer-term supply effect by increasing long-term productive capacity and providing a sustained boost to the economy. This finding accords with OECD modelling.^{165, 166} The improvement in capital stock would be a key driver of economic impact.¹⁶⁷

This modelling showed that after five years, an investment package of £1.56 billion a year could lead to the Scottish economy becoming between 0.5% and 1% larger at the end of the programme than it would otherwise be. Over 15 years, this is equivalent to increasing the size of the economy by between £10 billion and £25 billion, at 2017 prices.

The aims of the Fund

The Fund would build on the Infrastructure Investment Plan (IIP) vision for infrastructure investment:

"Our infrastructure supports Scotland's resilience and enables inclusive, net zero, and sustainable growth".¹⁶⁸

We would also seek to align the Fund's priorities with the European Commission's priorities. For the period 2019 to 2024 these are: to transform the EU into a modern, resource efficient, climate-neutral, and competitive economy; to embrace digital transformation; and to strengthen the EU economy while protecting jobs and reducing inequalities.¹⁶⁹

We set out below the strategic aims of the Fund, and ways in which it could be used. It is important that the uses of the Fund are targeted effectively, in light of the economic and social priorities of the time, and new investment opportunities which might arise.

To ensure this, the Scottish Government would engage collaboratively with the Scottish Parliament and wider Scottish society, including businesses, trade unions and third sector groups, to determine the specific types of investment that would be supported by the Fund, which may include public sector and community-owned projects.

The three strategic aims of the Fund would be consistent with those of the IIP:¹⁷⁰

One Enabling the transition to net zero emissions and environmental sustainability

We recognise the scale of the challenge that reaching net zero carbon emissions poses. Public infrastructure investment has a critical role to play in tackling the crises of climate change and biodiversity loss.

The costs of the transition to net zero exceed what is affordable from taxpayer funding, even with the greater fiscal powers of independence. Private sector investment is already playing a part. Government can play a key role in shaping the markets to attract such capital at scale and to achieve policy outcomes such as ensuring a fast, just transition – where the journey to net zero is fair and creates a better future for everyone – and that communities share the benefits. We would continue to explore how government investment can lever in private capital and jointly deliver on our priorities with the private sector.

Projects that would help to deliver on Scotland's net zero emissions objectives include:

- **decarbonising Scotland's housing stock, cutting fuel bills and reducing fuel poverty through the roll out of programmes to replace gas boilers with zero emission heating systems and connections to heat networks.** Improving the energy efficiency of our domestic and non-domestic buildings and transforming our building stock, will be essential to meeting net zero targets. Helping to tackle energy poverty and reduce energy costs for consumers and businesses would protect the poorest and most vulnerable from rising energy costs
- **securing low carbon, lower price energy by facilitating development of pump storage hydro projects in Scotland.** This could help to increase security of supply in Scotland and replace reliance on gas with low carbon, lower price energy in the long term. It would help improve energy self-reliance, balance intermittency in renewables and reduce the need for electricity imports to meet peak demand. There are a range of sites and projects which could be developed in Scotland. As part of the Fund process we would examine which developments would represent best value for money
- **accelerating the development of a major new industry by investing in hydrogen production, transportation and storage.** This sector is not yet fully established, but it is expected in the long term to provide a renewable source of energy, both for domestic and, crucially, export markets

- **setting up a Zero Emissions Transport Transition Fund to support the decarbonisation of transport, improving connectivity and quality of life.** This could support investment in public transport networks, helping to clean up city centres and accelerating the transition to 20 minute neighbourhoods. Where appropriate, the Fund could also support investment in zero emission transport fleets and infrastructure, helping businesses with the transition to net zero.

Two Driving inclusive economic growth

We can improve quality of life, boost productivity and competitiveness, and create good green jobs by enhancing transport and digital connectivity and capacity in all areas of Scotland and by stimulating innovation. We would embed fairness and inclusion in funding decisions, ensuring no-one is left behind.

Projects that would drive inclusive growth include:

- **digitally connecting remote, rural and island communities and reducing digital exclusion.** Multi-year investment in broadband and mobile connectivity across Scotland's remote, rural and island communities would support economic development and lower digital exclusion. Scotland is likely to have a disproportionate number of 'Very Hard to Reach' premises that will not be reached by current Westminster-funded gigabit capable rollout. Geography should not be a barrier to getting online and benefitting from access to digital technology
- **improving access to Stranraer and Cairnryan.** These are important gateways to Scotland for ferry passengers and freight. Ensuring safety, resilience and reliability are key factors. Improving the transport assets here could support regeneration of the South West of Scotland and benefit the economy and local communities across the region
- **strengthening the competitiveness of the Scottish supply chain and supporting the shift of freight from road to rail.** Capital grants could support the development of rail freight terminals with the aim of improving reliability, export capabilities and the decarbonisation of freight transport in Scotland.

Three Building resilient and sustainable places

Making Scotland fairer starts at the local community level. The Fund would invest to meet the diverse economic, social and environmental needs of urban, rural and island areas.

Policies that would help to deliver resilient and sustainable places include:

- **building and renewing homes to help ensure everyone has a home they can afford to live in.** An independent Scotland would be able to determine the investment needed for affordable housing over the longer term as multi-year budget planning would no longer be determined by the Westminster budget cycle. Longer-term investment plans would give confidence across the private and public housing sectors to plan for delivery and investment. Significant investment in affordable housing, including in rural areas, is critical if we are to support all communities to thrive and to address Scotland's projected population decline as part of the UK
- **increasing support for communities to own assets and exert more influence over their use.** This could include, for example, the re-purposing of under-utilised or vacant assets; or local renewable energy developments as set out later in this publication, with benefits to local communities such as access to lower cost energy, including in rural areas.

Financing and delivering the Fund

This investment would be an entirely one-off spending on infrastructure projects.

Day-to-day resource spending on public services would be met within fiscal rules as discussed earlier in this publication.

To ensure effective delivery of this fund we would ensure that the necessary fiscal institutions were established and operating cash management facilities, as set out earlier in this publication.

The Fund would reinvest oil and gas revenues, alongside other windfall income, in the productive potential of the Scottish economy. Over the last five years, revenue has averaged around £1.5 billion a year, although receipts have been variable and have increased significantly in recent months. Given the volatility and uncertainty surrounding North Sea revenue, we would, if necessary, borrow to invest to meet the remaining element of the Fund and ensure investment needs are met.

Choices over the use of oil revenues following the Building a New Scotland Fund would be for the government of the day, but the Scottish Government would retain the option of diverting revenues into a Sovereign Wealth Fund.

We recognise the importance of fiscal sustainability and would undertake investment according to the fiscal and economic circumstances at that point in time.

We would ensure that spending was appropriate for economic conditions and designed to deliver maximum benefit to the Scottish economy, households and supply chain.

The package would be balanced to ensure that spending supported economic growth while not exacerbating inflationary pressures.

The balance of investment between different types of activity, sectors and markets would determine the precise level of economic benefit realised from the Fund. We would therefore put in place a rigorous process to assess the value for money of individual investment projects within the Fund, as well as their compatibility with relevant regimes for controlling state subsidy.

Boosting trade and re-opening our borders with Europe

Key points

We propose that an independent Scotland should apply to re-join the European Union, opening our borders with Europe, and with Northern Ireland, again.

The economic opportunities of re-joining the EU as a member state in our own right for the first time are potentially enormous. The EU is the largest single market in the world. The most recent available data, for 2019, shows that the value of Scotland's manufactured goods exports to the EU and the rest of the world (£19 billion) was higher than the value of exports to the rest of the United Kingdom (£11 billion).

Because of the power of the EU as the world's largest trading bloc, being an EU member state boosts trade both within the EU itself and the rest of the world. The EU is the top trading partner for 80 countries.

In contrast Brexit is damaging trade both within and outwith the EU.

People in Scotland, with membership of the EU and an arrangement called the Common Travel Area, would be able to travel freely across these islands, including in the UK and Ireland.

And as EU citizens, Scotland's people would also be able to live, work, trade, and travel in 27 European countries.

For Scottish businesses, access to a talent pool drawn from a combined UK and EU population of 515 million will be a major competitive advantage.

Checks on goods between Scotland and the EU, and Northern Ireland, would be eliminated – a further competitive advantage.

The UK will also remain a strong trading partner for Scotland. The Scottish Government would put in place measures to smooth any checks required as a result of Brexit on goods moving to and from England and Wales.

We would also provide a substantial package of practical help for traders, both to adapt to new arrangements and to support continued trade with the rest of the UK after independence.

Later in the Building a New Scotland series the Scottish Government will publish detailed proposals on EU membership, including non-economic benefits, as well as the economic benefits and opportunities set out here.

A more successful trading nation

International trade is generally accepted to be beneficial in relation to productivity (and therefore living standards). [A Trading Nation – a plan for growing Scotland’s exports](#), included analysis showing an increase in exports from 20% to 25% of GDP by 2029 could increase national income by approximately £3.5 billion, and tax revenues by £500 million, per annum.

However, although it is generally recognised that trade between nations is mutually beneficial, it is important to recognise that it can have distributional consequences: workers, communities and regions may lose jobs and income as industries are exposed to international competition.¹⁷¹ Therefore it is crucial that measures to boost trade are part of an overall economic strategy that includes investment in labour market policies to support workers retrain and develop their skills.¹⁷²

Indeed, it has long been recognised¹⁷³ that high social spending can be necessary to sustain support for development models based on the high trade to GDP ratio to which we believe Scotland should aspire. The full economic powers of independence would enable such complementary policies to be pursued.

Brexit and international trade

Prior to Brexit, Scotland’s international trade was lower as a percentage of the overall economy than that of the UK as a whole (and comparable independent countries).¹⁷⁴ This was consistent with the UK model in which economic activity is disproportionately located in London and the South East of England.

When trade with the rest of the UK is included Scotland’s performance looks better.¹⁷⁵ However, with weak growth and investment in the UK economy post Brexit, overdependence on the UK market is not a sensible strategy for Scotland’s future.

It has been estimated that “Scotland's trade in goods with the EU was lower in 2021 than it otherwise would have been under continued EU membership”¹⁷⁶ and for the UK as a whole “there was a sharp drop in the number of trade relationships between UK exporters and EU importers, which suggests that the introduction of the Trade and Cooperation Agreement (TCA – the Brexit trade deal between the EU and UK) caused many UK firms to stop exporting to the EU.”¹⁷⁷

There is also some evidence that Brexit has reduced exports to the rest of the world as well as to the EU itself. It has been suggested that this is because UK exporters are finding it harder to source components for their goods from the EU which, in turn, makes it harder to sell internationally and that global manufacturing companies – which export both to the EU and wider afield – have switched the location of some of their plants to the EU.¹⁷⁸ The result is that overall UK export performance has been relatively poor:

“On average, the exports of 22 advanced economies to both the EU and the rest of the world have grown rapidly since the depths of the first COVID-19 lockdown in May 2020. Meanwhile, UK exports to both the EU and non-EU countries have failed to keep pace.”¹⁷⁹

These trends suggest that if Scotland could match the level of international trade achieved by high performing comparable countries – and indeed even by the UK as a whole – there would be substantial gains in productivity, living standards, national income and tax revenues. However, they also suggest that tied to a relatively poorly performing UK, now with the extra costs of Brexit added in, those gains are unlikely to be realised. Indeed, the UK export performance since leaving the EU suggests the UK (and Scotland) are falling further behind.

Improving Scotland's international trade performance

Following on from the analysis above, becoming an independent country and re-joining the European Union inside the world's biggest single market, are of paramount importance if Scotland's international trade potential is to be achieved.

Previous work by the Scottish Government, conducted on current and future import demand across 100 countries, 66 goods sectors and 19 services sectors, identified priority countries for Scottish exporters.¹⁸⁰ Eight of the top ten, and 12 of the top 15 are either in the EU or the European Single Market. Brexit has imposed trade barriers between Scotland and these key priority markets. As an independent country and EU member state those barriers with Scotland's priority markets would come down.

As an EU member state, Scotland would not only benefit from being inside a market that is much larger than the UK – seven times by population – it would also directly benefit from the global weight of the EU's Common Commercial Policy. The EU continues to negotiate new trade agreements to open new markets: it is the top trading partner for 80 countries.¹⁸¹ And its size and scale means that it is in a strong position to achieve both trade and non-trade objectives, in areas such as social, labour and environmental standards.

Its size and importance means the EU is a far stronger trade negotiator than the UK can ever be. The only way for Scotland to benefit from that influence is to re-join the EU.

For example, the UK Government in its Free Trade Agreement (FTA) with New Zealand has agreed to allow unlimited quantities of beef, tariff-free, into the UK after 15 years. In contrast, the EU-New Zealand FTA will maintain quotas permanently and apply a 7.5% tariff providing greater protection to EU farms and food producers from New Zealand imports.¹⁸²

There is strong alignment between the Scottish Government's principle-based approach to trade, as set out in Scotland's [Vision for Trade](#) (the 'Vision'), and the EU's [Open, Sustainable and Assertive](#) trade policy.¹⁸³ Key strands such as a commitment to open markets, climate ambitions and a level playing field align closely with Scottish Government priorities, as well as consideration of how trade policy is used to support social fairness and environmental sustainability.

The Scottish Government's trade strategy

Our overarching strategy, [Scotland's Vision for Trade](#) (the [Vision](#)) set out the five principles that underpin the Scottish Government's trade decisions and relationships: inclusive growth, wellbeing, sustainability, net zero and good governance.¹⁸⁴ The [Vision](#) also positions trade within a wider economic, social and environmental context and considers the strategic role of trade in contributing to wider governmental ambitions. We have used all the powers and influence available to us to make tangible progress in delivering this, in support of our National Strategy for Economic Transformation (NSET).¹⁸⁵ Where powers are currently reserved to Westminster, we have pressed the Westminster Government to act in a way that acknowledges the interests of Scotland and is supportive of our economy, people and the planet. However, the reluctance of the Westminster Government to engage meaningfully with the Scottish Government on trade policy has limited what we can do.

Box 10: Boosting exports

The Scottish Government has published an evidence-based strategy to boost exports.¹⁸⁶ We are focusing public sector resources and expertise, especially those of Scottish Development International, on supporting those businesses whose growth can disproportionately benefit our export performance and the wider economy. Focussed support from dedicated trade advisers, as well as mentoring, alongside focussed workshops and advice on marketing and preparing to export are also being delivered to different types of businesses depending on their export profile.

As part of the strategy, key areas of exporting strengths have been identified: food & drink; engineering services & advanced manufacturing; life & chemical sciences; technology, digital & media; financial & business services and energy. In addition, what are termed “enabling sectors” have been identified. They attract customers, capital or skills to Scottish businesses, products and services across the wider economy without necessarily showing up in raw export statistics. Those enabling sectors are education, creative industries and tourism.

All the key areas of strength and the enabling sectors have either been, or are likely to be, affected by Brexit imposed trade barriers. Practical help is in place to boost Scottish exports, but progress to date is likely to be held back against the backdrop of Brexit, which has made it harder for key Scottish sectors to trade with priority markets. As an independent country Scotland would for the first time have:

- a new government ministry with specific trade related responsibilities, including the promotion of Scottish exports, and
- a dedicated network of overseas missions in EU capitals and beyond which, for the very first time, would mean Scotland having a network of international offices with full diplomatic status and a core purpose to promote Scotland as a hub for innovation, trade and investment.

The border of an EU member state

Scotland, like all independent countries, would control its borders.

Most border policy is currently reserved, decided for Scotland by Westminster. Only checks on sanitary and phyto-sanitary (SPS) goods, such as animals, plants and food, are devolved to the Scottish Government.

As an independent country, and a member of the EU, Scotland would make arrangements for its border with the UK on the basis of EU law and a negotiated agreement with the UK. Although there remains significant uncertainty about the final terms of the UK and EU relationship – and we hope that in time, common sense and hard economic reality will lead to a closer relationship than that envisaged now – for the purposes of this publication we assume that the arrangements for trade in the EU-UK Trade and Co-operation Agreement (TCA) will be the basis.¹⁸⁷

In joining the EU, an independent Scotland would adopt what is called the Schengen acquis, a set of common obligations and rights EU countries adhere to, in so far as it concerns cooperation between police, customs and border authorities.

Under an arrangement called the Common Travel Area (CTA) Scotland would, like Ireland, retain freedom of movement within these islands, including the UK and Ireland. This is an agreement that allows for free movement between the UK, Ireland, the Channel Islands and the Isle of Man by citizens of those territories. It also gives reciprocal rights for British citizens in Ireland, and Irish citizens in the UK.¹⁸⁸

Ireland is both an EU member state and part of the CTA – which is a long-standing arrangement recognised in EU treaties. It would make sense for all parties for the same arrangements to apply to Scotland in the event of independence.¹⁸⁹

Being in the CTA means that there would be no new passport or immigration checks at any of an independent Scotland's land, sea or air border points with the UK and Ireland for those travelling within it.

It would also mean that rights to live, work, and access services including housing, education and healthcare would continue for British and Irish citizens in Scotland, and for the citizens of an independent Scotland in the UK and Ireland.

But in addition Scottish citizens would be able to take full advantage of their rights as EU citizens just as citizens of Ireland do. This would be a significant and substantial benefit of independence.

For movement of goods, checks between Scotland and the 27 current members of the EU and Northern Ireland would all be eliminated. While, because of the UK decision to leave the EU, there would be some checks on goods between Scotland and the rest of the UK, people in Scotland could move freely in both these islands and the EU. We believe that the end result would be better for Scotland.

The UK would, of course, remain an important trading partner for Scotland under any circumstances because of factors such as geographical proximity, the continuation of the Common Travel Area, and strong cultural links. The aim therefore is to increase international trade to realise the benefits of greater diversification while maintaining these strong UK connections.

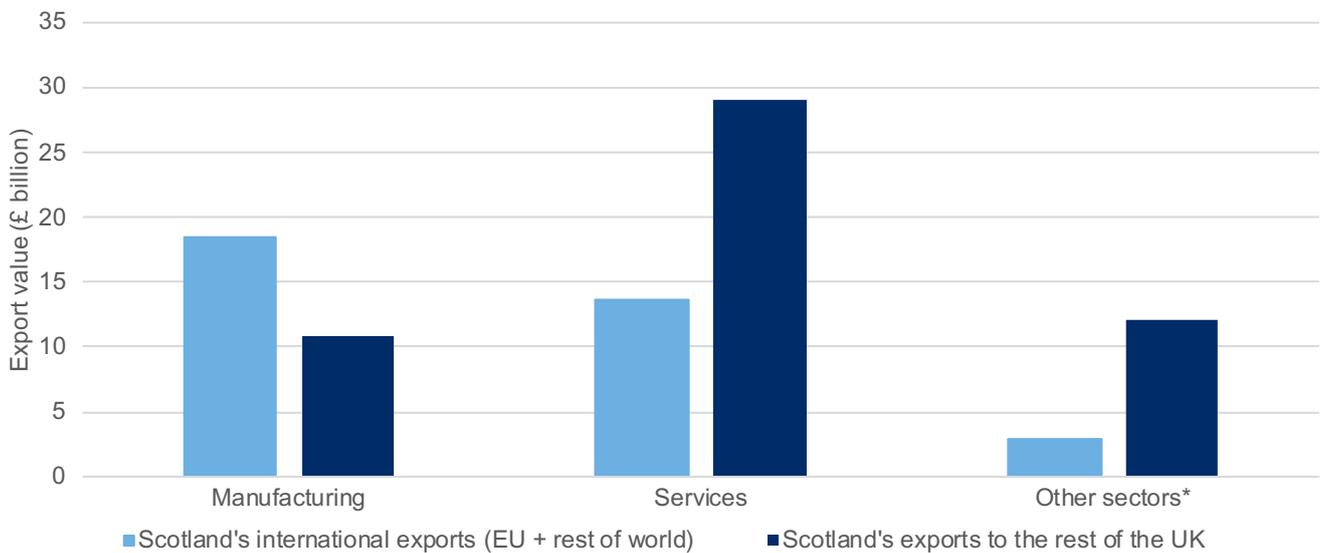
Scotland's trade in goods and services

Scotland's exports vary by destination. Understanding the nature of our trade provides an insight into the border arrangements that would be best for Scotland, and for Scotland's economic future.

The main component of exports from Scotland to the rest of the UK is services.¹⁹⁰ For manufactured goods international markets are more significant, as shown in Figure 11.

In the most recent available data, for 2019, the estimated value of Scotland's manufacturing exports to markets in the EU and the rest of the world was £19 billion whereas manufacturing exports to the rest of the UK were valued at £11 billion. Scotland's combined exports of Agriculture, Forestry and Fishing products and Retail & Wholesale were worth £8 billion to the rest of the UK and £3 billion to international markets.¹⁹¹ This is important when considering what Scotland's border arrangements should be.

Figure 11
The estimated value of Scotland’s international exports and exports to the rest of the UK (RUK) in 2019 by broad industry sector



* 'Other sectors' category includes agriculture, forestry and fishing, mining and quarrying, utilities, and construction
Source: [Export statistics Scotland: 2019 – gov.scot](https://www.gov.scot/export-statistics-scotland-2019)

For services firms, access to people and talent is one of the key factors in growing their businesses. This has been particularly affected by Brexit.

If Scotland was in the EU and was a member of the Common Travel Area, it would give Scottish businesses access to a talent pool drawn from a combined population of around 515 million people, providing a major competitive advantage.

Not all services are subject to the same rules. Many service sectors are not governed by specific regulatory regimes in the EU or the UK: for example, general management consultancy or business training. In sectors like these, providers from one country are, and would continue to be, free to offer their services in another.

Other service sectors are regulated. They are governed by regulations designed, for instance, to assure quality and safety. Trade in services between an independent Scotland with EU membership and other EU member states would be covered by the relevant EU rules. Services trade with the UK would be based on the terms of the TCA (or any future EU/UK agreement).

Regulations governing services typically cover matters like rights of establishment or recognition of professional qualifications. Under EU services regulations and the TCA, individual EU member states can, depending on the sector, maintain some of their own national rules and agree bilateral arrangements with other member states or with the UK to encourage increased cross border trade.

Scotland could, therefore, seek to reach bilateral arrangements with the UK on, among other things, the mutual recognition of professional qualifications.¹⁹²

At the same time, Scotland’s services trade with other EU countries would benefit from terms that are better than those currently applying under the TCA, and which could be enhanced further via bilateral arrangements with member states.

Companies in key Scottish sectors – such as those working in the digital economy, the financial sector, the energy sector, and the green economy – would be able to set up branches throughout the EU, providing access to more customers, and the ability to compete directly from Scotland. And Scottish businesses – particularly data-intensive service industries such as accounting, banking, and telecommunications – could compete on an equal footing across the EU.

The development of the EU digital single market is making it easier and safer for EU citizens and companies to access and sell goods and services online across national boundaries. Free mobile roaming across the EU has recently been extended until 2032 and now covers 5G and provides better information and protection for customers.¹⁹³

Work is under way to improve further the free flow of data within the EU and unlock the opportunities of artificial intelligence, internet-enabled devices, and other emerging technologies while protecting people's privacy.¹⁹⁴

In the EU, Scotland's digital and service economy would benefit from these current and future developments through better regulation, greater innovation opportunities, increased choice, lower prices and better protection of consumer rights and privacy.

Scotland would also automatically benefit from the free flow of data between all member states, reducing time and cost to consumers and businesses.

A future publication in the [Building a New Scotland](#) series will set out in more detail the benefits of, and our plans for, Scotland re-joining the EU.

A border that suits Scotland's circumstances

All countries have borders, and there is significant variation in how they operate.

Countries around the world have introduced measures to smooth trade across borders, enabling businesses to conduct transactions smoothly and effectively, ensuring that goods reach consumers quickly, while protecting safety and security.

Supported by advances in technology, modernised border processes are driving trade facilitation and more efficient borders. For example, the US, New Zealand, Singapore, and other nations have developed 'single trade windows': one-stop-shop systems for traders to submit required information ahead of border crossings. Norway and Sweden operate an efficient EU external border by investing in technology and by cooperating to share responsibility for customs checks. They remain amongst each other's biggest trade parties, even though one is within the customs union and one is not.

The Westminster Government, though it chose to impose new border obstacles by delivering a hard Brexit, is also looking at bringing forward technology-based solutions to streamline border processes.

An independent Scotland could therefore draw from best practice around the world, seeking to agree and develop the form of border that works best for our circumstances and needs and those of our partners in the EU and in the rest of the UK.

Scotland already has infrastructure and processes in place to operate its current border, including, for example, customs processes at airports. Some border operations, such as checks on certain goods, generally take place physically at the border but other parts of border-related operations happen elsewhere. Technical product standards designed to benefit consumers and producers are routinely enforced away from the physical border: for example, Trading Standards Officers may check at the point of sale that non-compliant goods are not being placed on the market.

There are also other measures that can enhance the operation of a border.

A sanitary and phytosanitary (SPS) agreement

If countries agree to sharing or mutual recognition of certain standards or regulations for animal and plant health, biosecurity, and food standards, this can significantly reduce border checks on animals and animal products, plant and plant products and food. This is a sanitary and phytosanitary (SPS) agreement, sometimes known as a veterinary agreement.

For example, an SPS agreement can:

- remove the need for business to pay for a vet to inspect and certify goods for export
- remove or reduce some physical checks at the border
- reduce the likelihood of delays to goods.

The UK agriculture, food and drinks industries repeatedly called on the Westminster Government to conclude a veterinary agreement with the EU during Brexit negotiations. The EU indicated that it would have been open to such an agreement.¹⁹⁵

Two examples of the benefit of veterinary agreements come from existing EU arrangements:

- the EU-Switzerland agreement created a Common Veterinary Area in which the countries share the same regulations
- the EU-New Zealand agreement is based on an ongoing comparison of relevant legislation to ensure mutually high standards. This also allows both parties to separately negotiate their own trade agreements with other countries.

In both cases, these agreements mean that just 1 to 2% of relevant goods are checked.¹⁹⁶

Modernising border processes

In line with international best practice, the EU is also looking at developing a single trade window, described above, to streamline trade flows and make both importing and exporting easier while protecting safety & security, the environment and product standards. The EU Single Trade Window initiative forms part of an ambitious project to modernise customs controls over the coming decade.¹⁹⁷

The UK's ambition for its border model should mean that much of the process will be digital by 2025.¹⁹⁸ Digitisation is designed to streamline processes, help border agencies link up, and reduce administration for traders. This would apply to trade with an independent Scotland.

Goods passing through England

Much of Scotland's trade to and from continental Europe currently passes via England and the strait of Dover.

EU members can move goods between each other freely. However, some trade routes between EU countries pass through a non-EU country. To prevent unnecessary checks on goods passing through another country, there are processes in place to simplify such movement of goods.

The UK is a signatory to the Common Transit Convention, to which Scotland could choose to accede, which is an international agreement that enables simplified movement for goods across a territory to their destination for sale or use.

The Convention allows authorised trade to pass through a country on the way to its destination. If certain conditions are met – such as goods vehicles attending an authorised facility and goods being in sealed containers – goods are effectively treated as if they have not left the EU, therefore avoiding some additional border checks.

The Irish experience of post-Brexit trade suggests that more trade between an independent Scotland and the rest of the EU would move directly and less would travel through England.

However, the Convention would enable Scottish trade with the continental EU to more easily pass through the UK, if this were the quickest route to market for time-sensitive goods. Similarly, goods could pass through Scotland between the island of Ireland and the UK.

Encouraging direct trade

Action to improve direct trade routes to make it easier to get goods to the European market is likely to be required to help maximise the benefits of EU membership.

Since Brexit, Ireland has increasingly traded directly with the EU rather than sending goods via the UK. Direct ferry crossings from Ireland to continental Europe have increased from three per week in 2020 to more than 30 per week in 2022. Freight trade between Rosslare and continental Europe has increased by 50% since 2020.¹⁹⁹

While the Common Transit Convention would enable goods to flow from an independent Scotland through England and onward to the EU in a straightforward way, it is expected that – similarly to Ireland post-Brexit – businesses trading in and out of Scotland would additionally look to use direct Scotland-EU routes.

Scotland has a substantial network of ports and airports – many of which could be well-positioned to support direct Scotland-EU trading, offering alternative routes for traders to enjoy free trade in the Single Market.

The Scottish Government is already working closely with key stakeholders to explore options for increasing exports directly from Scotland and will continue to work with industry to understand existing supply chains and policy measures that would support direct trading with the EU and internationally.

The range of such policy measures would broaden with independence. Working within EU and international law, and as fiscal circumstances allow, these might include:

- more support for new or enhanced ferry routes to provide greater flexibility on journey frequency and length
- enhancements to current port infrastructure to boost capacity
- potential development of new port facilities.

A single set of border checks

Rather than both Scottish and UK border authorities performing two separate stages of checks on the same goods, it would benefit traders for the administrations to agree to a single set of checks. Both the UK and Scottish Government authorities could be authorised to undertake customs checks on each other's behalf.

Sharing responsibility for customs checks is something that happens on the Norway-Sweden border and, together with the use of technology, has the result that most goods traffic travelling across the border are cleared by customs within three to nine minutes.²⁰⁰

Any actual physical checks would likely only be undertaken on the two main trunk routes between England and Scotland or at rail freight terminals.

Help for traders

The Scottish Government is committed to supporting businesses trading in Scotland.

As the details of our borders arrangements are settled – which, in addition to the work the Scottish Government requires to do, will also need greater certainty about the UK/EU relationship and negotiation between Scottish and UK governments – we will set out measures to help traders adapt to any new procedures and requirements.

When the UK left the EU, traders had only days to respond to and prepare for new trading rules before they came into effect. In contrast, the Scottish Government will make sure that Scottish businesses and business that trade with us are given ample notice of new trading arrangements. We would provide support services and guidance to help traders understand and comply with any new arrangements.

Working with industry to identify the right focus areas, the Scottish Government would seek to bring forward a range of measures – targeted across sectors and developed in response to trading conditions on the ground.

Advice and guidance would be made available to businesses, such as through websites, helplines, and government-backed stakeholders, support sessions.

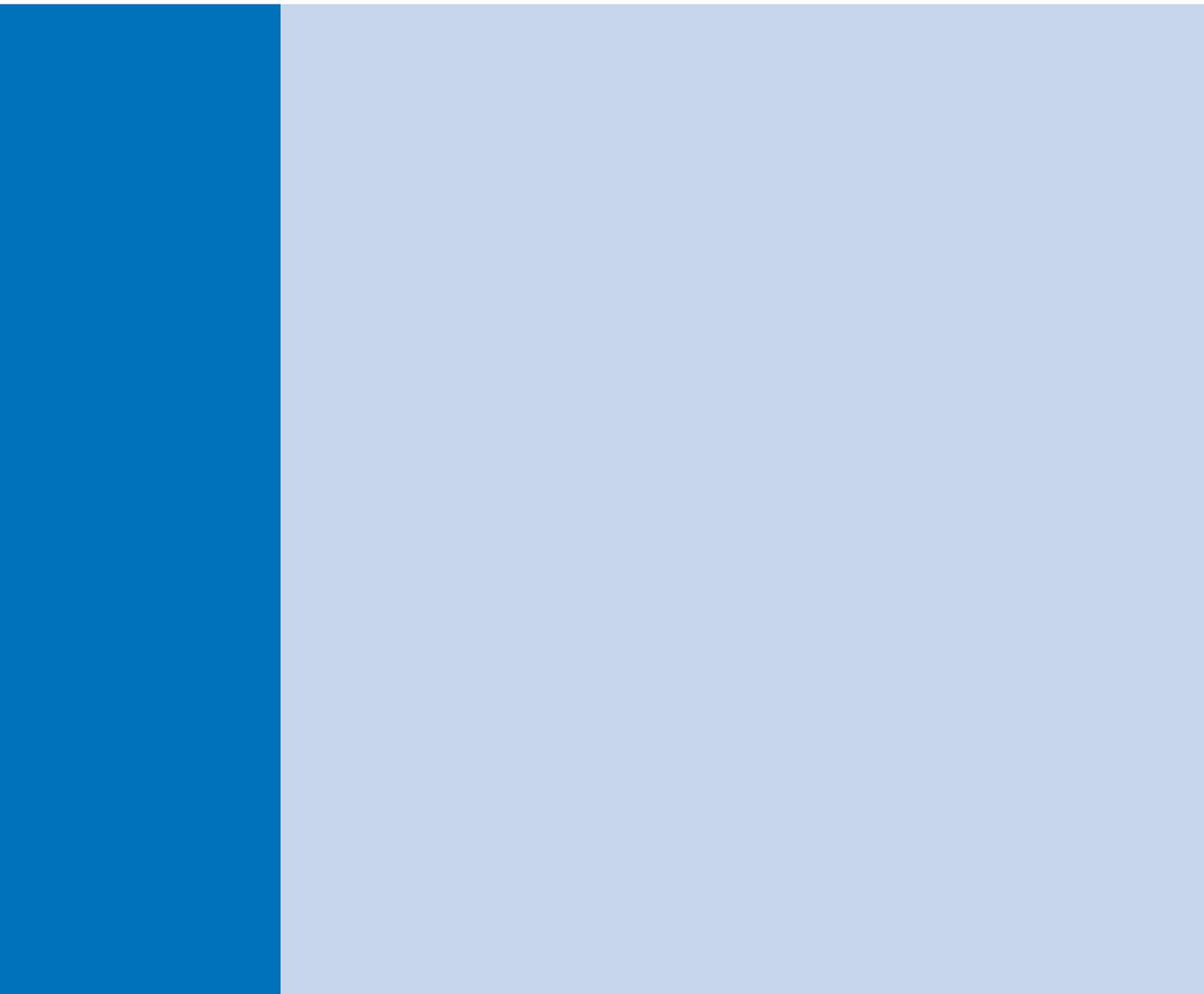
The Scottish Government would establish a support service for exporters to maximise Scotland's export growth opportunities through our new trading arrangements. We could, for example, conduct test export journeys – exercises designed to replicate taking products through new border processes – to help businesses understand new arrangements.

We also commit to supporting businesses with paperwork and with administrative requirements.

We know that Scottish businesses have considerable expertise in trading internationally and would be best placed to determine which support measures are the most helpful.

On re-joining the EU, and developing our borders with the UK, we would work with business to provide the right practical help as new arrangements come into force. This practical help would ensure that business and people – of an independent Scotland, of the UK and of the EU – would all be able to make the most of the opportunities available to Scotland.

A better economy with independence



Key points

Decisions on economic policy would, of course, be for future governments and parliaments. This section sets out the current Scottish Government's proposals for a new economy with independence: one that is greener, fairer, more open, and more dynamic. An economy that:

- can take advantage of abundant, low-cost energy
- reflects the new economic thinking discussed earlier in this publication
- is able – like the comparator countries discussed in the first publication in the [Building a New Scotland](#) series – to marry high productivity, innovation and economic dynamism with strong social solidarity.

A key principle is that Scotland's economy would be reconnected with Europe.

With the full powers of independence and EU membership, Scotland's economy can be transformed in four key ways.

A greener economy. Scotland can build on its outstanding natural resources to maximise the economic and social benefits of the move to net zero carbon emissions. We would carefully nurture and support the industries like hydrogen and carbon capture and storage, that will play a part in that transition. This would help ensure that they deliver significant national wealth, high quality jobs and crucial action on climate change.

A more dynamic and productive economy. Scotland can seek to replicate the success of comparable independent European countries, with improved approaches to investment, entrepreneurship, corporate governance, family-friendly policy and co-operatives.

A more open and welcoming immigration system. Scotland can leave behind the 'hostile environment' that characterises the UK's approach to immigration. Instead, we would encourage and support people to settle here for the long term. This would be good for the economy and broader society. It would help address the needs of all of Scotland, including businesses and those areas most at risk of depopulation.

A fairer labour market. A modernised labour market would bring improvements to wages and terms and conditions. We propose that Scotland should have a single rate for the national minimum wage, one that better reflects the cost of living, with no lower rates for younger workers. Access to flexible working would be strengthened to make sure parents and carers, most of whom are women, have more choice over how to balance caring and employment responsibilities, also helping to tackle child poverty. Scotland's gender, disability and ethnicity pay gaps would be addressed, in part by introducing greater transparency in pay reporting. And unfair labour laws – like the UK Trade Union Act 2016 – would be repealed in recognition of the fact that good industrial relations, and active trade unions, help build a stronger, fairer country.

Economic dynamism and social solidarity

The current UK Prime Minister has argued that “...to look at everything through the lens of redistribution I believe is wrong because what I’m about is growing the economy and growing the economy benefits everybody”.²⁰¹

However, as we highlighted in the first publication in the Building a New Scotland series,²⁰² other countries manage to be more productive and more equal than the UK.²⁰³ For these countries, economic dynamism and social solidarity are mutually reinforcing. The relationship between growth and fairness should not be seen as a trade-off.²⁰⁴

Indeed, as set out earlier, the OECD, IMF and European Commission all now acknowledge that tackling inequality should be a key policy objective and that policies aimed at doing so can also contribute to higher productivity and greater economic dynamism. The OECD has found that “higher inequality drags down economic growth and harms opportunities”²⁰⁵ and the IMF that “a higher Gini coefficient [a measure of inequality]²⁰⁶ is associated with lower output growth over the medium term”.²⁰⁷ As discussed later, the EU is currently preparing a Directive aimed at boosting minimum wages and collective bargaining coverage.

The policies outlined here – including on energy, the labour market, immigration, trade and corporate governance – and elsewhere in the Building a New Scotland series are intended to support a shift away from the relatively poorly performing UK economy towards the type of model long pursued by European nations comparable to Scotland. Such models continue to successfully combine relatively low inequality with relatively high employment, productivity, innovation and internationalisation. There is no reason why Scotland, with the full powers of independence and EU membership, cannot replicate their ongoing success.

Releasing Scotland’s economic potential

As highlighted earlier, Scotland has significant economic strengths, capabilities and specialisms. We have a highly educated workforce and a number of long-standing sectoral strengths. We have exciting and growing life science and technology clusters and natural capital that leaves Scotland especially well positioned to generate quality employment through the transition to net zero. The full powers of independence would enable Scotland to build on these strengths.

An independent Scotland would be able to forge an economic model that is quite distinct from the UK’s. The full powers of independence would enable Scotland to marry economic dynamism with social solidarity much more effectively than it is able to do within the constraints of devolution.

Independence would enable the Scottish Government to put fairness front and centre of economic development policy. Genuine progress can be made on current priorities such as fair work and wellbeing that have until now been constrained by a lack of relevant powers.

We consider that Scotland, building on existing strengths, can use the full powers of independence to choose a different economic path; one that is greener, fairer, more open and welcoming, more dynamic and more productive. Our proposals are not intended to be a comprehensive assessment of how independence would affect every sector of the Scottish economy – however, we illustrate the kind of choices that would be open to us with independence.

Later publications in the Building a New Scotland series will set out further detail on the Scottish Government’s specific proposals with the aim of leading a debate on how a stronger economy is possible with independence.

A greener economy with independence

Vision: Scotland's massive renewable energy resources can be the bedrock of a new independent economy. We can be a model for how an economy can transform itself, de-carbonising and creating well-paid and secure jobs. Over the long term, Scotland's resources can provide lower cost energy to households and businesses, providing a major competitive advantage.

A number of great challenges and opportunities – demographic, technological, and, most pressingly, environmental – characterise the modern economy. The success of countries depends on the skill with which they manage this profound economic change. Scotland possesses a wealth of assets and natural resources that leave us well placed to meet these challenges and maximise opportunities. Indeed, the economic and employment opportunities presented by the shift to net zero are huge.

An independent Scotland could set a clear course by investing early through the Building a New Scotland Fund to stimulate sustainable growth and support the just transition to net zero. The Scottish Government is already committed to supporting a transition that maximises the social and economic opportunities of climate action, while minimising and managing any challenges – including through dialogue with those impacted, and respect for labour principles and rights.

The Scottish [Just Transition Commission](#) is already working to support a shift to a net zero economy that will support workers and communities and create new job opportunities.

The net zero opportunity

Scotland is an energy-rich nation. In 2021, Scotland generated enough renewable electricity to power all households in Scotland for three years, and exported electricity with an estimated wholesale market value of £2.4 billion.²⁰⁸ In June 2022, our renewable energy capacity was 13.3 GW, up from 1.4 GW in 2000.²⁰⁹ By way of comparison, peak electricity demand in Scotland is between 5-6 GW.^{210, 211}

Scotland's renewable energy potential is vast and is fundamental to the new economy we want to build (see Box 11 below). An independent Scotland could ensure the long-term affordability of electricity, as offshore and onshore wind farms can provide electricity at a lower cost than nuclear or gas power plants. Scotland's renewables potential also means we can not only ensure energy self-reliance and generate enough green electricity to power Scotland, but also export increasing amounts of low carbon energy to our neighbours, supporting the wider security of supply needs and decarbonisation ambitions of our neighbouring nations.

Box 11: Scotland's vast renewable energy potential

Current onshore wind capacity is 8.8 GW²¹² and we are consulting on aiming for an additional 8-12 GW by 2030.²¹³ Expansion of onshore wind could generate the equivalent of £27.8 billion in GVA, and deliver around 17,000 more jobs by 2030.²¹⁴

Current offshore wind capacity is 1.8 GW.²¹⁵ We have capitalised on our significant offshore renewables resource by launching the world's largest floating offshore wind leasing round through ScotWind, which provides seabed rights for potential development of almost 28 GW of offshore wind energy, including a potential for 17.6 GW of floating offshore wind, putting Scotland at the forefront of the global development of the sector.²¹⁶ If consented and fully deployed, ScotWind projects could deliver up to £28.3 billion of Scottish supply chain benefit across 20 projects.²¹⁷

As of June 2022, 378 renewable electricity projects with a capacity of 16.3 GW are in the development pipeline in Scotland.²¹⁸

Currently, we have 1.67 GW of hydro and 0.74 GW of pumped-storage hydro in Scotland.²¹⁹ We have a number of projects – a total of around 2.8 GW – either in the pipeline or consented that do not have a route to market under the current GB market approach.

To put this in context, peak electricity demand in Scotland is between 5-6 GW. Scotland's energy potential can help deliver wider renewable energy ambitions. At EU level, on 12th September 2022, the North Seas Energy Cooperation countries agreed in a [Joint Statement](#) to reach at least 260 GW of offshore wind energy by 2050, complemented with intermediate targets of at least 76 GW by 2030 and 193 GW by 2040.

Onshore and offshore wind

Onshore wind accounts for about 70% of our current renewable energy capacity, followed by hydro and offshore wind. Scotland has the potential to significantly expand generation from onshore wind and we are currently consulting on a proposal that Scotland should aim for an additional 8-12 GW by 2030.^{220, 221} Expansion of onshore wind could generate the equivalent of £27.8 billion in GVA and deliver around 17,000 more jobs in Scotland by 2030.²²²

Scotland also has massive offshore wind potential which can provide renewable electricity not only for Scotland but for export to the rest of the UK and Europe. This can support security of supply and decarbonisation.

Offshore wind is set to become the largest part of the Scottish renewables sector in the years ahead. The recent [ScotWind](#) leasing round²²³ has awarded seabed rights for the possible deployment, subject to planning consent, of up to 27.6 GW of offshore wind. ScotWind includes the world's largest commercial round for floating offshore wind, with the potential for 17.6 GW of floating offshore wind. This puts Scotland at the global frontier of renewables technologies. And ScotWind projects, if fully deployed, will also deliver investment of up to £28.3 billion across the Scottish supply chain across 20 projects (equating to £1.4 billion of supply chain investment per GW of power capacity).

Hydro

We have 1.67 GW of hydro and 0.74 GW of pumped-storage hydro in Scotland.²²⁴ But we have a number of projects either in the pipeline or consented that do not have access to sufficient financial support through the current UK subsidy regime to begin construction. We could use powers over energy market design to provide support for flexible generation, such as pumped-storage hydro and battery storage. Creating more low-carbon pumped-storage hydro capacity in Scotland will further diversify our electricity supply mix, help security of supply and lessen reliance on high-cost gas generated electricity. This is an example of how the Building a New Scotland Fund could meet its aims including net zero. It is through such measures that in the longer term costs for consumers and businesses could be reduced in an independent Scotland.

Wave and tidal energy

Scotland is a leader in the development and deployment of wave and tidal energy technologies with: the world's leading wave and tidal test centre, the [European Marine Energy Centre](#) in Orkney; the world's largest tidal stream array; and the world's most powerful tidal stream turbine.

Box 12: Hydrogen

Hydrogen is a clean alternative to natural gas, and can be produced from a variety of sources, including gas and renewable sources such as wind and solar. Scotland has the resources, the people, and the ambition to become a leader in hydrogen production for both domestic use and for export to Europe.²²⁵ Hydrogen, powered by renewable electricity, may be Scotland's greatest industrial opportunity since oil and gas. Estimates based on scenarios developed for the Scottish Government indicate that a range from 70,000 to over 300,000 jobs could be protected or created and with potential GVA impacts of between £5 billion and £25 billion a year by 2045.²²⁶ For comparison, oil and gas extraction alone was worth an estimated £8.8 billion in GVA to Scotland's economy in 2020, representing around 5% of total Scottish GDP.

The Scottish Government already has a hydrogen production ambition of 5 GW by 2030 and 25 GW by 2045. Hydrogen will play a key role in delivering net zero in industrial and heavy transport use and in the domestic economy, potentially heating our homes and buildings. Scotland also has significant hydrogen export potential.

Scotland will produce substantial electricity from its renewable capacity. This capacity presents opportunities for the production, use, and export of hydrogen. By moving quickly on offshore wind, and supporting hydrogen production from onshore wind, Scotland has created conditions to establish a competitive, at-scale green hydrogen capability, and to attract parts of the value chain to locate in Scotland.

Oil and gas

Oil and gas remain a significant part of Scotland's energy mix and, while all countries must move away from fossil fuels as quickly as possible, will continue to be so during the transition to net zero. The oil and gas industry is an important part of the Scottish economy - oil and gas provides 76.5% of all Scottish energy consumption.²²⁷ The industry also supports approximately 71,500 jobs, and generated £12.9 billion in GVA (7.1% of total Scottish gross domestic product²²⁸ in 2021).^{229, 230} The recently launched seabed leasing round for decarbonising Scottish oil and gas operations through renewables demonstrates our commitment to making these operations as clean as possible for the remainder of their lifetime. The North Sea will continue to play an important role now and in an independent Scotland. Our oil and gas infrastructure and highly skilled workforce have long been at the forefront of energy innovation and will be crucial to our long term success in renewable energy.

As set out above, Scotland has already made great strides in the transition away from fossil fuels. The move to net zero is an environmental imperative, but also a massive economic opportunity. As we continue the transition to alternative energy sources, we will work to ensure job opportunities and wealth are created in a way that does not leave communities behind. We will work to deliver a just transition that supports those currently employed in oil and gas to capitalise on the employment opportunities of net zero energy. This involves identifying future opportunities, future skills requirements, and where jobs will be located. It means building the workforce required for the new economy, through upskilling and cross-skilling, in a fair and effective way. And it means targeting locations where there is the greatest need in planning and developing training facilities and outreach programmes from universities.

Box 13: Carbon Capture and Storage

Scotland has significant opportunity from carbon capture and storage (CCS), where carbon dioxide (CO₂) can be captured, transported and stored in depleted oil and gas fields. Scotland's North Sea is potentially the largest carbon storage resource in Europe. While it must not be used to justify further fossil fuel extraction, with existing industry capability, supply chain, and infrastructure for potential transport of CO₂, Scotland is one of the best-placed countries in Europe to deliver CCS. CCS will also play an essential role in the decarbonisation of our energy sector and helping to tackle climate change. We can also provide a route for much of the UK's emissions to be safely stored and to position Scotland as a European carbon storage hub.

The Scottish Government has consistently supported the development of CCS, including the Acorn CCS project²³¹ in the North East of Scotland. With expansion, Acorn has the potential to cumulatively store 25 megatonnes of CO₂²³² by 2030 and 500 megatonnes by 2050,²³³ and could unlock more than 20 gigatonnes²³⁴ of potential CO₂ storage within this area of central North Sea.²³⁵ And this can support an average of 15,000 jobs between 2022 and 2050, with a peak of 20,600 in 2031.

The UK Government has not funded Acorn CCS, designating it a "reserve cluster" in Track-1 of their cluster sequencing process. This decision significantly compromises our ability to take crucial near-term action to reduce our emissions, and achieve a just transition for our workforces as we transition from fossil fuels.

Home-grown power

The need to accelerate the energy transition has been made clear by the impacts of war in Ukraine on European and global energy markets. With existing powers, there is little the Scottish Government can do in the short-term to influence these wider market trends. But rising energy costs for consumers, driven by the price of gas, has shown the need to move to, lower price renewable energy.

With independence, and maximising home-grown, renewable power generation, Scotland can create even greater energy self-reliance and reduce our exposure to the volatility of global gas prices. With full powers, an independent Scotland could ensure the lower cost of renewables is passed through to customers, with the price of electricity more accurately reflecting our abundant, low-cost renewable resources.

Electricity market design and using the full powers of independence

Currently, the Scottish Government and Parliament have no powers over electricity market design – for example, how electricity is traded or how security of supply is provided. With independence, we would be able to determine how government support was delivered, and for which technologies, and have direct influence over how the grid network is built and charged for. We would be able to put in place new market frameworks to develop and deploy renewable hydrogen and CCS.

An independent Scotland would design the electricity market: either as an equal partner in a joint design authority with the UK Government, or under a different system. We would do whatever is in Scotland's interests. This would allow us to break the link between the price of electricity and the price of gas, which is a key factor driving the high prices for Scottish households and businesses. It would also allow us to support new and evolving technologies, to decide which technologies to support, and, working within EU and international law, how much support to provide. The EU is already looking at doing this by diversifying gas supplies and increasing the amount of gas stored across Europe, boosting energy efficiency, increasing renewables to accelerate the reduction of reliance on fossil fuels, and introducing pricing mechanisms to keep electricity affordable.²³⁶

With powers to influence the design of the regime for paying for Scotland's electricity grid, we could determine how quickly the grid network expands to support the growth of renewable generation, both onshore and offshore. Plans for offshore wind in the North Sea and for a grid connecting countries and markets around the basin are increasingly gaining traction.²³⁷ A North Sea grid could see the creation of an integrated offshore energy grid which links wind farms and other renewable energy sources between markets and countries across the northern seas of Europe. Scotland could play a role in this expansion and support electricity interconnectors to link us directly to European markets, by either regulating their cost by or directing government investment.

Many countries have successfully chosen to follow a public ownership model in energy projects, such as in offshore wind, including Denmark (with the Danish wind company DONG), Sweden (with Vattenfall), and Norway (with Statkraft). Full powers in relation to energy would also enable Scotland to consider public sector involvement or ownership, expand the range of areas in which government invests, and encourage private investment in key energy technologies, including hydrogen production, transport and export, but also in carbon capture and storage, types of renewable generation, and also energy export capacity from Scotland.

We are already using our existing powers of regulation, and support for innovation, to accelerate the decarbonisation of heat and better energy efficiency across Scotland's building stock. Better energy efficiency and using less energy, will help tackle high energy costs for consumers. Full powers over energy would enable us to take additional steps – for instance, through market mechanisms aimed at requiring suppliers of fossil fuel heating systems to provide an increasing proportion of zero carbon heat, and reforms to the electricity market designed to remove the running cost disincentive of switching to a heat pump.

With full powers over consumer protection, we would ensure the needs of Scottish energy consumers are protected, including in areas like the heating oil market and supporting the most vulnerable consumers, including those on pre-payment meters.

Later in the Building a New Scotland series we will set out in more detail how we will use the powers of independence to deliver Scotland's full energy potential and support our wider net zero ambitions.

Additional economic opportunities of net zero

There are significant additional economic opportunities in energy, including:

- export opportunities beyond the physical commodities of electricity and hydrogen to advisory services, intellectual property and other expertise. As in the oil and gas sector, Scotland can become a hub for advisory and services firms serving global markets
- benefits beyond the jobs created in the renewables industry and technologies such as hydrogen production and carbon capture and storage. Rapid development of renewables, production of hydrogen and deployment of carbon capture and storage offer significant opportunities across the economy. Competitive advantage in products produced using renewable sources of energy will be of increasing value.

Giving communities a stake in renewables development

In an independent Scotland, economic opportunities such as renewables development can be exploited in ways that benefit as many people as possible and leads to better social outcomes. This includes:

- **good jobs:** the shift to a net zero economy should be a growing source of good, skilled and well-paid jobs. Control over employment law would enable Scotland to maintain higher employment standards than has been the case in the UK over recent decades
- **local content:** with independence, and working within EU and international law, we would work to ensure that workers, communities and firms throughout the supply chain can benefit from energy developments and make more use of local content building on the experience of the ScotWind Supply Chain Development Strategy. It would be essential to ensure that more manufacturing jobs are generated through renewables development than has been the case to date
- **community ownership:** new ownership structures – including public, community and cooperative ownership opportunities – could be developed more widely. This could ensure communities take direct stakes in local developments. This could provide steady revenue streams to support community facilities and boosting local economies. There would be an opportunity to grow cooperatives in related advisory and services firms.

The interplay between addressing climate change through the transition to net zero and the need for a just transition that protects and supports the most affected by sectoral shifts is critical. As an independent country Scotland would have control, not only of how to marshal the energy transition, but also over the employment powers that would underpin a just transition.

In summary, over the longer-term an independent Scotland could deliver affordable renewable energy, and this would help reduce the cost of energy for households and businesses. We would improve Scotland's self-reliance in energy and improve security of supply by designing a market that maximises the economic and employment benefits of Scotland's advantages in wind, hydro, pumped-storage hydro, hydrogen, wave and tidal and carbon capture and storage. By breaking the reliance on gas by incentivising investment in these technologies, delivering affordable renewable energy and supporting energy efficiency measures in the housing stock, energy costs should fall.

A fairer labour market with independence

Vision: We want Scotland to be fairer, more equal and more prosperous. A country offering a decent future for all workers, their families, and communities, underpinned by a strong labour market.

This section sets out how an independent Scotland, with full control over employment law, could make different choices on the labour market.

The Scottish Government is strongly committed to Fair Work.²³⁸ All workers should have better job quality, wages, economic security and work-life balance. They should have an effective voice, opportunity, security, fulfilment, and respect.

However, recent Westminster Government labour market policies often work in the opposite direction. They include:

- the introduction of the Trade Union Act 2016. This makes it more difficult for trade unions to take industrial action and organise in the workplace
- plans to introduce fees for Employment Tribunals
- inadequate enforcement of minimum employment standards, including the national minimum wage.²³⁹

The UK labour market has serious structural weaknesses in particular areas. It has high proportions of both low-wage workers and very high earners. So it also has high income inequality.²⁴⁰

What is more, the UK's high overall employment rate masks relatively low rates among groups who continue to face structural barriers to fair work:

- women are hugely under-represented in some key sectors and in senior positions across the economy. The UK's gender pay-gap is high²⁴¹ and stubbornly persistent
- the employment rate for disabled people is low,²⁴² reflecting at least in part, its low priority at UK level and low spending on support and rehabilitation²⁴³
- the employment rate for all the main minority ethnic communities is lower than for the white population.²⁴⁴

All the above groups are over-represented in sectors that tend to offer low-wage, precarious work.

Many European countries take a different approach to the UK.²⁴⁵ The UK has heavily deregulated its labour market²⁴⁶ and has acted to weaken institutions such as trade unions and collective bargaining on wages, terms and conditions.²⁴⁷ While the nations discussed in the first publication in the *Building a New Scotland* series have all deregulated to some extent,²⁴⁸ most still have relatively high levels of trade union membership and collective bargaining. These important counterbalances to de-regulation tend to lead to very different outcomes.²⁴⁹

The full powers of independence would open up a range of potential policy measures that go much further than marginal tweaks to UK policy.

For example, the presidency of the European Council and the European Parliament recently reached a provisional agreement on adequate minimum wages in the EU.²⁵⁰

The new law – once adopted – would aim to achieve decent working and living conditions for all European employees. The provisional agreement proposes that where fewer than 70% of all employees have the right to bargain, member states should establish an action plan to increase collective bargaining coverage. The action plan should set out a clear timeline and concrete measures to increase the rate of collective bargaining coverage.

A new approach to Fair Work

Building on current Fair Work policy and learning from the best-performing European nations, an independent Scotland could develop a new, transformative model for the labour market. We would seek to strengthen our Fair Work agenda in an independent Scotland, introducing new protections where none currently exist, and delivering a more socially just Scotland.

Specific measures we propose include the following:

1. Better pay and conditions. An independent Scotland would be able to set higher minimum standards in these areas:

- **establishing a fair national minimum wage** at a level that better reflects the cost of living in Scotland – with a single rate for all age groups. This would end the current approach that discriminates against young workers. Responsibility for determining future increases in the rate could fall to a new Scottish Fair Pay Commission, which is discussed below
- **stronger access to flexible working** which would help make sure parents and carers, most of whom are women, have more choice over how to balance caring and employment responsibilities, also helping to tackle child poverty. This would, for instance, allow parents and carers to work around school hours. We are committed to working with business representative organisations and trade unions to develop effective approaches to flexible working that benefit both employers and workers
- **greater transparency in pay reporting and action on data** to help address gender, ethnicity and disability pay gaps, as well as discrimination based on age. This action would build on the Scottish Government's existing commitments in the Fair Work Action Plan,²⁵¹ the Gender Pay Gap Action Plan²⁵² and the Disabled People's Employment Action Plan,²⁵³ as well as the forthcoming Ethnicity Pay Gap Strategy
- **repeal of the UK Trade Union Act 2016** as part of the process of developing an approach to industrial relations that works in the interests of all
- **development of a national action plan to extend collective bargaining coverage** consistent with the expected requirements of the EU legislation discussed above and in line the established SG support for collective bargaining.

When circumstances allow over the longer term, future Scottish governments could consider gradual improvements in areas such as:

- **higher minimum standards for statutory sick pay and parental leave**, bringing both to at least the average for OECD nations. These would be important changes, not least as the UK currently has the lowest statutory sick pay among OECD nations. For the first four weeks of sick leave, this could raise the median worker's sick pay from roughly £2,600 (10% of earnings – the average for UK workers) to £18,204 (70% of earnings – the average for workers across OECD nations)²⁵⁴
- **full employment rights for all from day one of employment**. Currently the right to request flexible working is only available after 26 weeks. The right to take parental leave comes after one year. And the right to claim unfair dismissal is only available after a full two years of continuous employment
- **new approaches to productivity**, supporting pay progression, and linked to investment in skills, and industrial strategy to sustain investment over time.

2. Better regulation. An independent Scotland could improve regulation, ensuring that individuals have adequate protection at work. At the same time, the labour market would remain flexible so it can adapt to keep pace with a dynamic economy.

The UK employment law framework has failed to move with the changing shape of the economy and workplace. Currently, too many workers have insufficient protection at work.²⁵⁵

Independence offers an opportunity to redesign the system to better meet the needs of both workers and employers. Measures could draw on the recommendations of recent high-profile commissions such as the Taylor Review of Modern Working Practices and the Institute for Public Policy Research (IPPR) Commission on Economic Justice.

We propose these actions as a minimum:

- **give clarity on the legal status and associated rights of different categories of workers.** This would help prevent exploitation of workers, especially in the 'gig economy'.²⁵⁶ For example, all workers would be entitled to a written statement of their status and conditions from their first day at work.
- **reform rules about holiday pay.** We want to make sure people in flexible or casual work arrangements get the paid annual leave they are entitled to, in full. One way to do this would be to extend the 'pay reference period'²⁵⁷ to 52 weeks for agency workers, those who work variable hours, and those on zero-hour contracts who often do not receive their full entitlement of paid annual leave
- **legislate to support workers in precarious employment.** This would allow agency workers and those on zero hours contracts to ask to formalise the reality of the working relationship. This would help ensure that workers are not being discriminated against by being forced to operate as self-employed
- **legislate to ban fire and rehire.** That means an end to the practice of employers making workers redundant and offering to rehire on reduced wages and conditions
- **ensure statutory public holidays can no longer be counted towards statutory minimum leave entitlements.** The UK, which already has relatively few statutory public holidays, is the only European country where employers can do this²⁵⁸
- **properly resource the enforcement of the national minimum wage.** The Resolution Foundation has found that the current enforcement regime does not persuade rogue employers to follow the law on the national minimum wage.²⁵⁹

3. Better institutions and approaches. One lesson from the most successful labour markets across Europe is that effective regulation, on its own, does not guarantee good outcomes. Instead, regulation should be complemented by institutions developing a new approach to setting labour market standards, focussed more on consensus.

In an independent Scotland, these new institutions and/or arrangements could include:

- **a Scottish Fair Pay Commission**, to lead a new approach to setting the National Minimum Wage. This would include a role for employers, trade unions and government and seek to set a level to match Scotland's specific circumstances and needs. The Commission would have a wider remit than the current UK Low Pay Commission. It would be able to examine issues such as setting a higher minimum wage on non-guaranteed hours as proposed by the Taylor Review²⁶⁰
- **new approaches to Fair Work Agreements.** An independent Scotland could consider modern, sectoral bargaining mechanisms such as those currently being developed in New Zealand to support pay progression, improve conditions in low pay sectors and support inclusive workplaces. These would need wide engagement and buy in
- **new approaches to partnership.** An independent Scotland could develop social partner (trade union and employer bodies) led approaches to health and safety, regulation of working hours and other workplace matters.

4. Better policy alignment. Full powers would allow for more effective alignment between social security and employability objectives and better integration of skills and employment support provision. This would help remove barriers to employment and create better matches between job seekers and job vacancies. It should help unemployed people who are able to work to return to work more quickly and transfer skills across sectors faster too. Policies could also be developed to support people to remain in work for longer.

A longer-term aspiration would be to gradually raise spending on labour markets (e.g. public employment services, unemployment benefits and a range of measures such as training and supported employment and rehabilitation) to levels similar to the best-performing European nations such as Denmark. The UK spends considerably less than other nations. In 2011 (the last year for which UK data are available), the UK spent 0.53% of GDP on labour markets, compared to 1.76% in Germany, 2.7% in Finland and 3.6% in Denmark. The UK spent only 0.01% of GDP on training while Denmark spent 0.64%, Finland 0.49% and Germany 0.25%.²⁶¹

5. More resilience. New infrastructure would make it easier for an independent Scotland to deal with labour market shocks. In responding to the global financial crisis and pandemic, other countries were able to quickly draw on existing institutions and initiatives. This could include the development of:

- a **permanent short-time working scheme**, modelled on the German *Kurzarbeit* programme.²⁶² The German scheme provides compensation for private sector workers whose hours are reduced because of economic difficulty. The Scottish scheme could kick in at times of severe economic shock. This would help retain skills, reduce long-term unemployment and the associated costs and allow for more rapid economic recovery
- **Job Security Councils (JSCs)** modelled on the Swedish initiative, led by social partners: employer representative bodies and trades unions. JSCs are non-profit foundations that provide support to employees who have lost – or are at risk of losing – their jobs. The JSC helps workers find new employment by providing a range of advice and support. JSCs would encourage greater labour market dynamism. The Swedish experience shows that workers are more willing to embrace technological change in the workplace if high-quality retraining support is available.²⁶³

6. Better partnership working. Future governments would be able to take a new approach to trade union legislation that better reflects the role of unions as economic and social partners rather than the approach pursued by successive Westminster Governments. There would also be an opportunity to re-assess the wider role of trade union and business/employer bodies in economic development.

Other European countries have long-established systems of social partnership where governments work with trade union and employer confederations to develop consensus-driven approaches to economic development. It is difficult to do this under devolution, as the key policy areas of mutual interest are reserved. Under independence it would be possible to develop more European-style approaches which might involve:

- the establishment of new consensus-building institutions of economic development along similar lines to the statutory national Economic Councils in Denmark and Finland²⁶⁴
- social partner-led national inquiries to shape national policy and agreed approaches into key economic issues/challenges. These could be under the auspices of the Economic Council. Similar inquiries have been undertaken in Finland, while Denmark's Disruption Council ran a major inquiry into the impacts of technological change²⁶⁵
- establishing research foundations linked to employers and trade unions with the aim of supporting informed engagement with each other and government.

A more dynamic and productive economy with independence

Vision: Scotland should promote its economic values of inclusive growth, wellbeing, sustainability, net zero and good governance on the international stage. An independent Scotland in the EU will expand international trade and attract entrepreneurs and investment from across the world to help contribute to a more dynamic and productive economy.

As discussed in previous sections, an independent Scotland in the EU would benefit from the EU's size and scale in securing trade deals – a significant step up from the narrow focus of Brexit. Scotland could also focus its investment strategy on key national and global priorities and become one of the most attractive places in Europe for entrepreneurs. With full powers, we could develop a new and distinct approach to corporate governance.

Strengthening investment performance

Inward investment²⁶⁶ makes a disproportionately positive contribution to Scotland's economy. Although only 3% of businesses in Scotland are inward investors, these businesses account for over a third of jobs, around half of GVA, just under two thirds of Business Expenditure on Research and Development (BERD) and three quarters of international exports.²⁶⁷ Inward investment creates opportunities for Scottish businesses and supply chains, increasing their access to global markets, technology, talent and investment. Maximising 'spillover' benefits allows us to strengthen Scotland's economy at all levels.²⁶⁸

EY's latest Annual Attractiveness Survey showed that Scotland is leading the UK in attracting inward investment. Scotland has maintained its position as the top performing Foreign Direct Investment (FDI) region or nation of the UK outside of London in 9 of the last 11 years,²⁶⁹ outperforming the rest of the UK and Europe in terms of number of FDI projects attracted. Scotland's FDI projects were up by 14 per cent from 2020, compared to a 5.4 per cent increase in Europe and a 1.8 per cent increase in the UK.

While Scotland's performance in inward investment is strong, there is scope to improve performance in relation to global capital investment. In 2021, Scotland attracted £690 million in investment, which equalled 3% of the UK total and an increase of 36% in value from the year before.²⁷⁰ Attracting investment is vital for Scottish companies to realise their growth ambitions at home. It is also important for ensuring that Scottish companies have the right infrastructure and conditions to thrive.

The Scottish Government has signalled it wants to work with like-minded investors to address the great challenges that we face in Scotland and around the world.²⁷¹ Significant levels of global capital investment will be needed to deliver Scotland's net zero commitments, for example, and wider infrastructure ambitions.

With the full powers of independence, it would be possible to set further strengthen our approach to attracting investment. The full range of fiscal and regulatory powers and incentive mechanisms could be aligned to match our policy ambitions and values and unlock more 'responsible investment' into Scotland's priority markets.

Box 14: The Scottish National Investment Bank

Founded in 2020, the Scottish National Investment Bank provides long-term capital investment to businesses and projects to support wider investment which provides economic, environmental, social and financial returns for the people of Scotland.

The Bank's mission-oriented approach allows it to fully develop and catalyse private investment, create and shape new markets and spark innovation. Since opening for business in November 2020, the Scottish National Investment Bank has committed just over £249.4 million across 19 investments in line with its strategic missions – with more in the pipeline.²⁷²

How the Bank evolves in the future would be shaped within an independent Scotland, rather than have terms set by the UK Treasury. A future Scottish Government could, for example, allow different approaches to the £2 billion funding cap and increase its capacity.

Building a nation of entrepreneurs

An independent Scotland could make itself more attractive to entrepreneurs.

Scotland's rate of Total early-stage Entrepreneurial Activity (TEA) has been gradually improving over time,²⁷³ but still remains below that of other advanced economies, and the UK average.²⁷⁴ Universities are increasingly focusing on entrepreneurialism, with 283 new spin-off businesses from Scottish higher education institutions in 2020/21 – a 55% increase from 2015/16. There were over 1,200 active university spin-off businesses in Scotland in 2020/21 generating an estimated turnover of £458 million in total.²⁷⁵

In 2022, the Scottish Government appointed Mark Logan as the country's first chief entrepreneur, with a focus on building a network of support for start-up and scale-up businesses. The appointment followed his review of the Scottish technology sector and the government's endorsement of its recommendations.²⁷⁶

The Logan Review highlighted the importance of attracting international tech talent to Scotland. An immigration system tailored to Scotland's needs would aim to attract new skills and experience, enhancing existing strengths.

With the ability to set our own immigration policy, an independent Scotland could create better routes for international entrepreneurs to come and start businesses here. We could also attract talent from the UK and the EU who would be able to work and live in Scotland without restrictions.

For international talent a simplified and more responsive system, centred around key routes, could help graduates to stay on in Scotland once their studies have finished. Employers could sponsor visas for talent they have identified, giving high-potential individuals the ability to choose Scotland as the destination to build their careers.

Using new powers to strengthen the post-study work visa option would be an important measure to encourage start-ups and entrepreneurs to build their businesses in Scotland.

Corporate governance with a purpose

Company law is wholly reserved to Westminster.

The long history of failed efforts to reform corporate governance at UK level indicates that the system has not always worked to the long-term benefit of the economy. Indeed, that has been the broad conclusion reached by a number of researchers and commissions such as the Purposeful Company Taskforce,²⁷⁷ the British Academy's [Future of the Corporation](#) project and the Kay Review of Equity Markets.²⁷⁸

Control over company law could support the evolution of a distinct Scottish system. The Scottish Government in partnership with the Scottish Council for Development and Industry (SCDI), recently supported the work of the Business Purpose Commission for Scotland (BPCfS) which found that:

“The purpose of a business is why it exists, is created, and its reason for being. It is fundamental to every business and should drive its core strategy and activities. This is currently associated with the commercial success and profitability of business but what the report demonstrates is the need to look beyond bottom-line financial returns to shareholders to impacts on societies and environments in which business operates.”

The BPCfS set out a series of recommendations for how “business, government, investors, consumers and educational institutions can all contribute to embedding purpose throughout the Scottish economy and how working together they can promote a prosperous, flourishing and fair society”.²⁷⁹ With full control over company law the Scottish Government and Parliament could implement the following:

- requiring companies to state their purpose in their articles of association and operate in a manner that benefits their stakeholders, including workers, customers, communities, and the environment while seeking to deliver profits for shareholders
- changing the focus of directors' duties from “to promote the success of the company” to a duty “to advance the purpose of the company”
- ensuring company reporting requirements require larger companies to include information on non-financial measures, such as impacts on and investment in workforces, society, and the environment.

Other aspects of corporate governance reform might include:

- the introduction of worker representatives on company boards or ‘Works Councils’ – the system of ‘codetermination’ that has proved successful²⁸⁰ in many European nations with benefits including higher investment, enhanced resilience, and lower income inequality
- specific initiatives to increase women's and minority representation on company boards – learning from successful legislative initiatives in Norway and elsewhere
- establishing a new Companies Commission to oversee a new corporate governance code.

Family-friendly policy

The analysis in the first publication in the [Building a New Scotland](#) series showed that countries with higher social spending and measures which support a better work-life balance tend to see the benefits in terms of higher productivity.²⁸¹

This points the way towards some of the interventions that would be necessary if an independent Scotland is to achieve Nordic-level outcomes, including very low levels of child poverty. Scotland already has strong foundations in developing interventions, such as the Scottish Child Payment, that are helping to reduce financial pressure on households.²⁸²

This Scottish Government's long-term aspiration is to raise the level of social spending and improve outcomes to the best performing European nations. In addition, the Child Poverty (Scotland) Act sets stretching targets for the Scottish Government to meet by 2030. Our delivery plan Best Start, Bright Futures²⁸³ is already helping families, but with independence still more could be achieved. Key areas of focus could include:

- **early learning and childcare (ELC)**, which is essential to facilitate parental labour market participation, particularly for women, as well as supporting household incomes
- **parental leave** – as with ELC, this helps facilitate a higher employment rate for women
- **labour market policies** such as training, rehabilitation and supported employment – which help support disabled people into work.

The UK currently invests significantly less in these issues than most small European countries.²⁸⁴

ELC and parental leave will be covered in more detail in future [Building a New Scotland](#) publications.

Boosting co-operatives

A range of policies would be available under independence to help achieve a fairer distribution of wealth.

For instance, an independent Scottish Government would have more tools to **boost worker co-operatives**. While there is much that can be achieved through Cooperative Development Scotland, important aspects are reserved.

An independent Scottish Government could introduce a 'Marcora law' (named after an Italian law introduced in 1985). This would give workers support to organise a co-operative buyout or rescue when a business is up for sale or under threat. Worker-led buyouts are very rare in the UK. However, there is impressive evidence from Italy, Spain and France that, with the right support, cooperative buyouts and rescues can result in resilient and successful businesses.²⁸⁵ And co-operatives have the benefit of sharing wealth and power with their workers.²⁸⁶

Benefiting all regions and communities

An independent Scotland in the EU would have access to the raft of substantial EU funding programmes, allowing the Scottish Government to align our own funding streams to these multi-year programmes offering far greater security and stability to regional partners to invest in economic development interventions.

Greater alignment of complementary Scottish and EU funding streams offers an opportunity to simplify the funding landscape and provides a catalyst to further advance new means of enabling a wellbeing economy, such as [Community Wealth Building](#).

Multi-year funding is difficult under HM Treasury (HMT) rules, because a large amount of Scottish Government funding is driven by HMT spending decisions (and the Barnett formula). While HMT can set out multi-year spending reviews and commitments, there is always a very high, and often realised, risk that the Westminster Government will change plans and consequently change the Scottish Government's budget position. This introduces instability and insecurity, making long-term funding decisions too risky and constrains the Scottish Government's current ability to set long-term funding commitments.

In an independent Scotland, the Scottish Government would not have to depend on, or fall victim to, unpredictable Westminster Government funding decisions. We would have autonomy and control over our budgets.

By aligning Scottish and EU funding, allowing long term funding commitments, we would be able to offer up far greater security and certainty to our regional partners. National and regional long-term economic strategies can be underpinned by secure funding, which has the added benefit of making it far easier to attract inward investment to Scotland.

With independence the Scottish Government would oversee a greater range of government and public sector functions and jobs, with the ability to shape their distribution around Scotland. The opportunities to do so will be revisited later in the [Building a New Scotland](#) series.

A more open and welcoming immigration system with independence

Vision: Scotland should be an open and welcoming country, in control of its own immigration system. As a country, we should encourage those who want to make a positive contribution to our economy and our communities, especially in remote and rural areas, to make a life here.

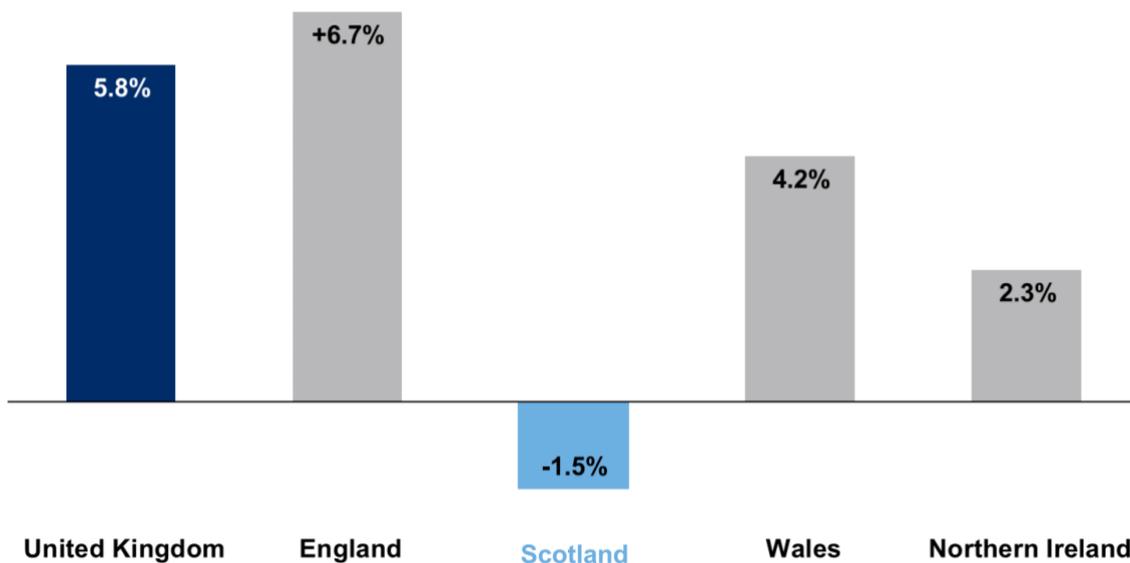
Responsibility for immigration, asylum and visas, and nationality and citizenship, is currently reserved to Westminster. Taking responsibility for these crucial issues represents a major opportunity for an independent Scotland.

We would be able to decide who can come and make their life here – visit, work, study, or live. Membership of the EU and Common Travel Area (CTA) would open up opportunities to attract talent to Scotland, helping to reverse population decline and address labour supply challenges.

Migration is one of the main levers available to help address population ageing and decline. Migration can both increase the number of people of working age and help with a country’s age structure, as migrants tend to be younger. An immigration policy designed to attract and retain working age people and their families would mean that the projected decline in Scotland’s working population would be offset, with more people in employment to strengthen the economy and public finances.

Office for National Statistics (ONS) and National Records of Scotland (NRS) projections show the challenge Scotland faces within the UK. Scotland is the only UK country whose population is set to fall, as seen in Figure 12. Scotland’s share of the UK population would fall from 8.1% in mid-2020 to 7.6% by mid-2045.

Figure 12
Projected population change in constituent UK countries, mid-2020 to mid-2045



Source: [Projected Population of Scotland \(2020-based\) | National Records of Scotland \(nrscotland.gov.uk\)](https://www.nrscotland.gov.uk)

In the rest of the UK, the working population is projected to continue to grow,²⁸⁷ emphasising the need for Scotland to be able to shape migration policy according to its own needs and priorities.

As part of their Fiscal Sustainability work, the Scottish Fiscal Commission has developed longer-term population projections, using the same data. In its report published in August 2022 (Trends in Scotland’s population and effects on the economy and income tax), the Commission projects that the Scottish population will decline from 5.5 million in 2022 to 4.6 million in 2072, a fall of 900,000 people, or 16% of the total population.²⁸⁸

Importantly, the Commission notes that Scotland's declining population and the influence of the ageing population on the overall participation rates drives its long-term projections for Scottish GDP growth rates.

Scotland's population and Brexit impact

Historically, Scotland has been a country characterised by net emigration, with young people leaving often due to lack of economic opportunity. Since around the time of devolution, this trend has been reversed. Recently we have seen net inflows of people into Scotland both from the rest of the UK and the rest of the world.

Yet Scotland's ability to increase the working population is seriously constrained by UK policy, and specifically Brexit. The UK's hard Brexit ended freedom of movement for EU citizens. And the UK-wide migration strategy does not allow Scotland, or other parts of the UK, to take different immigration approaches to address their needs.

Scotland previously benefitted significantly from EU free movement rules. The most recent data, for 2020-21, estimated over 230,000 EU citizens living in Scotland, with a further 165,000 people from elsewhere in the world.²⁸⁹ In contrast, post-Brexit restrictive immigration rules limit opportunities for people to move to Scotland and concentrates new migration in London.²⁹⁰

Economic impact of migration

Most of the economic literature on migration finds that, overall, migrant workers have a positive effect on the host country and can contribute to higher economic growth.²⁹¹

New migrants can boost labour supply, expanding the productive capacity of the economy. This can then result in higher levels of economic activity and employment, making the whole economy more competitive.

Scottish Government modelling illustrates the potential impacts of increased migration on GDP and revenues. Three scenarios were modelled, based on a long-term increase in net overseas migration of 5%, 10% and 20%.²⁹² This showed increased economic activity and employment from a growing working population would lead to a long-term increase in real GDP equal to 0.4% (£0.5 billion), 0.8% (£0.9 billion) and 1.6% (£1.8 billion). This increase in economic activity would also have a positive impact on real government revenues, which rise by 0.3% (£0.2bn), 0.7% (£0.3bn), and 1.4% (£0.6bn) respectively.

Many other research studies also show the positive economic impacts of migration. For example:

- migrants tend to make a positive contribution to the public finances and the evidence suggests that migrants who move for economic reasons tend to pay more in taxes than they receive in benefits²⁹³
- the Migration Advisory Committee's 2018 report draws on three papers, all of which find that migration has a positive effect on productivity in the UK economy²⁹⁴
- research from the Federation of Small Businesses (FSB)²⁹⁵ estimated that immigrant-led small and medium-sized enterprises (SMEs) in Scotland generated 107,000 jobs and around £13 billion in revenues in 2017
- evidence shows that migrants tend to be more entrepreneurial than the native population and can help to boost innovation and productivity. For example, recent research found that migrants bring knowledge that reshapes patenting activity in the destination country, moving it towards new technologies²⁹⁶
- FSB research also uses data from the Global Entrepreneurship Monitor (GEM) and NRS and finds that overseas immigrants and Scottish returnee emigrants are nearly twice as likely to be actively trying to start a business or run their own business, compared with Scottish non-migrants.²⁹⁷

A new approach to immigration policy

Independence would enable Scotland to decide how we want to attract people to come here to live, work and study.

We would reject the ‘hostile environment’²⁹⁸ promoted by the Westminster Government. Instead, we could develop a humane and responsive immigration system to meet Scotland’s demographic, economic and social needs.

Building on the Scottish Government’s seven principles of migration policy set out in March 2020,²⁹⁹ a new approach to immigration in an independent Scotland would:

- **address the needs of all of Scotland, including those areas most at risk of depopulation.** Places and sectors in need of more people would be specific priorities. Sectors like food and drink, manufacturing, and tourism and hospitality are major employers in rural areas but are currently experiencing severe labour shortages because of both Brexit and the pandemic
- **encourage and enable long-term settlement in Scotland.** An independent Scotland would be able to decide the conditions under which people could migrate here to work. This would include opening up routes to long-term settlement, alongside time-limited visas. By encouraging long-term settlement including through improved family migration routes and a comprehensive post-study work offer, Scotland could begin to address the challenges of a declining population
- **attract talented and committed people from Europe and across the world to work and study.** We could do so without excessive barriers. Indeed, our migration policy should support mobility, collaboration and innovation. An independent Scotland would have the power to set out a welcoming and expansive approach to attract talent from around the world to come to Scotland to work and collaborate
- **support fair work, protect workers’ rights and prevent exploitation and abuse.** Migration policy would not be set in a vacuum. An independent Scotland would be able to ensure its coordination with broader labour market policies. The section on the labour market in an independent Scotland sets out what the new employment approach could look like
- **enable people who are entitled to live in Scotland to bring close family with them** and ensure migrants have access to services and support to encourage integration into communities. Enabling workers to bring their families should improve their ability to integrate and settle in Scotland
- **establish a migration system that is easy to access and understand** and focussed on what a prospective migrant can contribute, not on their ability to pay – therefore fees and charges should be proportionate. The Scottish Government would work in line with public finance principles that say fees and charges for services should recover the cost it takes to deliver that service. In contrast, the Westminster Government generates excessive surplus revenue from immigration and nationality services to finance its enforcement regime³⁰⁰
- **deter and prevent abuse**, fraud and criminal activity, including terrorism, human trafficking and other serious offences. As good neighbours, we would work closely with the UK and Irish governments on matters of border control within the common travel area. This would help to protect the safety and security of our citizens and residents. Scotland would also take part in EU-wide migration programmes, with a voice in shaping policy in line with our values.

A future publication in the [Building a New Scotland](#) series will say more about how we propose a new immigration system would be structured and regulated, with dignity, fairness and respect at its heart.

Conclusions

Independence within the European Union offers Scotland a real opportunity to grow and modernise our economy.

If Scotland chooses independence we can build a greener, fairer, more open and more dynamic country. As part of the world's largest single market, we could seize economic and social benefits, remove barriers to trade, set high standards and provide our businesses with access to a market of 450 million people.

We can seek to replicate the success of comparable independent European countries, with improved approaches to trade, investment, entrepreneurship, family-friendly policy and co-operatives.

We can develop a more open and welcoming immigration system, with freedom of movement and more flexibility for people and business.

We can deliver a greener economy, building on our significant natural resources to maximise the economic and social benefits of the move to net zero.

And we can have a fairer, modernised labour market, with improvements to wages and terms and conditions.

With independence, Scotland can fulfil its potential. We can build on our world-leading strengths. We can deliver a stronger economy for a better country.

Acronyms

BERD	Business Enterprise Research and Development
BPCfS	Business Purpose Commission for Scotland
CCS	Carbon capture and storage
CTA	Common Travel Area
DMO	Debt Management Office
EU	European Union
EY	Ernst & Young, trade name EY
FDI	Foreign Direct Investment
FSB	Federation of Small Businesses
GDP	Gross domestic product
GEM	Global Entrepreneurship Monitor
GERS	Government Expenditure and Revenue Scotland
GVA	Gross value added
GW	Gigawatt
HM	His Majesty (as in His Majesty's Treasury)
IMF	International Monetary Fund
IPPR	Institute for Public Policy Research
IT	Information technology
ITL	International Territorial Level
NMW	National Minimum Wage
NRS	National Records of Scotland
NSET	National Strategy for Economic Transformation
OBR	Office for Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
ONS	Office for National Statistics
rUK	Rest of UK (without Scotland)
SCDI	Scottish Council for Development and Industry
SFC	Scottish Fiscal Commission
SME	Small and medium-sized enterprises
TCA	Trade and Cooperation Agreement
TEA	Total early-stage entrepreneurial activity
UK	United Kingdom
US	United States
USA	United States of America
VAT	Value-added tax

Glossary

Automatic stabilisers	Automatic stabilisers are government policies that offset economic fluctuations through their normal operation, without additional intervention by government. For example in times of weak economic performance and higher unemployment, spending on employment support increases due to an increase in claimants, supporting consumer demand without additional government action
Block Grant	The Block Grant is the grant received by the Scottish Government and other Devolved Administrations as part of the current cross-UK funding arrangements. Changes in the Block Grant are determined by the Barnett Formula, which provides the Devolved Administrations with a proportion of increases or decreases in UK expenditure on devolved policy. Further detail on the operation of the funding arrangements are set out in: Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy and Fiscal framework technical note: May 2022
Carbon Capture and Storage (CCS)	Carbon Capture and Storage (CCS), where Carbon dioxide (CO ₂) can be captured, transported and stored in depleted oil and gas fields.
Collective Bargaining	Collective bargaining is the official process by which trade unions negotiate with employers, on behalf of their members
Common Travel Area	The Common Travel Area is a special travel zone between Ireland and the UK, Isle of Man and Channel Islands. It dates back to the establishment of the Irish Free State in 1922. Nationals of Common Travel Area (CTA) countries can travel freely within the CTA without being subject to passport controls
Currency peg	A currency peg is where a national government or central bank sets a fixed rate of exchange for its own currency against a foreign currency (or a basket of currencies). A currency peg is often used to encourage trade between countries.
Financial system	The financial system comprises money, financial instruments, financial markets, financial institutions, regulatory agencies, and central banks
Foreign Direct Investment	Foreign Direct Investment (FDI) or inward investment (which includes investment from the rest of the UK into Scotland) involves a company or institution headquartered outside of Scotland that establishes a base of operations within Scotland, creating jobs, economic opportunities and associated capital investment
Gross domestic product	Gross domestic product is the standard economic measure of the total value of goods produced and services provided in a country during one year
Gross value added	Gross value added (GVA) is the standard economic measure of the value of goods and services produced in an area, industry, sector or region of an economy

Inflation	The rate of inflation is the change in prices for goods and services over time. Measures of inflation and prices include consumer price inflation, producer price inflation and the House Price Index (ONS)
Natural capital	Natural capital is the environmental resources (e.g. plants, animals, air, water, soils) that combine to yield a flow of benefits to people.
Productivity	Productivity is commonly defined as a ratio of a volume measure of output to a volume measure of input use
Real wages	Real wages are wages adjusted for inflation
Single Trade Window	An online IT system offering a single point of entry for traders to submit all customs and regulatory information for cross-border movement of goods
Small and medium-sized enterprises	Small and medium-sized enterprises are businesses with up to 250 employees
Sovereign debt	Sovereign debt is issued by a country's government to borrow money, usually in the form of securities. It is also known as government debt, public debt, or national debt.

Endnotes

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- 32 [The latest evidence on the impact of Brexit on UK trade – Office for Budget Responsibility \(obr.uk\)](#)
- 33 In the Act the Westminster Government also took back spending powers in devolved policy areas that had been removed from it on the establishment of devolution in 1999. That has enabled it to exercise unilateral control over the UK replacement to EU Structural Funds (ESF), the Shared Prosperity Fund (SPF), bypassing the Scottish Parliament and Government and undermining devolved decision-making. The Fund has also been replaced at significantly lower levels of investment. Scottish Government (2021) [After Brexit: The UK Internal Market Act and devolution.](#)
- 34 Office of the United States Trade Representative (2019) [Summary of U.S.-UK Negotiating Objectives](#)
- 35 Scottish Government (2020) [UK internal market: initial assessment of Westminster Government proposals](#)
- 36 O'Rourke, KH. [Independent Ireland in Comparative Perspective](#), Irish Economic and Social History, Vol 44, Issue 1, November 2017, pp 19-45
- 37 This trade diversification reflects not only the historical reliance on trade with Britain but also the export pattern of newly established foreign firms in Ireland. A number of features of Irish economic policy contributed to improved performance post EU accession, including but not limited to: low corporation tax and other incentives for inward investment, the availability of well-educated but under-employed labour as the economy started to grow rapidly, English language and a trade-friendly time-zone, and the enduring social partnership which facilitated wage moderation and macroeconomic stability through the late 1980s to early 2000s. Nevertheless, the expansion of trade with EU countries at the expense of more traditional links is notable.
- 38 Net National Income per head is included in this table because there are widely recognised problems with using GDP as a measure of the Irish economy. These have been set out by the Central Bank of Ireland in, Byrne S, Conefrey T and O'Grady M (2021) [The Disconnection of GDP from Economic Activity Carried out in Ireland](#) (Central Bank of Ireland) and FitzGerald, J. (2018). [National Accounts for a Global Economy: the case of Ireland](#), QEC Special Article, Dublin: Economic and Social Research Institute (ESRI)
- 39 See chart 3 'historical labour productivity' in Tenreyro, S [The fall in productivity growth: causes and implications](#) Bank of England speech, January 2018. Also Erber, G, Fritsche, U and Harms, PC [The Global productivity Slowdown: Diagnosis, Causes and Remedies](#) Review of European Economic Policy, Vol 52, 2017
- 40 House of Commons Library (2021) [Income Inequality in the UK](#)
- 41 This intellectual shift is reflected in numerous publications but prominent examples include: Ostry, J, Berg, A, and Tsangarides, C (2014), [Redistribution, Inequality, and Growth](#) (International Monetary Fund); OECD (2015) [In It Together: Why Less Inequality Benefits All](#); and, OECD (2018) [Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy; OECD New Approaches to Economic Challenges](#)
- 42 OECD (2018) [Good Jobs for All in a Changing World of Work: The OECD Jobs Strategy](#). A useful summary is provided in this blog, Bell, K (2018) [The OECD says collective bargaining is the best way to deliver better work](#) TUC
- 43 Office for National Statistics (2022) [Regional labour productivity, UK](#); Scottish Government (2022) [Scotland's National Strategy for Economic Transformation: evidence paper](#); Scottish Government (2022) [Independence in the modern world. Wealthier, happier, fairer: why not Scotland?](#)
- 44 £14,000 is the difference between Scotland's GDP per capita (offshore measure) and the average GDP per capita of the ten small economies as introduced in [Independence in the modern world. Wealthier, happier, fairer: why not Scotland? - gov.scot \(www.gov.scot\)](#). There are widely recognised concerns over Ireland's GDP statistics and therefore it is worth noting that the difference in GDP per capita between Scotland and the average for this group of countries [excluding Ireland](#) remains significant, on average £11,000 per person higher in 2021. Scotland's GDP per capita includes a geographical share of extra-region (offshore) activity and is sourced from [GDP Quarterly National Accounts: 2022 Quarter 1 \(January to March\) - gov.scot \(www.gov.scot\)](#). GDP per capita, measured in current prices and current Purchasing Power Parities (PPPs), for other countries is sourced from OECD database [Level of GDP per capita and productivity \(oecd.org\)](#). Scotland's GDP per capita in current prices and current PPPs is estimated by applying a PPP conversion factor for the UK published by OECD. [Conversion rates - Purchasing power parities \(PPP\) - OECD Data](#) Difference in levels of GDP per capita reflects differences in historical growth rates and past performance may not be indicative of future performance
- 45 Office for National Statistics [Annual regional labour productivity 1998-2020 dataset](#) (Accessed August 2022)
- 46 Median gross weekly full-time earnings data from the Annual Survey of Hours and Earnings: [annual survey of hours and earnings – resident analysis – Nomis – Official Census and Labour Market Statistics](#)

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- 47 Scottish Government (2022) [Labour Market Trends: September 2022](#) (accessed September 2022)
- 48 Scottish Government (2022) [Scotland National Strategy for Economic Transformation: evidence paper](#)
- 49 Scottish Government (2022) [Independence in the modern world. Wealthier, happier, fairer: why not Scotland?](#)
- 50 Scottish Government (2022) [Independence in the modern world. Wealthier, happier, fairer: why not Scotland?](#)
- 51 European Union [EU and European Commission priorities 2019-2024](#)
- 52 Natural capital is the environmental resources (e.g. plants, animals, air, water, soils) that combine to yield a flow of benefits to people. Scottish Government (2022) [Scottish Natural Capital Accounts 2022](#)
- 53 Oxford Economics (2021) [UK Green Growth Index](#) Lloyds Banking Group
- 54 The [UK Green Growth Index](#) has two “domains”: Green growth challenge: the degree to which the net zero transition could create economic challenges; and Green growth opportunity: the degree to which the conditions are in place to capitalise on the growth of the green economy. The challenge themes are: dependence on carbon-intensive industry; current emissions; and fossil fuel power infrastructure. The opportunity themes are: base of green industry; skills and training; innovation; and renewable energy
- 55 United Nations [UN Convention on the Law of the Seas Part V Exclusive Economic Zone](#)
- 56 Marine Scotland Information [Facts and figures about Scotland's sea area \(coastline length, sea area in sq kms\)](#) (accessed August 2022)
- 57 United Nations [UN Convention on the Law of the Seas Part IV Continental Shelf](#).
- 58 Marine Scotland Information [Facts and figures about Scotland's sea area \(coastline length, sea area in sq kms\)](#) (accessed August 2022)
- 59 “Core waters” refers to waters within the “metropolitan” or “European” EU i.e. excluding the Special Territories of the EU (e.g. Outermost Regions and Overseas Countries and Territories).
- 60 Further information on Exclusive Economic Zones is available via the European Marine Observation and Data Network - [Exclusive Economic Zones](#)
- 61 Scottish Government (2015) [Scotland's National Marine Plan](#)
- 62 The Faroes Special Area is an agreement that third country fishing vessels can be authorised by Faroe Islands to fish within the Scottish zone: [UK/Denmark: Protocol to Agreement with Faroe Islands on Maritime Delimitation \[CS Denmark No.1/2013\]](#)
- 63 With the exception of the digital technologies sector which uses 2021 data, we provide sectoral statistics from 2019 in order to give a picture of Scotland’s performance in these areas before the complications of the Covid-19 pandemic.
- 64 GVA is the standard economic measure of the value of goods and services produced in an area, industry, sector or region of an economy
- 65 Scottish Government (2022) [Growth Sector Statistics](#) (accessed August 2022)
- 66 Scottish Government (2022) [Growth Sector Statistics](#) (accessed August 2022)
- 67 HMCR Overseas Trade Statistics – [Fresh or chilled Atlantic salmon exports](#) (accessed September 2022)
- 68 [Scottish Annual Business Statistics 2020](#) (accessed September 2022)
- 69 HMRC Overseas Trade Statistics – [Scotch whisky](#) (accessed September 2022)
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- 71 Scottish Government (2022) [Growth Sector Statistics](#) (accessed August 2022)
- 72 Scottish Government (2022) [Growth Sector Statistics](#) (accessed August 2022) (note – in this Growth Sector Statistics dataset, tourism statistics are listed under ‘sustainable tourism’)
- 73 Scottish Government (2022) [Growth Sector Statistics](#) (accessed August 2022): The Financial and Business Services sector is based on a broad definition that includes SIC 2007 codes 64-82 Using a narrower definition of financial and related professional services results in a figure of 153,000 ([UK Based Financial and related Professional Services – TheCityUK](#)). Financial and Business Services relates only to those sectors fully covered in ABS (so excludes financial and insurance activities). Therefore a Financial and Business Services Scotland total GVA is not provided in growth sector statistics.
- 74 Ethical Finance Hub [Mapping the Responsible Investment Landscape in Scotland](#)
- 75 University of Edinburgh [School of informatics research excellence](#); The Data Lab [DataFest](#); Scottish Government (2018) [Edinburgh and South East City Region Deal](#); Scottish Government (2022) [Inspiring a new generation of tech entrepreneurs](#)
- 76 The Princeton Review [2022 top postgraduate programs for video game design](#); The Princeton Review [2022 Top undergraduate programs for video game design](#)
- 77 Skills Development Scotland (2022) [Sectoral Skills Assessment: Digital Technologies](#)
- 78 Skills Development Scotland (2019) [Scotland's Digital Technologies – Summary Report](#)
- 79 Scottish Government (2022) [Scotland's National Strategy for Economic Transformation: evidence paper](#); Scottish Government; Life Sciences Scotland, [Animal Bioscience, Aquaculture and Agritech](#) (last accessed 12/06/22)
- 80 Scottish Government (2022) [Growth Sector Statistics](#) (accessed August 2022)

- 81 [UK business; activity, size and location Statistical bulletins – Office for National Statistics](#)
- 82 Scottish Government [Manufacturing – Space sector](#) (accessed September 2022). UK Space Trade Association (2022) [Britain competes for the launch of an estimated 2,000 satellites by 2030 \(ukspace.org\)](#)
- 83 Times Higher Education [World University Rankings 2023](#)
- 84 Muscatelli, A. (2019) [The Muscatelli Report, Driving Innovation in Scotland – A National Mission](#) (University of Glasgow)
- 85 Scotland's AI Strategy (2021) [Scotland's AI Strategy – Scotland's AI Strategy](#)
- 86 Life Sciences Scotland, [Animal Bioscience, Aquaculture and Agritech](#) (last accessed 12/06/22)
- 87 Scottish Government (2021) [Scottish Space Strategy launched](#)
- 88 Scottish Government (2021) [Supporting Our Digital Technology Sector – A changing nation: how Scotland will thrive in a digital world](#)
- 89 See: <https://www.innovationforgames.com/>
- 90 See: [Dundee and Angus College leading the way in Esports education](#)
- 91 Universities Scotland (2019) [Higher Education's contribution to the National Performance Framework: economy, fair work and business. Universities Scotland's submission to the Scottish Government 2020/21 budget](#)
- 92 This comparison is based on data for Scotland, the UK and all EU countries included in the OECD [Regional Education Statistics](#) dataset (select the required Geography from 'Country') (accessed 31 August 2022). Malta and Cyprus are not in the OECD dataset, so comparative data for those EU countries was taken from Eurostat [Population by educational attainment level, sex and NUTS 2 regions \(%\)](#) data (select 'Tertiary education (levels 5-8)' from 'International Standard Classification of Education' drop down)(accessed 8 September 2022). Until 2019, Scotland and the UK were included in the Eurostat dataset, which showed Scotland outperforming all EU nations
- 93 Erasmus+ (n.d.) [Erasmus+ Statistics](#) (last accessed 08/09/22)
- 94 UCAS (2022) [2022 cycle applicant figures – 30 June deadline | Undergraduate](#)
- 95 European Commission [Horizon Dashboard](#)
- 96 Higher Education Statistics Agency (HESA) [Table 7 – Income analysed by source 2015/16 to 2020/21](#) (accessed August 2022)
- 97 The financial system comprises money, financial instruments, financial markets, financial institutions, regulatory agencies, and central banks.
- 98 Tetlow, G and Pope T (2022) [What new institutions of economic policy would an independent Scotland need?](#) Economics Observatory
- 99 Under the gold standard, the amount of money in the economy was dependent on the amount of gold. After World War I, all major countries worked to reconstruct the gold standard and the Bretton Wood system of fixed exchanges rates was formed in 1945.
- 100 For an account relating to Ireland see Honohan, P (2019). *Currency, Credit and Crisis: Central Banking in Ireland and Europe*. Cambridge University Press.
- 101 A currency peg is where a national government or central bank sets a fixed rate of exchange for its own currency against a foreign currency (or a basket of currencies). A currency peg is often used to encourage trade between countries. Neither Greenland nor Faroe Islands are members of the EU.
- 102 Scottish Government (2022) [Independence in the modern world. Wealthier, happier, fairer: why not Scotland?](#)
- 103 See for example: Institute for Government (2021) [Currency options for an independent Scotland](#); MacDonald, R (2022) *What would the currency options be for an independent Scotland*, Economics Observatory; and Kay, J (2022) *Currency options for an independent Scotland* in Hassan, G. and Barro, S (eds). *A Better Nation: The Challenges of Scottish Independence*, Luath Press Limited Edinburgh.
- 104 For example within the EU and UK all bank deposits are guaranteed to the value of £85,000. See [Financial Services Compensation Scheme | Bank of England](#)
- 105 As the role of the Scottish Central Bank evolves, its mandate would change to reflect price stability as well. For discussion of role of central bank see Mackintosh, S. (2022) 'Creating the National Bank of Scotland and the Scottish Pound: Establishing an Institutional Pathway and a Timeline for Success'; and Hardie, I (2022). *Currency choice of an independent Scotland: what role for the central bank?* Economics Observatory.
- 106 The Scottish Central Bank would be independent of Government, which is a model adopted by many developed economies. For example, Ireland is part of the Euro area which means that the monetary policy for Ireland is exercised by the independent European Central Bank as part of the monetary policy setting for the whole Euro area. On financial regulation, in the UK financial conduct authority (FCA) operates independently of government and is responsible for protecting consumers for bad conduct, ensuring the integrity of the UK financial system and promoting effective competition in the interests of consumers. Similar functions exist in Ireland, Denmark and Ireland. For fiscal policy, most small economies have a separate institution to carry out debt management policy on behalf of Government.

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- 107 After the financial crisis of 2008 and the far reaching impact of this event on finances and public confidence in the financial system's stability, new international standards were established to promote measures designed to avoid any future crises. We would align the Scottish Central Bank's functions with these international standards and establish a resolution regime which ensured the continuity and stability of systemically important financial services, avoiding any adverse effects on the financial stability of the wider economy, and protecting public funds by minimising reliance on public financial support to bail out at risk banks.
- 108 See [Financial Services Compensation Scheme | Bank of England](#)
- 109 Bank of Scotland is part of Lloyds Banking Group (UK), while Royal Bank of Scotland (RBS) is part of National Westminster (UK).
- 110 For an example, see: Central Bank of Ireland – [Strategic role of Central Bank of Ireland](#)
- 111 These statistics, which include economic indicators such as trade in goods and services and international investment and income flows, are currently produced for the UK by the Office for National Statistics.
- 112 Bank of England [UK International Reserves – August 2022](#) (accessed October 2022). In addition, the Bank of England holds reserves of \$20.7 billion for precautionary purposes
- 113 International Monetary Fund (2022) [World Economic Outlook Database, April 2022](#)
- 114 Other countries using the Danish Krone are Greenland and the Faroe Islands.
- 115 The only other country to use the Swiss Franc is Lichtenstein.
- 116 The other territories to use sterling are Jersey, Gibraltar, Guernsey, the Isle of Man, South Georgia and the South Sandwich Islands, and Saint Helena, Ascension and Tristan da Cunha. Note that Gibraltar, the Isle of Man, Saint Helena and Ascension also issue their own currency which is at parity with pound sterling.
- 117 GDP is measured in current U.S. dollars. Reserves comprise holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities. The gold component of these reserves is valued at year-end (December 31) London prices. Data are in current U.S. dollars.
- 118 [Government Expenditure and Revenue Scotland 2021-22](#)
- 119 Office for National Statistics (2022) [Country and regional public sector finances, UK financial year ending 2021](#)
- 120 Philips, D. (2022) [Scotland's underlying public finances are improving as oil and gas revenues rise – but long-term challenges remain](#) Institute for Fiscal Studies (IFS)
- 121 Scottish Government (2021) [Scottish Budget 2022 to 2023](#)
- 122 Revenue from Scottish Income tax, Land and Buildings Transaction Tax, Scottish Landfill Tax and Non-domestic rates as a share of total Scotland budget.
- 123 Scottish Government (2021) [Framework for Tax 2021](#)
- 124 The Block Grant is the grant received by the Scottish Government and other Devolved Administrations as part of the current cross-UK funding arrangements. Changes in the Block Grant are determined by the Barnett Formula, which provides the Devolved Administrations with a proportion of increases or decreases in UK expenditure on devolved policy. Further detail on the operation of the funding arrangements are set out in: [Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy](#) and [Fiscal framework technical note: May 2022](#)
- 125 Scottish Government (2021) [Scottish Budget 2022 to 2023](#)
- 126 Office for National Statistics [Regional gross domestic product: all ITL regions](#) (accessed August 2022)
- 127 PSNB as a percentage of GDP has been greater than 3.0% in 28 of the last 50 years. Office for Budget Responsibility (2022) [Public finances databank 2021-22](#) (accessed August 2022)
- 128 OECD (2022), [General government deficit \(indicator\)](#). doi: 10.1787/77079edb-en (Accessed on 15 September 2022)
- 129 Office for Budget Responsibility (2022) [Economic and fiscal outlook - March 2022](#)
- 130 Other expenditure includes devolved capital spending, Scotland's population share of UK Defence spending, Debt Interest payments, overseas development aid, transport, economic development, common services and other small spending lines.
- 131 Scottish Government (2022) [Government Expenditure & Revenue Scotland \(GERS\) 2021-22](#)
- 132 The Scottish Fiscal Commission has highlighted that slowing adult population growth and a declining labour market participation rate are key drivers in the declining rate of longer-term economic growth in Scotland: Scottish Fiscal Commission (2022) [Scotland's Economic and Fiscal Forecasts](#). Analysis by National Records Scotland shows that migration is the main reason for projected population growth in the next few years but beyond 2028 this will no longer offset the gap between births and deaths: National Records of Scotland (2022) [Scotland's population projected to fall](#)
- 133 Sovereign debt is issued by a country's government to borrow money, usually in the form of securities. It is also known as government debt, public debt, or national debt.
- 134 HM Treasury (2015) [HM Treasury review of the Office for Budget Responsibility](#)

- 135 Automatic stabilisers are government policies that offset economic fluctuations through their normal operation, without additional intervention by government. For example in times of weak economic performance and higher unemployment, spending on employment support increases due to an increase in claimants, supporting consumer demand without additional government action.
- 136 International Monetary Fund (2014) [Strengthening Post-Crisis Fiscal Credibility: Fiscal Councils on the Rise – A New Set](#)
- 137 International Monetary Fund (2009) [Fiscal Rules – Anchoring expectations for Sustainable Public Finances](#)
- 138 Budget balance rules constrain the budget aggregate that primarily influences the debt ratio and are largely under government control.
- 139 Debt rules set an explicit anchor or ceiling for public debt, often expressed in percent of GDP
- 140 Expenditure rules set limits on total, primary, or current government expenditures.
- 141 Revenue rules set ceilings or floors on revenues and are aimed at boosting revenue collection and/or preventing an excessive tax burden.
- 142 Institute for Government (2022) [Fiscal rules in the UK since 1997](#)
- 143 For a discussion on the impact of austerity on the UK and Scotland, please refer to pages 32 and 33 of [Renewing Democracy through Independence](#), Scottish Government, 2022
- 144 von der Leyen, U. [A Union That Stands Strong Together](#) (European Commission State of the Union Address, September 2022)
- 145 Public Sector Net Debt is the total amount that the public sector owes, which is largely the stock of past borrowing.
- 146 OECD (2019) [OECD Review of the Scottish Fiscal Commission](#), p2
- 147 Scottish Fiscal Commission (2022) [Corporate Plan 2022-25](#)
- 148 The International Monetary Fund and The World Bank (2014) [Revised Guidelines for Public Debt Management](#)
- 149 The UK DMO's cash management objective is to ensure that sufficient funds are always available to meet any net daily central government cash shortfall and, on any day there is a net cash surplus to ensure that this is used to best advantage. UK Debt Management Office [Money Markets](#)
- 150 HM Treasury (2014) [UK debt and the Scotland independence referendum](#), p1
- 151 Institute for Government (2021) [How would an independent Scotland Borrow?](#)
- 152 Roberts, C and Lawrence, M (2018) Our Common Wealth: A Citizens' Wealth Fund for the UK (IPPR Commission on Economic Justice) <https://www.ippr.org/files/2018-04/cej-our-common-wealth-march-2018.pdf>
- 153 Based on a geographical share of North Sea Revenues. GERS uses the share reported in the ONS Country and Regional Public Sector Finances publication. The estimate is based on the median line principle as employed in 1999 to determine the boundary between Scotland and the rest of the UK for fishery demarcation purposes. Production, costs and revenue are allocated on a field by field basis to either the rest of the UK or Scotland using this boundary
- 154 Scottish Government (2022) [Government Expenditure & Revenue Scotland \(GERS\) 2021-22](#)
- 155 Scottish Government (2022) [Government Expenditure & Revenue Scotland \(GERS\) 2021-22](#)
- 156 Phillips, D. (2022) [What might the public finances of an independent Scotland look like?](#) (Economics Observatory)
- 157 Phillips, D. (2022) [Scotland's underlying public finances are improving as oil and gas revenues rise – but long-term challenges remain](#) Institute for Fiscal Studies (IFS)
- 158 The impact of the Energy Profits Levy has not yet been assessed by the OBR, and the levy includes generous allowances for new investment, which may lead to revenue being lower than HMT's forecast. However, this may also be offset by higher energy prices. There may also be other changes to the underlying Scottish and UK fiscal position in the short term as the economic and fiscal impacts of rising inflation become clearer. However, the last time receipts were at a similar level, in 2011-12, the Scottish fiscal position was similar to that of the UK
- 159 Scottish Government (2021) [A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26](#)
- 160 OECD (2016) The effect of the size and mix of public spending on growth and inequality
- 161 OECD (2016) [The effect of the size and mix of public spending on growth and inequality](#)
- 162 Abiad, A et al. (2014) [Is it time for an infrastructure push? The macroeconomic effects of public investment](#) International Monetary Fund (pdf). Associated blog and video available at [IMF Survey: The Time Is Right for an Infrastructure Push](#)
- 163 Scottish Government (2018) [Infrastructure investment: evidence summary](#)
- 164 Scottish Government (2018) [Infrastructure investment: evidence summary](#) pp13-15
- 165 OECD (2016) [The positive effect of public investment on potential growth](#)
- 166 OECD (2016) [The effect of the size and mix of public spending on growth and inequality – OECD](#)

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- 167 Having a higher level of capital intensity in the economy typically allows workers to be more productive. The investment package would also lead to improvement in labour productivity and real disposable incomes. Ultimately, the economic gains from infrastructure investment are shaped by the degree of economic slack, the method of financing and the efficiency of public investment: Abiad, A et al. (2014) Is it time for an infrastructure push? The macroeconomic effects of public investment International Monetary Fund
- 168 Scottish Government (2021) [A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26](#)
- 169 European Union [EU and European Commission priorities 2019-2024](#)
- 170 The Fund's strategic aims are also closely aligned with the following missions of the Scottish National Investment Bank: 'Achieving a Just Transition to net zero by 2045. Invest in rebalancing the economy towards leadership in sustainable technology, services and industry' and 'Extending equality of opportunity through improving places by 2040'
- 171 A range of literature discusses the winners and losers of globalisation. Key texts include: Rodrik, R (2017) Straight Talk on Trade, Princeton University Press; and, Autor, D, Dorn, D and Hanson, G (2016) The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade Annual Review of Economics, vol 8(1)
- 172 Scottish Government (2022) [Independence in the modern world. Wealthier, happier, fairer: why not Scotland?](#) discusses the relatively high social spending of comparator countries: in total and particularly on labour market policies. See pp48-51
- 173 Rodrik, R (1998) [Why do more open economies have bigger governments?](#) Journal of Political Economy, Vol. 106, No. 5, pp997-1032; and, Cameron, D (1978) [The Expansion of the Public Economy: A Comparative Analysis](#) The American Political Science Review, Vol. 72, No. 4, pp. 1243-1261
- 174 Kalafsky, R and Brown, R [Reappraising Scotland's exports and their geographies: Brexit and beyond](#), Fraser of Allander Institute
- 175 Scottish Government (2019) [Export Growth Plan: methodology note](#), p8
- 176 Scottish Government (2022) [State of the Economy: May 2022](#)
- 177 UK in a Changing Europe (2022) [UK Trade in the wake of Brexit](#),
- 178 Springford, J (2022) [The Cost of Brexit: December 2021](#), Centre for European Reform
- 179 Springford, J (2022) [The Cost of Brexit: December 2021](#), Centre for European Reform
- 180 Scottish Government (2019) [A Trading Nation: analytical methodology note](#)
- 181 European Commission [EU position in world trade](#) (accessed September 2022)
- 182 Scottish Government, [New Zealand trade agreement letter to the UK Government](#) 21 August 2022
- 183 European Commission (2021) [Communication on the Trade Policy Review](#)
- 184 Scottish Government (2022) [Scotland's Vision for Trade: annual report - March 2022](#)
- 185 Scottish Government (2022) [Scotland's National Strategy for Economic Transformation - gov.scot \(www.gov.scot\)](#)
- 186 Scottish Government (2019) [Scotland: a trading nation](#)
- 187 The EU-UK Trade and Cooperation Agreement between the EU and the UK sets out preferential arrangements in areas such as trade in goods and in services. It was negotiated in response to the Westminster Government's decision to leave the European Union. European Commission [The EU-UK Trade and Cooperation Agreement \(2021\)](#)
- 188 Cabinet Office (2019) [Memorandum of Understanding between the UK and Ireland on the CTA](#)
- 189 The 2019 [Memorandum of Understanding between the UK and Ireland on the CTA](#) recorded that both Governments have a "shared commitment to the protection of the CTA and associated reciprocal rights and privileges as a legitimate and fundamental public policy". In Hayward, K. and McEwen, N. (2022) [An EU border across Britain: Scotland's borders after independence](#) UK in a Changing Europe, the authors noted that "given its unique geographic and historic circumstances, most specifically the existence of the Common Travel Area (CTA), most experts assume that Scotland would most likely seek and be granted an opt-out from the border control elements of the Schengen Agreement during membership negotiations with the European Union".
- 190 Scottish Government (2021) [Export Statistics Scotland 2019](#)
- 191 Scottish Government (2021) [Export Statistics Scotland 2019](#). agriculture, forestry and fishing products exports are counted under 'Other' in these export statistics; and retail & wholesale are included under 'Services'
- 192 Hayward, K. and McEwen, N. (2022) [An EU border across Britain: Scotland's borders after independence](#) UK in a Changing Europe
- 193 SchengenVisaInfo (2022) [EU Council Approves Extension of Mobile Roaming Scheme Without Extra Fees Throughout the Bloc](#)
- 194 Pinsent Masons (2022) [Digital Single Market](#) and Scott Marcus, J, Petropoulos, G and Yeung, T (2019) [Contribution to growth. The European Digital Single Market. Delivering economic benefits for citizens and businesses](#) European Parliament

- 195 Halpin, P [EU would consider veterinary agreement with UK – Sefcovic](#), Reuters, February 25, 2021
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- 197 European Commission [The EU Single Window Environment for Customs](#)
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- 199 Curran, I. [Rosslare Europort acquires 18-acre site to help add capacity as port expands](#), Irish Times, 29 June 2022
- 200 Karlsson, L. (2017) [Smart Border 2.0 Avoiding a hard border on the island of Ireland for Customs control and free movement of persons](#) (Policy Department for Citizens' Rights and Constitutional Affairs)
- 201 [Liz Truss: It's fair to give wealthiest more money back](#), BBC News website, 4th September 2022
- 202 Scottish Government (2022) [Independence in the modern world. Wealthier, happier, fairer: why not Scotland?](#)
- 203 The analysis set out in Independence and the Modern World is backed up by other recent reports and commentary. See, for instance, [Liz Truss thinks we have to choose between inequality and growth – but it does not have to be this way](#), New Statesman, 7 September 2022 and [Stagnation Nation](#), Resolution Foundation, July 2022
- 204 Kwasi Kwarteng [A Liz Truss government would be unashamedly pro-growth](#) 4th September 2022
- 205 OECD (2015) [In It Together: Why Less Inequality Benefits All](#) pg 26
- 206 The Gini coefficient is a measure intended to represent the income or wealth inequality within a nation or a social group.
- 207 Dable-Norris, E, Kochhar, N, Suphiphiphta, N, Ricka, F, Tsounta, E [Causes and Consequences of Income Inequality: A Global Perspective](#). IMF (2015) pg 6
- 208 Scottish Government (2022) [Energy Statistics for Scotland – Q4 2021 figures](#)
- 209 Scottish Government, Scottish Energy Statistics Hub [Operational renewable capacity](#) (see 'quarterly capacity by technology' table for 2022 Q2 data, and 'annual capacity by technology' table for annual data back to 2000)
- 210 Scottish Government, Scottish Energy Statistics Hub [Installed supply capacity and peak electricity demand](#)
- 211 A gigawatt is one billion watts. The United States Department of Energy provides useful illustrations of how much power this is: [How Much Power is 1 Gigawatt?](#)
- 212 Scottish Government [Scottish Energy Statistics Hub – Operational renewable capacity as at Q2 2022](#)
- 213 Scottish Government (2021/22) [Onshore Wind Policy Statement Consultation](#)
- 214 Scottish government (2021) [Chapter 5: Economic Opportunities – Onshore wind – policy statement refresh 2021: consultative draft](#)
- 215 [Scottish Energy Statistics Hub – Operational renewable capacity as at Q2 2022](#)
- 216 Crown Estate Scotland (2022) [ScotWind offshore wind leasing delivers major boost to Scotland's net zero aspirations – News – Crown Estate Scotland](#)
- 217 [Scotwind Supply Chain Summit: First Minister's speech - 22 August 2022](#)
- 218 Scottish Government [Scottish Energy Statistics Hub – Pipeline renewable capacity as at Q2 2022](#)
- 219 Scottish Government, Scottish Energy Statistics Hub [Operational renewable capacity as at Q2 2022](#);
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Any enquiries regarding this publication should be sent to us at
The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-80435-901-3 (web only)

Published by The Scottish Government, October 2022

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1142902 (10/22)

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