COMPENDIUM #67

THE GERS MYTH

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> *Why GERS Does Not Prove English Taxpayers Fund Scotland.*

One of the most persistent Unionist claims is that Scotland is financially dependent upon England and that English taxpayers subsidise Scottish public services. The claim is routinely justified through reference to Government Expenditure and Revenue Scotland (GERS). However, a close examination of the evidence shows that GERS does not establish such a conclusion. Rather GERS is a statistical estimate of Scotland's fiscal position within the present United Kingdom framework. It is not a measure of Scotland's fiscal capacity as an independent state, nor does it demonstrate that Scottish public services are funded by English taxpayers.

Government Expenditure and Revenue Scotland (GERS) is produced annually by statisticians within the Scottish Government and classified as Accredited Official Statistics. Its purpose is to estimate the level of public revenue generated in Scotland and the public expenditure undertaken for the benefit of Scotland under the existing constitutional arrangements of the United Kingdom .

A central issue often overlooked in debate is that GERS measures Scotland as part of the UK rather than as a separate country. The Scottish Government states that the figures reflect Scotland's position within the current constitutional system and are constructed to align with UK public finance accounting frameworks . Consequently, GERS does not model how Scotland's finances would operate if different arrangements, taxation policies borrowing powers, economic strategies, or spending priorities existed.

The Institute for Fiscal Studies (IFS) similarly states that the figures should be regarded as a starting point for understanding fiscal issues rather than prediction of the finances of an independent Scotland. According to the IFS, Scotland's future fiscal position under independence would depend on future economic performance and policy choices that cannot be determined from GERS alone .

The frequent assertion that “England pays for Scotland” is particularly problematic because taxation within the United Kingdom is not organised through separate national accounts controlled by individual constituent nations. Tax revenues are collected by HM Treasury and distributed through the mechanisms of the UK state. Because the system operates as a single union, it is not possible to demonstrate that spending in Scotland originates directly from English taxpayers. GERS makes no such claim. Instead, it allocates estimated shares of UK-wide revenues and expenditures to Scotland in accordance with accepted methods .

Another limitation arises from the distinction between recorded fiscal revenues and a nation's economic potential. Scotland possesses major economic sectors including energy production, financial services, higher education, food and drink exports, tourism, life sciences and advanced manufacturing. GERS measures revenues generated within the current UK framework but does not attempt to estimate alternative revenue streams or economic outcomes that may arise under different policy arrangements .

The treatment of North Sea revenues provides a clear illustration of the limitations of simplistic political interpretations. Revenues from offshore oil and gas have fluctuated considerably over time owing to changes in global energy prices, investment levels and taxation policies. During some periods these revenues contributed substantial sums to Scotland's estimated public revenues, while in others they declined. Consequently, a single year's GERS figure cannot reasonably be presented as evidence of a permanent condition .

A further point concerns the estimated nature of many GERS calculations. The Scottish Government acknowledges that where direct data are unavailable, revenues and expenditures may be allocated using recognised estimation methods. As such, GERS represents the best available estimate based upon existing UK data sources rather than a precise accounting record of every pound raised and spent in Scotland .

Independent economic bodies have repeatedly warned against misunderstanding the purpose of GERS. The Fraser of Allander Institute notes that many public debates surrounding GERS arise from misuse of the statistics. The Institute emphasises that GERS is intended to describe Scotland's fiscal position within current constitutional arrangements rather than determine the viability of constitutional change .

Likewise, the Institute for Fiscal Studies notes that Scotland's higher notional deficit largely reflects existing spending and funding arrangements operating within the UK framework. The IFS further states that Scotland's position under independence could differ substantially from the fiscal balance reported by GERS because policy decisions, institutional arrangements and economic strategies would be different .

Claims that Scotland is uniquely dependent upon transfers from elsewhere in the UK also ignore the reality of fiscal redistribution. Fiscal transfers occur within most developed states and are common between different regions of the same country. The IFS notes that several UK regions possess fiscal balances that differ substantially from the UK average and similarly receive fiscal transfers through the operation of the state. Such transfers are features of large fiscal unions and do not demonstrate economic weakness or dependency .

There is also a tendency to confuse Scotland's notional fiscal balance with the finances of the Scottish Government. The Scottish Government's own methodology explicitly states that GERS does not directly represent the finances of the devolved Scottish Government. Rather, it combines all public revenues and expenditures attributable to Scotland including substantial policy areas that remain reserved to Westminster. Consequently, a reported GERS deficit cannot be described as the Scottish Government overspending its budget .

The evidence therefore supports a more cautious interpretation of GERS than is encountered in political debate. GERS provides valuable information about Scotland's estimated fiscal position within the United Kingdom as presently constituted. It estimates revenues, expenditures and fiscal balances under existing arrangements. It does not show that Scotland is inherently incapable of financing itself, nor does it prove that English taxpayers fund Scotland in any direct sense. Such assertions extend beyond the evidence within the statistics themselves.

The conclusion is clear. GERS is an important statistical publication, but it is misrepresented in political discourse. Its methodology, together with the assessments of independent economists, demonstrates that it was designed to describe Scotland's position within the current UK fiscal system. It was not designed to determine the future finances of an independent Scotland and does not support the claim that English

taxpayers are funding Scotland. The statistics show only Scotland's estimated fiscal position within a United Kingdom union.

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