COMPENDIUM #43

WHY SCOTLAND CAN AFFORD INDEPENDENCE

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> *An economic audit of Scotland's productive capacity, global export industries, and the fallacy of inherent national dependency.*

For as long as I can remember, Scotland has been subjected to a strange accusation. We are told that we are rich enough to help build Britain but too poor to govern ourselves. We are told that our workers can create wealth, our businesses can generate profit, our universities can educate the world, our engineers can design some of the most sophisticated technology on Earth, our energy resources can power industries far beyond our shores, yet somehow the country containing all of this activity is incapable of managing its own affairs. The claim is repeated so often that many people simply accept it. Repetition, however, is not evidence.

The first thing that strikes me whenever the argument appears is how little it resembles reality. Scotland is not a bankrupt territory surviving on charity. It is not a failed state dependent upon foreign aid. It is not an economic wasteland. It is a modern nation with millions of people going to work every day, paying taxes every day, producing goods every day and generating income every day. Wealth does not appear from nowhere. Every pound raised by government originates in human activity. Somebody works for it, builds it, manufactures it, exports it, sells it, transports it or invests it. Scotland participates in all of these activities on a large scale.

Take a step back and look at the country as it actually exists rather than as it is sometimes portrayed. Scotland possesses one of the most recognised export brands on Earth in Scotch whisky. [2] It possesses internationally important food and drink industries. It possesses fisheries, agriculture and aquaculture. It possesses a financial services sector centred around Edinburgh. [3] It possesses globally respected universities attracting talent from every continent. [6] It possesses a tourism industry built upon landscapes, culture and history that people travel thousands of miles to experience. [5] It possesses an energy sector stretching from oil and gas to some of the greatest renewable resources in Europe. [4] These are not future possibilities. They already exist.

The strange thing about the independence debate is that these facts often disappear from view. An entire nation becomes reduced to a deficit figure while every source of wealth generation is quietly pushed into the background. Yet no serious investor would assess a business by looking only at its liabilities while refusing to examine its assets. No sensible economist would assess a country's future by ignoring its productive capacity. Scotland's productive capacity is the very thing that should be at the centre of the discussion because it is from productive capacity that income ultimately flows. [1]

Look at the sources of Scottish income one by one and the picture becomes even more difficult to reconcile with the old claim of national helplessness. Whisky alone stands among the world's most successful food and drink exports. Long before many modern industries even existed, Scotch was carrying Scotland's name to every corner of the globe. The industry supports distilleries, hauliers, farmers, bottling plants, warehouses, ports, hospitality businesses and tourism enterprises. Every bottle sold overseas brings

foreign money into the economy. Every tax paid by workers within that industry contributes to public revenue. Every visitor who tours a distillery spends money within Scotland rather than merely moving it around inside the domestic economy. [2]

Alongside whisky stands a broader food and drink sector that rarely receives the attention it deserves. Scottish salmon has become one of the country's most valuable exports. Beef, lamb, shellfish and countless other products contribute both directly and indirectly to economic activity. Rural Scotland is not simply scenery. It is an active producer of wealth. The farms, fisheries and food-processing facilities scattered across the country support communities, employment and export earnings. Nations all over the world would regard such resources as significant assets. There is no obvious reason why Scotland should be expected to regard them as evidence of weakness.

Tourism represents another source of income often underestimated by critics. Millions arrive every year to visit Edinburgh, Glasgow, the Highlands, the islands and countless towns and villages in between. [5] They book hotel rooms, eat in restaurants, visit attractions, use public transport and purchase Scottish goods. Their spending supports jobs while generating tax revenue that helps fund public services. The scenery of Scotland is not merely beautiful. It is economically productive.

The same principle applies to higher education. Scotland's universities are among its greatest national assets. International students pay fees, rent accommodation, purchase goods and services, and help support local economies. Research conducted within Scottish universities produces innovation, attracts investment and assists the creation of new industries. [6] Education is often discussed as a cost. In reality it is also one of the most important economic investments any country can make.

Then there is the financial services sector. Edinburgh did not become a major financial centre by accident. Generations of expertise helped create institutions involved in banking, insurance, pensions, investment management and asset administration. [3] Tens of thousands of jobs depend upon this sector. It generates salaries, taxation and exports of professional services. When critics speak as if Scotland's economy consists of little more than government expenditure, they quietly ignore one of Europe's established centres of financial expertise.

Energy remains perhaps the most politically charged subject of all. For decades oil and gas from Scottish waters contributed substantial revenues. Arguments continue over exactly how those revenues should be calculated and distributed, yet what cannot be disputed is that the resources existed and generated enormous value. Even as the energy world changes, Scotland remains exceptionally well placed. Offshore wind, hydroelectric power, tidal resources and marine energy provide opportunities that many countries can only envy. [4] We live in an age increasingly concerned with energy security. Scotland happens to possess energy resources in abundance.

The technology sector tells a similar story. Across Scotland there are companies involved in software development, data analysis, artificial intelligence, engineering and advanced manufacturing. They may not attract the headlines of the whisky industry or the romance of Highland tourism, but they form part of the economic reality of modern Scotland. They create employment. They create wealth. They create tax revenue.

What all of these industries have in common is that none depends upon Scotland remaining politically subordinate to another parliament. Tourists do not visit Edinburgh because legislation is passed in

Westminster. Whisky is not purchased in Tokyo because Scotland lacks independence. Salmon is not exported because constitutional powers are reserved. Universities do not attract international students because decisions on defence and foreign policy are taken elsewhere. The economic activity itself originates within Scotland.

This is where I often find the affordability argument begins to unravel. The claim is rarely that Scotland lacks wealth-producing sectors. The claim is usually that Scotland currently spends more than it raises under existing arrangements. Those are not the same argument. One concerns wealth creation. The other concerns public finance. Confusing the two creates more heat than light. [8]

A country can possess substantial wealth while simultaneously facing fiscal challenges. The United Kingdom itself demonstrates that reality. [7] The existence of debt does not automatically prove a country is unviable. If it did, much of the developed world would cease to exist. Governments borrow. Governments run deficits. Governments reform taxation. Governments alter spending priorities. Such challenges are entirely normal.

The real question therefore becomes whether Scotland possesses the economic foundations necessary to support statehood. Looking at the evidence it is difficult to argue otherwise. Scotland has a skilled population. It has functioning institutions. It has export industries. It has natural resources. It has infrastructure. It has universities. It has financial expertise. It has technological capability. It has agriculture. It has fisheries. It has tourism. It has energy. It already contains the essential ingredients of a modern economy.

What critics often demand, however, is something impossible. They want a guarantee. They want proof extending decades into the future. They want certainty. No such certainty exists anywhere. No economist can provide it. No government can provide it. No political system can provide it. Nobody knows precisely what Britain's finances will look like twenty years from now. Nobody knows precisely what Germany's finances will look like twenty years from now. Nobody knows precisely what France's finances will look like twenty years from now. Economic life does not work that way.

What we can examine is capacity.

The Catechism of Productive Capacity

At that point the portrait of national dependency begins to look increasingly detached from reality.

None of this means independence would be effortless. Serious questions would require serious answers. Budgets would require balancing. Policies would require scrutiny. Mistakes would undoubtedly be made because every government makes mistakes. Yet those realities apply equally to every country on Earth. They do not constitute proof of national incapacity.

Scotland is constantly told what it cannot do. Yet every day Scottish workers, businesses, universities, industries and communities quietly demonstrate what they can do. They create wealth. They generate revenue. They build enterprises. They export products. They attract visitors. They educate students. They develop technology. They produce energy. They keep the economy moving.

The country already possesses the people, resources, institutions and income streams required to sustain a modern economy.

“The burden of proof therefore belongs not merely to those arguing for independence, but also to those who insist that a country with all these assets could never manage the ordinary responsibilities of nationhood.”

Whether independence is the best constitutional choice remains a matter for democratic debate. What is far harder to accept is the notion that a nation capable of generating so much economic activity is somehow uniquely incapable of governing itself. The evidence of Scotland's productive life surrounds us every day. The burden of proof therefore belongs not merely to those arguing for independence, but also to those who insist that a country with all these assets could never manage the ordinary responsibilities of nationhood.

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