

## Scottish Independence and the effect on the rest of the UK

Following from his analysis of Independence on Scotland, [Chris Scott](#) now examines how it will affect the rest of the country

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Image: Howard Lake

In the hype surrounding the Scottish independence referendum, it is easy to forget that its repercussions could potentially be felt beyond its own borders. Indeed in opting for independence, it would also have social, political and economic consequences for the rest of the United Kingdom (rUK) as well. The magnitude of this impact largely depends on the settlement reached between the Scottish and Westminster government in the aftermath of the vote.

Any post-independence UK government would still be faced with a high national debt, which currently stands at 72.5% of GDP. As such it is likely that the UK would hope to reduce its debt burden by ensuring an independent Scotland paid its share as well. As it stands the most likely option for splitting the debt would be along the lines of population, with Scotland taking on a share based on its share of the UK population. This could lead to Scotland taking on 8.4% of the current public debt, equivalent to roughly £122bn. However Alex Salmond has suggested that the debt burden taken on board by Scotland should be less, since tax revenue from oil has led to Scotland making a greater contribution to UK GDP relative to its size. Similarly pro-unionists have argued that since Scotland's use of public services has led to a disproportionate increase in Britain's debt, it should accept more of the burden. The uncertainty over which, if either, of these arguments might prevail makes potential changes to tax, interest rates and policy hard to predict.

There has also been uncertainty created in relation to the currency that Scotland would use after independence. The Yes campaign supports continued use of the pound through a formal currency union with the United Kingdom. Alex Salmond has suggested that this would be beneficial to the rest of the UK, both through supporting trade with Scotland (which it suggests would be the rUK's biggest export market) and reducing transaction costs for British business. The Yes Campaign calculates that such transaction costs could be worth up to £500bn for UK business. However the UK government has publicly ruled out a currency union with Scotland. In particular there are concerns that if in a currency union, the rUK may be required to bail out the Scottish government in the event of an economic crisis, since the banking sectors of both countries would remain closely linked. This could therefore lead to higher taxes for rUK citizens, since they would be required to finance such a bailout.

Perhaps the greatest impact to the rUK would be reflected in the political outcomes it would create. As a result of its smaller economy and population, the rUK would carry less influence abroad and in diplomatic relations. This could feed into a reduced role in international relations, and potentially derail the government's current plans to renegotiate membership of the European Union. Additionally independence would lead to the loss of 59 MPs from Scotland in the Westminster parliament. Since the majority of these MPs are from the Labour Party, this could make the election of Conservative governments more likely, therefore changing the types of policy that rUK citizens would likely be exposed to.

To many non-Scottish UK residents, the independence referendum may seem unimportant, and unlikely to have a significant impact on their daily lives. However the uncertainty that a Yes vote would create, and the decisions made in post-referendum negotiations could have an impact both on the rUK economy and its political landscape. All of this means that the outcome is relevant, and as such should be of interest to all UK residents.



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