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The Role of the Economic Arguments in Determining the Outcome of the Scottish Referendum (2014)

دور الحجج الاقتصادية في تحديد نتائج الإستفتاء الأسكتلندي (2014)

TOUFOUTI Youcef[1]
Faculté des Lettres et des Langues
Université 20 aout 1955, Skikda
baptist.toufouti@gmail.com

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Abstract

In 2014, the issue of Scottish referendum shook the British establishment to its roots. Those wanting independence argued passionately for the benefits of divorce from the United Kingdom, and their vision stood in stark contrast to those who outlined the terrible costs of independence. As a majority of Scottish voters chose to remain part of the United Kingdom, it seemed that the Scottish nationalists made errors of judgement. In that decision, economic arguments were back to the fore. Therefore, this article looks exclusively at the economic calculations behind the referendum results and tries to explain how some economic factors played a decisive role in choosing “no” for a majority of Scottish voters.

Key words: Scottish referendum, United Kingdom, Scottish Nationalists, Economic Factors

ملخص

في عام 2014، هزت مسألة الاستفتاء الاسكتلندي المؤسسة البريطانية من جذورها. دافع أولئك الذين يريدون الاستقلال بحماس عن فوائد الانفصال عن المملكة المتحدة، وكانت رؤيتهم في تناقض صارخ مع أولئك الذين حددوا التكاليف الفادحة للاستقلال. ونظرا لأن غالبية الناخبين الأسكتلنديين اختاروا البقاء كجزء من المملكة المتحدة، بدا أن الوطنيين الاسكتلنديين ارتكبوا أخطاء في التقدير. في هذا القرار، عادت الحجج الاقتصادية إلى الواجهة. لذلك يتناول هذا المقال بشكل حصري الحسابات الاقتصادية وراء نتائج الاستفتاء كما يشرح المقال كيف لعبت بعض العوامل الاقتصادية دورا حاسما في رفض غالبية الناخبين الاسكتلنديين الانفصال عن المملكة المتحدة.

الكلمات المفتاحية: الاستفتاء الاسكتلندي، المملكة المتحدة، الوطنيون الاسكتلنديون ، العوامل الاقتصادية.

[1]– Corresponding author: **TOUFOUTI Youcef** Email: **baptist.toufouti@gmail.com**

Introduction

In 2014, Scottish independence from the United Kingdom was a mainstream ambition among Scotland's political establishment. Scotland's First Minister Alex Salmond said that "Scotland [was] on the cusp of making history. The eyes of the world [were] upon Scotland."[1] If Scotland became an independent country, this would lead to the break-up of the union which existed since 1707. Nonetheless, the results of the referendum, that took place on 18 September 2014, showed that there was a relatively conclusive 55-45 percent vote against Scottish independence.[2] The most momentous decision in the Scottish history was in favor of remaining part of the United Kingdom. Importantly, the referendum campaign has been awash with claims and counterclaims about the economic factors that have taken a central stage in the debate of Scotland's independence. These factors included oil revenues, marketing issues, currency options, and the post-referendum business environment. This article analyzes both the economic benefits of staying in the union and the supposed independence dividend and explains how the key economic factors contributed to Scotland's choice of remaining part of the United Kingdom.

1. Oil Volatility as a Political Weapon

A key element in understanding the debate on Scottish independence is directly related to the natural commodity of oil. British Petroleum discovered oil in the cold waters of the North Sea in the late 1960s.[3] It was a God-sent gift for Britain's economy. The discovery of North Sea oil transformed the UK economy, and for more than four decades, black gold has helped to make the UK and Scotland within it richer.

The city of Shetland in Scotland did something very smart in the 1970s. When the giant oil companies asked if they could build terminals, the islanders played tough. They said 'yes' to a big single terminal[4] but only if the companies paid them a disturbance fee every time they used it. Therefore, they received compensation from the oil industry.[5] Consequently, the arrival of oil brought unprecedented prosperity to Shetland, and the economic effect on the local community was substantial. The Scottish city of Aberdeen is also one of the richest cities in the UK. Its oil and the taxes it generates have helped pay for the UK's public spending since the 1970s. Yet, according to the 2018/2019 Government Expenditure and Revenue in Scotland (GERS), the UK government spends more money on Scotland than it collects from the country via taxes.[6] For the Scots though, Scottish shores are Britain's economic salvation.

Politically, as oil and gas would be produced in the North Sea for a number of decades to come, the Scottish National Party (SNP) grasped the opportunity. Immediately, this party acted on the demands for more powers for Scotland. The ensuing referendum put the SNP on the spot in 1979. However, many of the Scots did not want devolution for their country by the late 1970s.[7] Nationalism failed to take hold. Years later, the election of a Labor government in 1997 meant the promise of a Scottish parliament could finally be delivered after another devolution referendum. In 1999, that settled will was turned into a parliament, not an

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[1] Salmond: Scotland is on Cusp of Making History. (2014, September 11). *The Herald*. https://www.heraldscotland.com/news/13179466.salmond-scotland-cusp-making-history/

[2] For more on the referendum results, see Scottish referendum: Scotland votes 'no' to independence. (2014, September 19), *BBC News*, https://www.bbc.com/news/uk-scotland-29270441

[3] Craig, J., Gerali, F., MacAulay, F., and Sorkhabi, R. (2018 June).The history of the European oil and gas industry.*Geological Society Publications.465*, 1-24.

[4] The big terminal that was built is called Sullom Voe Terminal, between 1975 and 1981.

[5] Robards, T. (1974, November 9). North Sea oil to transform the Shetlands. *The New York Times*, 41.

[6] Marlborough, C. (2021, May 11). Exactly how much money does Scotland contribute to England? *The Scotsman*, https://www.scotsman.com/news/politics/scottish-independence-exactly-how-much-money-does-scotland-contribute-to-england-and-what-is-the-barnett-formula-3233129

[7] Scotland's 1979 devolution plans: 40 years on from the 'yes' vote that wasn't. (2019, March 1). *Edinburgh News*, https://www.edinburghnews.scotsman.com/news/scotlands-1979-devolution-plans-40-years-yes-vote-wasnt-94846

assembly.[1] When hard economic times forced the Scots to question the union, Scotland created a new relationship with its old partner.

Once the Scots had their own parliament, oil, again, sent support for Scottish independence rocketing. This commodity has been central to the case for independence as it accounts for 90% of Scotland's primary energy. Oil has also provided over 330 billion pounds in revenues to the UK government from production taxation alone.[2] Nationalists believe that if all the money goes to Scotland, its future will be a different story. According to the Office of Budget Responsibility (OBR), if Scotland were to go for independence, it may get a 90% share of the oil and gas. This would be worth around 50.4 billion pounds.[3] In this regard, Scotland would be a large exporter of oil and gas while the rest of the UK would become a significant importer. Even the SNP electoral successes were largely based on oil revenues. The former Scottish PM Alex Salmond argued that the Scots did not benefit from the revenues of their oil. That was Scotland's fate under Westminster's control. Even after losing the referendum, he still insists that "independence was not for the hereafter, it is for the here and now."[4] He wanted the Scots to be independent so that they could control their own resources.

Before the referendum, the British government was spending more than it earned. In 2013, it borrowed about 120 billion pounds.[5] This financial deficit would continue in the coming years due to oil's volatile prices, and an independent Scotland would inevitably start life with exactly the same problem. Stated differently, any prediction is based on oil revenues which are unpredictable themselves. Due to volatility in the oil price, Arsmtrong and Ebell, in their article entitled "The Economics of Scottish Independence," assessed the impact of competing forecasts on future oil production and revenues for an independent Scotland.[6] If oil revenues decline, the UK has to find other ways to raise money. While "such an offset may be possible at the UK level, it seems unlikely to happen at the Scottish level, where North Sea revenues comprise a much higher proportion of the total tax take."[7] In short, it would be very difficult for Scotland to generate wealth elsewhere.

The argument put forward by the Scottish nationalists, nonetheless, argues that revenues will decline slowly and gently. This argument believes that independence will help politicians to determine Scotland's needs and tailor policies consequently.[8] It is true that an independent Scotland has the right to take on most of the oil industry in the North Sea, yet what is certain is that uncertainties over both oil and gas revenues make it difficult to predict whether an independent Scotland would gain or lose outside the UK. Additionally, as North Sea oil now past its peak, the big questions consider the remaining oil and gas reserves. According to *Oil and Gas UK*, "42 billion barrels of oil has been sucked from the North Sea… Production peaked in 1999 and has been falling ever since."[9] The argument is that there is not much oil left to be extracted.

2. Marketing Issues

[1]Simpkins, F. (2019, November). Twenty years of devolution in Scotland: The end of a British party system? *Revue Française de Civilisation Britannique*, XXIV-4, https://journals.openedition.org/rfcb/4938

[2]See Scottish Government. Oil and gas. https://www.gov.scot/policies/oil-and-gas/

[3]Armstrong, A., and Monique E. (2014, Febraury). Scotland: Currency options and public debt. *National Institute Economic Review*, (227), R14+.

[4]RT. (2021, Avril 19). *Alex Salmond to RT: Scottish independence is for the here and now* [video]. Youtube.https://www.youtube.com/watch?v=iosVN1WHaME

[5] Philips, D. (2013, October 29). How public spending in Scotland may be affected by independence. *Centre on Constitutional Change*, https://www.centreonconstitutionalchange.ac.uk/opinions/how-public-spending-scotland-may-be-affected-independence

[6] Armstrong, A., and Monique E. (2014, February). The Economics of Scottish independence: Introduction. *National Institute Economic Review*, (227), R1.

[7] McLaren, J., and Armstrong, J. (2014, February).Scotland's economic performance and the fiscal implications of moving to independence. *National Institute Economic Review*, 277, R3+.

[8] Ibid

[9] qtd in Cook, J. (2014, August). Daily question: How much oil does Scotland have left? *BBC News*, https://www.bbc.com/news/uk-scotland-28857939

Another factor that played a vital role in Scottish independence debate is the readiness of Scotland's entrepreneurial zeal and trading instincts. Scotland has a rich tradition of brilliant entrepreneurs who have set up successful businesses in the UK and the world. The most famous trading business is Diageo. The company is the boss of spiritual drinks in Scotland and is behind one of the world's biggest selling blended whiskies, known as Johnnie Walker. This whisky conquered markets around the world. In 2012, the company's net sales stood at "10.76 billion pounds."[1] When asked whether Scottish independence, if it happened, would have an impact on the company's investment decisions, Ivan Menezes, the company's chief executive, said that would make "no difference at all."[2] The company seemed confident that its worldwide reputation could weather any political changes in the UK.

It is crucial to mention that Scotland is already moving toward a different economic direction to that of Great Britain as a whole. Software programs and electronics are among the most important sectors in the recent years. The famous computer game "Grand Theft Auto" was launched in Dundee, Scotland in 1997 and continues to be a dominant name as a video game. Scotland's game industry is worth over 30 million pounds annually to the Scottish economy.[3] However, it is cooperation with neighboring England that enabled the Scots to introduce inventions to the world. Many of Scotland's innovations are made possible because the country benefited from its status as part of the United Kingdom. The city of Dundee has another great strength: drug research and life sciences. The University of Dundee is one of the UK's leading centers in medical and pharmaceutical research. Scotland is ranked number one in the world. Its medical centers are ahead of the likes of Massachusetts Institute of Technology and the University of California Berkeley.[4] Independence means that politicians must assume responsibility over financing these medical centers. If Scotland gets independent, there are risks for funding life sciences from the UK research councils.

Besides, international business services are highly represented in Scotland. For example, the largest Scottish service company is the Royal Bank of Scotland. Scotland has been the bank's home since 1727 and the figures showed a big jump in profits to 2.6 billion pounds in the first half of 2014.[5] Though Scottish ministers argued that independence would boost Scotland's economy, the Royal Bank of Scotland drew up plans to shift its head office from Scotland to England. The bank made it clear that "uncertainties resulting from an affirmative vote in favor of independence would… significantly impact the group's credit ratings and could also impact the fiscal, monetary, legal, and regulatory landscape to which the group is subject."[6] In short, independence might bring adverse effects on the Bank of Scotland and its financial operations. Similarly, Lloyds Banking Groups is another major British bank located in Scotland. In 2014, the bank was employing 16,000 staff in Scotland. It said that it would move to England amid uncertainty of what independence might financially result in.[7] The argument was that independence would have a direct impact on the bank's financial operations under two different regulatory systems.

However, independence would have implications on the UK market in which Scottish and English economies are totally integrated. According to the Scottish government, the rest of the UK was still the most

[1] Carrell, S., (2014, April 3). Scottish independence will bring 'guaranteed' costs. *The Guardian*, https://www.theguardian.com/business/2014/apr/03/scottish-independence-guaranteed-costs-weir-group-scotland

[2] Carrell, S. (2014, May 30). Whisky maker Diageo fears impact of Scottish independence." *The Guardian*, https://www.theguardian.com/business/2014/may/30/diageo-scottish-independence-whisky

[3] Inglis, B. (2014, September 5). Scottish independence and how it could affect the games industry. *TSA*, https://www.thesixthaxis.com/2014/09/05/scottish-independence-and-how-it-could-affect-the-games-industry/

[4] Hill, Grant. (2017, October 27). Dundee named as world center of pharmaceutical innovation. *University of Dundee*, https://www.dundee.ac.uk/news/2017/dundee-named-as-world-centre-of-pharmaceutical-innovation.php

[5] RBS made £2.6 bn profit in first half of 2014. (2014, July 25). *RTE*, https://www.rte.ie/news/business/2014/0725/632993-rbs-quarterly-profit/

[6] Scottish independence: RBS concerns over Scots independence. (2014, August 1). *BBC News*, https://www.bbc.com/news/uk-scotland-scotland-politics-28600549

[7] Reuters Staff. (2014, September 11). Lloyds to set up English entities as Scottish independence contingency. *Reuters*, https://www.reuters.com/article/scotland-independence-lloyds-idUSL5N0RB5OS20140910

important destination whose exports in 2013 were valued at £50.5 billion, whereas the rest of the UK sold £62.7 billion in goods and services to Scotland. Outside the UK, the European Union was Scotland's largest export market in 2014 accounting for £11 billion in comparison with £4.4 billion to the United States as Scotland's largest single country importer.[1] If the union was to be dissolved, it would be impossible for goods and all sorts of businesses to operate freely across borders. It is hard to imagine that such dissolution could make the British businessmen importers and exporters between Scotland and England.[2] At a wider level, an independent Scotland would be in dire need to look for new markets though the experience may not be so smooth and without risks.

Additionally, Scotland's economy is highly dependent on international companies for employment and investment. For example, renewable energy caught the attention of the Scottish government that made substantial investment with international companies such as Doosan and Mitsubishi. Doosan invested millions of pounds to expand its wind business in Scotland whereas Mitsubishi announced in 2011 that it would develop an offshore wind turbine in Edinburgh.[3] Before 2014, the whole of the UK operated in a single energy market. In the event of independence, electricity flowing into the English market would be subject to negotiation between Scotland and the rest of the UK.[4] Revenues from renewable energy could be used to make Scotland wealthier; nonetheless, the development of this sector in Scotland has always been dependent on UK support.

Foreign companies are also among the most productive and best paying firms in Scotland.[5] International companies in Scotland invest in a variety of businesses that include mining, engineering, food, banking, and technology. Before the referendum, there were around 2,700 businesses located in Scotland and were ultimately owned in the rest of the UK.[6] Examples of these companies are the engineering giant Weir, the large defense contractor Thales, the boss of petroleum industry British Petroleum, and the pillar of Scotland's finance industry Standard Life. Though this was a good indicator of Scotland's attractiveness and openness in the global economy, it was also very problematic as Scotland is subject to international markets.

3. Currency Options

From the 12th century to the Act of Union of 1707, Scotland had its own currency and coins known as the Pound Scots. Yet, political union between Scotland and England resulted in "monetary harmonization with sterling replacing the pound Scots to become the legal currency of Great Britain." [7] In 2014, a contentious challenge from a potential break-up of the UK was the issue of currency. An independent Scotland would have to consider its best currency option.

The first currency option was to join the European Union and adopt the euro. Former Scottish First Minister Alex Salmond wanted Scotland to remain in the European Union and dismissed statements that an independent Scotland would need to re-apply to join the EU. He argued that "unless [the Scots chose] to change… circumstances…. [they] could be dragged out of the European Union."[8] It is very realistic that the EU members welcome independent nations to join the union, but this will not be at the expense of disintegration of the UK. The European Commission president Jose Manuel Barroso claimed that Scotland

[1] Scottish Government. Financial Scrutiny Unit Briefing. (2016). Export statistics: Scotland 2014, 6.

[2] Young, S., Duncan, R., and MacKay, B. (2014, July 1). Inward foreign direct investment and constitutional change in Scotland.*Multinational Business Review*, *22* (2), 118+.

[3] Ibid

[4] Renewable energy: Rueing the waves. (2014, January 4). *The Economist*, 19-20.

[5] Dimitratos, P., Liouka, I., Ross, D., and Young, S. (2009). The multinational enterprise and subsidiary evolution: Scotland since 1945. *Business History*, *51* (3), 401-425.

[6] UK Parliament. (2014). Scotland referendum 2014: The impact of independence on the UK economy. https://www.parliament.uk/business/publications/research/scotland-the-referendum-and-independence/impact-on-uk-economy/

[7] Armstrong, A. (2012, January). Commentary: Scotland's currency and fiscal choices. *National Institute Economic Review*, (219), F4+.

[8] Suszycki, A. (2021). *Nationalism in contemporary Europe*. LIT Verlag Munster.

might find it "extremely difficult, if not possible"[1] to join the European Union. Moreover, a small independent Scotland would unlikely to be specified until it could meet some criteria on monetary and fiscal conditions. Therefore, the process would never be smooth. Scotland's application for membership can be vetoed.

Additionally, the issue of Scottish independence came at a time when Europe was shaken by an economic crisis in 2008. In times of economic hardships, smaller nations like Greece had to be bailed out by successful economies like Germany. Similarly, Scotland would not be treated differently from Greece or some of the former Soviet Union Republics.[2] Scotland, thus, might win a political independence but not an economic one. Opponents argue that Scotland's economy is not like Greece's. The comparison is not logical.

Due to the potential challenges of joining the euro, Scottish former minister Alex Salmond had a different plan: he wanted Scotland to remain part of the pound currency zone. He said that Scotland would continue "constructive working together with the rest of the UK sharing the pound."[3] Salmond's statements made it clear that the sterling and the Bank of England were as much Scotland's asset as England's asset. Moreover, in its White Paper on Independence, *Scotland's Future: Your Guide to an Independent Scotland*, the Scottish government argued that "the pound is Scotland's currency just as much as it is the rest of the UK's."[4] This meant that a sterling monetary union would be Scotland's preferred arrangement in the event of independence.

This monetary union meant also that the Bank of England would be shared between the government of Scotland and that of Westminster and would operate on behalf of them. A concrete example of this monetary union between nations is the European Central Bank which includes members of the Eurozone.[5] Obviously, Scotland's proposals were in favor of a sterling monetary union with the rest of the UK. The attractions for keeping the sterling are currency stability vis-à-vis the UK, easier trade, and no charges or costs of changing currency.

However, the Scottish proposal to share the pound was rejected by the UK government. Chancellor George Osborne said: "If Scotland walks away from the UK, it walks away from the UK pound."[6] The shared pound currency would not work because it would cost jobs and money. Similarly, during the referendum campaign, the main political parties in Britain threatened to reject a currency union if the Scots would vote for independence.[7] This rejection of currency union created an enormous pressure on the Scottish nationalists and their economic plans.

If Scotland was to give up the UK and could not join the EU, there would be one final option: it could create its own independent currency. In this case, the most important advantage would be economic freedom. The Scottish Fiscal Commission Working Group (FCWG) stated that "the creation of a new Scottish currency would represent a significant increase in economic sovereignty.[8] Yet, the obvious disadvantage is that there

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[1] Whitaker, A. (2014, February). 'Impossible' for Scotland to join EU. *The Scotsman*, https://www.scotsman.com/news/politics/impossible-scotland-join-eu-says-barroso-1544811

[2] Schweiger, C. (2012, July). Scottish independence and relations with the EU. *E-International Relations*, https://www.e-ir.info/2012/07/21/scottish-independence-and-relations-with-the-eu/

[3] Qtd in Watt, N, and Severin, G. (2013, November). Independent Scotland would keep sterling. *The Guardian*, https://www.theguardian.com/politics/2013/nov/26/scottish-indpendence-fairer-prosperous-alex-salmond

[4] Scottish Government (2013, November). *Scotland's Future: Your Guide to an Independent Scotland*, https://www.gov.scot/publications/scotlands-future/.

[5] Armstrong, A., and Ebell, M. (2014, November).Commentary: Devolution within the UK. *National Institute Economic Review*, (230), 14+.

[6] Osborne, G. (2014, February). Speech on the prospect of a currency union between an independent Scotland and the rest of the UK.

[7] Watt, N. (2014, February). UK parties ganging up to bully Scots into rejecting independence. *The Guardian*, https://www.theguardian.com/politics/2014/feb/12/uk-parties-bully-rejecting-scottish-independence-snp-currency-union

[8] Scottish Government. Fiscal Commission Working Group. (2013). *First Report: Macroeconomic Framework*, 123.

would be transaction costs and charges for changing currency on any business that does trade across the border.

The engineering firm, the "Weir Group," is one of Scotland's biggest businesses trading in seventy countries. For the company, a new currency would come with a steep price tag. Significant additional costs would be imposed on the business.[1] However, Armstrong and Ebell argue that if Scotland's financial advantages outweigh possible disadvantages due to these trade charges, it would be best to quit the union.[2] Besides, the Republic of Ireland decided to wrench its pound from the British pound in March 1979. Cutting the link with the British pound "did not slow the growth of Irish trade with the UK to any significant effect."[3] In other words, severing Irish currency ties with the UK had a very minute effect on trade and commercial activities.

Besides, there are implications of the level of the national debt that Scotland might inherit at independence. In 2014, the British government had a huge national debt of £1.4 trillion.[4] As part of any independence deal, Scotland would be expected to take on some of that burden. The Scottish share of the burden would be based on population which is 8% to 9% of the debt. The Scottish government was happy with this level as the rest of the UK would shoulder the rest.[5] A deal would have to be done between Scotland and Westminster on the interest rate to be paid and the date of its repayment.

The currency question was very problematic in 2014, and no currency option was easy considered against the other options. The arguments of the Nationalists failed to convince the Scottish electorate of the economic merits of independence. Ultimately, the currency question, alongside other questions, sank Scotland's quest for independence.

4. The Post-Referendum Business Environment

The potential post-referendum business environment played a crucial role in determining the political decision of the Scots. Those who believed in the benefits of an independent Scotland argued that the new nation would have the right to choose its own economic policies and tailor measures to match its potential. In 2014, the population of the UK was estimated to be 64.5 million. The English accounted for 84% of the UK population; the Scots made up 8%; The Welsh accounted for 5%; and the Northern Irish made up 3% of the UK population.[6] Despite its small population, Scotland had a successful economy whose performance was similar to the UK average, and a number of Scottish cities, Edinburgh in particular, had similar income levels to London.[7] Logically then, Scotland had even many economic strengths compared with other small independent European countries.

Furthermore, Scotland had strengths in manufactured goods, technology, food and drinks, as well as services. The top exporting sectors to the rest of the world were food and drinks. However, Scotland's main exports were towards the rest of the UK which accounted for two thirds of total export sales. The largest sectors of exports included financial and insurance activities. Therefore, others argued that the benefits of independence were over-exaggerated. Scotland's Growth Domestic Product (GDP) was only around one

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[1] Carrell, S. (2014, March 20). BAE warns of risk from Scottish independence. *The Guardian*.https://www.theguardian.com/business/2014/mar/20/bae-warns-risk-from-scottish-independence"

[2] Armstrong, A., and Ebell, M. (2014, November).Commentary: Devolution within the UK. *National Institute Economic Review*, (230), 14+.

[3] Ireland cuts pound link to Britain. (1979, March 31), *The New York Times*, 29.

[4] Smith, C., (2014, August 19). Daily question: How might the UK's debt be divided post-Yes? *BBC News*, https://www.bbc.com/news/uk-scotland-28541393

[5] Ibid

[6] Office for National Statistics. (2014). Population Estimates for the UK: mid-2014. Statistical Bulletin, https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/2015-06-25

[7] McGregor, P. G., and Swales, J. K. (2013).The impact of greater autonomy on the growth of the Scottish economy. *Scotland's future: The economics of constitutional change*. Dundee University Press, 153-176.

tenth of that of the rest of the UK.[1] With its small economy and its tremendous exports rate toward the rest of the UK, an independent Scotland could easily be in a big economic problem. Additionally, Scotland has already had a great level of economic independence and a global network of trade as part of the UK. Political independence would have unforeseen effects on Scotland and the whole union.

Scottish nationalists saw the global situation right for their country to be independent. Scotland was an attractive destination for over 2,200 foreign-owned companies employing 303,000. [2] Additionally, Ernst and Young survey ranked Scotland in the top two UK regions outside London in terms of projects in 2013.[5] However, other businessmen thought that the risks of leaving the UK outweighed any potential benefits. They wanted their country to stay as part of one of the world's largest economies. The bosses of defense giant, "BAE Systems" that still runs Scotland's largest military shipyards in Glasgow, saw risks. The defense group said that remaining in the UK would "offer greater certainty and stability"[3] for its business. BAE systems had about 3,500 of its nearly 80,000 employees located in Scotland making ships for the British government.[4] Independence could mean that these jobs could go elsewhere. The government in London would not have orders to a Scottish company to build ships if Scotland got independent. Warships are built in UK shipyards for the UK only.

On the other hand, the Scottish government pledged to no longer house the UK's nuclear weapons if the Scots voted for independence. This meant that the UK nuclear weapons would be removed from Scotland. The Scottish National Party even promised to include a clause in the constitution of an independent Scotland that would make illegal the deployment of nuclear weapons in Scotland.[5] Relocation of nuclear weapons would not be easy for the government in London as this would have tremendous costs and a new strategy of nuclear deterrence. Additionally, a 'yes' vote might have ramifications beyond the UK and affect the NATO policy. It is crucially important to know that the Scottish National Party always opposed the NATO's support for nuclear deterrence and made it crystal clear that an independent Scotland would not host nuclear weapons.[6] Among these political calculations, the economic environment in Scotland would be uncertain and very grim especially in the early years after independence.

In short, it was not clear whether a 'yes' vote would lead to more optimism about the future of Scotland outside the UK or to a terrible future because of not being part of one of the biggest economies in the world. The big question in 2014 was how to weigh up the probable costs against the possible benefits; however, what made the evaluation of the costs and benefits almost impossible was the sheer number of the unknowns. Important decisions that would affect the business environment could only be made after the vote. The Scots chose to vote 'no' because of their fear of an uncertain future.

Conclusion

Though Great Britain is seen as one of the longest surviving economic and political unions in the modern age, this family of nations was about to be torn about in the Scottish referendum of 2014. Fortunately for the political establishment of Great Britain, economic issues were key determinants of the outcome of the Scottish referendum on independence. Though oil reserves and revenues made the Scottish National Party

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[1] Scottish developmental international. (2011). *Scotland's trade and investment strategy: Economic evidence*. Edinburgh.

[2] Ibid

[5] see, Ernst and Young (2013). *Ernst and Young's attractiveness survey UK 2013*: *No room for complacency*, https://www.ey.com/Publication/vwLUAssets/Ernst-and-Youngs-attractiveness-survey-UK-2013-No-room-for-complacency/$FILE/EY_UK_Attractiveness_2013.pdf

[3] Carrell, S., (2014, April 3). Scottish independence will bring 'guaranteed' costs. *The Guardian*, https://www.theguardian.com/business/2014/apr/03/scottish-independence-guaranteed-costs-weir-group-scotland

[4] Hansen, D. (2014, September 10). The curious case of Scottish independence and BAE systems. *Washington Business Journal*, https://www.bizjournals.com/washington/blog/fedbiz_daily/2014/09/the-curious-case-of-scottish-independence-and-bae.html

[5] Gordon, T. (2012, October 7). Scottish constitution would ban nuclear weapons. *Sunday Herald*, https://www.heraldscotland.com/politics/referendum-news/scottishconstitution-would-ban-nuclear-weapons.19078977./

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the governing party in Scotland, its volatility made the Scots dubious about the benefits of independence. Furthermore, any break-up of Great Britain would pose big challenges for the giant companies in Scotland and cause restrictions in banking and financial services. Though the belief that Westminster had no mandate in Scotland was common currency, the currency question doomed any chances of Scotland taking responsibility of its own situation. As concerns were also expressed about the post-referendum business environment, the Scots became clearly nervous about the possible consequences of independence, and they accordingly chose to stay in the United Kingdom.

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