In wake of global financial crisis

Scottish nationalism's perspective in tatters

Steve James
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The global financial meltdown, which is triggering sharp recessions across the world, has severely compromised the economic basis of the Scottish National Party's strategy for independence.

SNP aspirations for Scottish secession from the United Kingdom were based on the strength of the Scottish financial sector, oil revenue, and winning transnational investment through cutting taxes. The SNP claimed that additional wealth generated through such measures in an independent Scotland would be used to benefit all Scots.

Now, however, the Scottish financial sector is in crisis. Both of the country's historic banks--the Royal Bank of Scotland (RBS) and Halifax Bank of Scotland (HBOS)--have been humiliated, their CEOs forced to resign.

RBS share price now stands at 68 pence, down from over 220 pence as recently as September. A year ago it was £5.13. In February 2008 the bank, already under pressure, was forced to raise £12.5 billion from its shareholders. The entire worth of the bank is now £11.1 billion and falling, down from £51 billion at its high point.

To prevent a complete collapse, RBS is expected to gobble up £20 billion of the £37 billion bailout offered by the British government to prop up the banks. This leaves RBS part owned by the British government and wholly dependent on a gigantic handout paid for by British taxpayers.

HBOS is in even worse shape. With its share price currently standing at 60 pence, down from around £2 in the last month and £8.45 a year ago, the bank remains committed to a takeover by Lloyds TSB, which would form a huge and not much more stable institution, propped up by another £17 billion of public funding. Lloyds HBOS is unlikely to be based in Edinburgh, and, like RBS, will have the British government as one of its major shareholders.

Faced with this, sections of the Scottish establishment, the press, financiers, businesses, and the SNP itself have launched a campaign to prevent the Lloyds TSB takeover of HBOS.

Many arguments are made, but they all boil down to this: If the British government is willing to bail out HBOS as part of Lloyds TSB, then it can be bailed out without the merger. That way Edinburgh can defend its position as Europe's fifth largest financial centre and the planned HBOS headquarters, currently a large building site in central Edinburgh, can be completed.

Whatever their tactical disagreements, what unites Prime Minister Gordon Brown and Scottish First Minister and SNP leader Alex Salmond is their insistence that public monies should be used to bail out the banks and major financiers, regardless of the impact this has on the jobs, savings and homes of millions of working people.

The SNP has also long relied on potential oil revenues accruing to an independent Scotland. Earlier this year much was made of a report by accountant Grant Thornton, which, based on an oil price of $120 a barrel, claimed that Scotland would have a £4.4 billion revenue surplus based on current spending figures. The North Sea oilfields still produce a significant amount of oil. Salmond demanded the creation of a Scottish Oil Fund to hoard the surplus revenue for future allocation by an SNP finance minister. Oil prices subsequently rocketed to as high as $147 a barrel, while Salmond spat with "fury" and "national outrage" at the money slipping through his, and his associates, fingers.

Faced with imminent recession and a sharp fall in demand, oil prices have collapsed to $64 a barrel. One-year forecasts only predict this to rise to $74 a barrel. Salmond and the SNP have, predictably, not leapt to explain the consequences of this collapse on their financial model.

Another oil-related consequence of recession is that highly profitable oil exploration and service companies based in Scotland, but operating globally, will have sharp pressures on their margins and operations, as thousands of marginal oilfields cease to be exploited. The *Sunday Herald* reported concerns that a number of highly leveraged operations, dependent on high prices and carrying massive debts, were facing difficulties renegotiating loans. Globally, share prices across the industry have collapsed, a situation not helped by the fact that RBS and HBOS are among the major lenders to the industry. RBS and HBOS are currently not lending to anybody.

The SNP has long hailed the example of the "arc of prosperity"—the Northern European countries such as Ireland, Iceland and Scandinavia—as one it sought to emulate for Scotland. The plight of this "arc" epitomises the crisis now facing the SNP.

Iceland today is bankrupt, a synonym for the inability of small economies to provide any support to its national players in the world financial collapse. The country is ruined, its banks collapsed. The British government used anti-terror laws to freeze Icelandic banking assets and the currency has collapsed, leaving many of the 300,000 population ruined. A $2 billion IMF loan has been agreed and more is likely to be needed.

Ireland is not in much better condition as the collapse of its own banks and a speculative property bubble continue. Last year Allied Irish Bank's share price was over €24; now it is €3.16. At its peak in 2007, Bank of Ireland shares stood at €17.30. Now they are worth €1.60. The share price of both banks has continued to fall despite a €420 billion guarantee offered by the government to safeguard 100 percent of all shareholders' deposits. The government has launched a savage round of public spending cuts in an attempt to recoup lost revenue from pensioners, the sick, people on benefit and by freezing wages.

Last week, the Norwegian government organised a 350 billion kroner (€38 billion) bank bailout, offering to trade government bonds for mortgage-backed toxic debt. The package, which was criticised as being designed specifically for the 34 percent state-owned DnB NOR, will have immediate consequences. Prime Minister Jens Stoltenberg warned parliament not to expect public spending increases in 2009. The currency has fallen to 9 kroner to the euro, down from a peak of 6 kroner per euro.

Commenting on the transformation of the "arc of prosperity" into the "arc of insolvency," George Kerevan, a former radical, SNP supporter and economist for the Edinburgh-based *Scotsman* newspaper, reluctantly praised the bounty offered by London to the financial elite:

"A big nation state has the advantages of a wider internal market; economies of scale; and the ability to provide collective fiscal ‘insurance' if a particular region or business sector gets into trouble--as we have just seen in the UK."

He nevertheless noted, such was the scale of the meltdown that "size is no defence from market panic--last week the entire British banking system was within 24 hours of crashing. I respect the scale and boldness of the Treasury rescue bid, but it did not actually unblock the inter-bank markets. That only started to occur (slowly) with the eurozone collective action announced last Sunday in Paris..."

Kerevan's lame conclusion was that all the smaller economies, Iceland included, would be better placed to flexibly develop productivity in conditions of economic recovery.

In reality, the economic crisis has stripped away the rhetorical camouflage behind which class interests are usually obscured. One year ago, Salmond, Brown, Darling, Kerevan et al would never have expected to confront a situation where a global financial crisis threatened the entire British banking system—into which its Scottish components are closely integrated—with meltdown. Still less would they have anticipated a ruinous bailout and recession in the "real" economy of a scale that sets all of them on a collision course with the working class.

This is what is rapidly developing. A few reports from the Scottish press give an indication of what is developing:

• Tyre makers Michelin intend to shut their Dundee factory for a week to remove excess stocks caused by falling demand in Europe and America, with 800 workers affected.

• Luxury builders Gregor Shore, building flats in Leith, have ceased trading and laid off 120 workers.

• Freescale, a US-owned semi-conductor plant in East Kilbride, is to close in 2009, with the loss of 800 jobs.

• Nobel Enterprises intends to cease production at its historic Ardeer plant in North Ayrshire, with 90 workers losing their jobs.

• 371 workers at an International Paper plant at Inverurie, near Aberdeen, will be laid off with the plant being described by management as "not financially viable."

• Hundreds of staff have been laid off from estate agents and property companies.

• 19,000 workers joined the jobless rolls in the last quarter, as part of a total of 1.79 million unemployed in the UK.

• Construction industry analysts predict that 45,000 jobs will have been lost in Scotland over the whole of 2008.

• The level of bankruptcies has risen 160 percent this year, with 6,000 individuals and 300 firms declared bankrupt.

• Strikes have taken place in local authorities, with up to 150,000 public service workers involved. More are planned.

Sharp class conflicts are immediately ahead. A vital component of the financial aristocracy's arsenal in seeking to offload the cost of the crisis onto the British working class is the promotion of national and regional separatism by its local agents. For this reason, the SNP, the Labour Party, the employers and trade unions in Scotland--regardless of their differences on independence--have agreed to band together to defend the local economy.

On October 21, Labour's Jim Murphy, Alex Salmond, Iain McMillan for the Confederation of British Industry in Scotland, and Stephen Boyd from the Scottish Trades Union Congress (STUC) all attended a conference hosted by the Scottish government. A press statement issued after the meeting indicated harmony and the "willingness of both tiers of government to work together and have good channels of communication, and develop initiatives with business, unions, social and other partners including local government, in order to bring forward spending and other measures to stimulate economic activity."

All this will take place under a Scottish flag waved by the trade unions. The STUC, in addition to working closely with the employers' federation, two parties of the financial aristocracy, Labour and the SNP, is soon to hold its own St. Andrews day rally, on November 29. The STUC's web site announces that "St Andrew's day is about showing a united Scotland."

The consequences of global recession can only be fought by rejecting an alliance with any section of employers and their nationalist agents, rejecting all forms of regionalism and nationalism, and building a global movement of the working class based on a socialist programme.