Scottish independence referendum campaign dominated by currency dispute

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A bitter dispute has erupted between London and Edinburgh over whether an independent Scotland would be part of a "currency union" and over what share of British public sector debt the new state would take over.

That the most explosive dispute of the Scottish referendum campaign to date should be over currency and public debt speaks to the class character of both the "Yes" and "No" camps. Working people across Britain face unprecedented assaults on living standards, yet the referendum is being fought out between two wealthy cliques—both of whom insist that the gambling debts of the financial aristocracy should be passed on to the working class. They are in dispute only over who benefits most from this.

The favoured currency option of the Scottish National Party (SNP), advancing the interests of a section of the bourgeoisie and their privileged middle class hangers-on, is for a currency union with England, Wales and Northern Ireland, in which Scotland would continue to use the pound and the Bank of England would continue to function as the lender of last resort. In this way, based on their key goal of cutting corporation tax—which largely constitutes their "independence" project—the SNP hopes to outstrip the rest of the UK as an investment location, tax haven, and source of profits. Following the financial crisis of 2008, and the vast bailout by the British government to the banking system, including a number of Scottish-based institutions, the party dropped its previous support for the euro.

For the Conservative and Liberal Democrat coalition and much of the Labour Party, the instability and huge uncertainties associated with independence are viewed as risky and likely to compromise the interests of the City of London, its financial markets and major British corporations. The parties, collected in the "Better Together" camp in the referendum, endorse increased devolution of tax cutting and finance raising powers to Scotland, Wales, Northern Ireland and the English regions, but within the framework of the UK, as a preferable means to cut business taxes while fragmenting nationally-based social services such as the National Health Service and driving down social spending but without endangering the viability of Britain as a global capitalist power.

As far back as May last year, British Tory Chancellor George Osborne rejected the SNP's currency union proposal as "unlikely". In response, the Scottish government hinted that an independent Scotland "could not reasonably be expected" to shoulder a share of the UK's national debt "if Westminster insists Scotland is not entitled to a share of assets."

The spat was not given much attention in the press, as the "No" camp remained far ahead in the opinion polls. Over the intervening months, however, the gap has closed significantly, while the number of "don't knows" has increased. The "Yes" camp, into which all the ex-left groups are integrated, insists that the brutal austerity being imposed by Westminster and Edinburgh can only be alleviated by Scottish independence.

This bogus perspective ignores the fact that it is only the complexities of the Barnett public spending formula which have somewhat mitigated spending cuts in Scotland, Wales and Northern Ireland, compared to England. The end result, however, is a growing realisation in ruling circles that the Cameron government's gamble in conceding a referendum to the SNP, on the expectation of the "No" camp winning decisively, might be going bad.

This threat is starting to be taken seriously around the world. Earlier this year, the British Treasury was forced to respond to what were described as "jitters" in the financial markets over reiterated threats from SNP leader Alex Salmond of a Scottish default on its share of British debt if Scotland was barred from a currency union. This would amount to the first British debt default since the 17th century. British national debt currently stands at around £1.4 trillion, forecast to rise to £1.7 trillion by 2016. The "jitters" threatened to push British borrowing costs up.

Seeking to calm the markets, the Treasury was forced to announce that it would take responsibility for all of the UK's current debt even if Scotland left the UK. Government commentators took to the media to insist that the Treasury statement did not amount to a handout to Salmond. The governor of the Bank of England, Mark Carney, was despatched to Edinburgh to warn that Scottish "fiscal sovereignty" would have to be ceded to form a viable currency union and that Scotland would face "clear risks if these foundations are not in place."

The *Financial Times '* Martin Wolf, writing in a series, "If Scotland Goes," spelled out that "the rest of the UK could insure Scotland, but Scotland could not insure the rest of the UK… The Scots should not be allowed to believe that they can have whatever kind of currency union they want."

Following David Cameron's "seven months to save the UK" speech at the Olympic velodrome in London earlier this month, Osborne travelled to Edinburgh to press home the point that "If Scotland walks away from the UK, it walks away from the UK pound."

Osborne's position was immediately endorsed by both the Labour Party and the Liberal Democrats. Osborne responded to Salmond's default threat by a bigger threat of his own. "International lenders would look at Scotland and see a fledgling country whose only credit history was one gigantic default," he warned.

With threats of default filling the air, the trade body for the huge Scottish Financial Enterprise, representing funds with assets of around £520 billion, one quarter of the UK total, warned of implications "if fund managers cease to be in the same legal jurisdiction as the City of London and 90 percent of their customers."

The CEO of oil major BP, Bob Dudley, insisted, "Great Britain is great and it ought to stay together."

Edinburgh based Standard Life, which has operated from the city since 1825 and which controls £240 billion, announced that a "Yes" vote could force it move its company HQ.

Chastened, Salmond responded to assure Osborne and the markets that talk of default was not serious, or rather was purely for domestic tub thumping. It was a "fair and reasonable position that Scotland should meet a fair share of the costs of that debt," but "Sterling and the Bank of England are clearly shared UK assets" and therefore Scotland "should have a stake in their future policy."

Faced with exclusion from a currency union, Salmond and the SNP have, for the moment, retreated to a position of proposing to keep using the pound anyway, but without the Bank of England's support, the so-called "Panama option" referring to a number of Central American countries' use of the dollar.

Workers in Scotland should vote "No" to Scottish independence to create the best conditions for a unified struggle against the despised Cameron government in London and the SNP administration in Edinburgh—and against the financial parasites for which they both speak. Workers' interests are not at all served by the creation of new mini-states, but only by transcending the capitalist nation state system through establishing workers' governments in Britain and across a united socialist Europe.