


Scotland analysis: currency options

Continuing membership of the UK is in the best economic interests of Scotland and the rest of the UK. All of the alternative currency arrangements are likely to be less suitable.



| | Staying in the United Kingdom | Independent Scotland wanting to enter a formal currency union with the UK | Independent Scotland continues to use sterling without the agreement of the UK | Independent Scotland adopts the Euro | Independent Scotland decides to adopt its own currency |
|--|--|---|--|--|---|
| Can Scotland keep the pound? | Yes | No guarantee | Yes | No | No |
| What would be Scotland's central bank? | The Bank of England. Acts for whole UK and accountable to Parliament. | The Bank of England but unclear and would need to be negotiated | Not the Bank of England. A new Scottish Monetary Authority | Not the Bank of England. The European Central Bank (ECB) and would also be a new Scottish Central Bank | Not the Bank of England. Would be a new Scottish Central Bank |
| Would the right monetary policy be set for Scotland's economy? | Integrated and similar economies means 'one size fits all' monetary policy | 'One size fits all' works less well as economies diverge | De facto set by Bank of England but would only consider the continuing UK | Set by the ECB. Less integration and similarity with the euro area so 'one size fits all' less likely to apply | Set by Scottish Central Bank |
| What would happen to the cost of government borrowing? | Stay the same | Higher | Higher | Higher | Higher |
| How would it affect tax and public spending? | Significant percentage of tax and spending devolved to Scottish Government | Constraints on tax and spending would need to be agreed with the UK. | Decided by Scottish Government but subject to restrictive market conditions | Constraints on tax and spending would need to be agreed with the EU. | Decided by Scottish Government, subject to market conditions |
| Who is the lender of last resort? | Bank of England | Would need to be negotiated with the UK | Scottish Monetary Authority with limited functionality | ECB and Scottish Central Bank | Scottish Central Bank |