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SNP's Leftist vision for Scotland will end in tears

ALLISTER HEATH

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First Minister of Scotland Nicola Sturgeon

It's not exactly great timing: on the very same day that Nicola Sturgeon called for another Scottish referendum, the price of oil tumbled again, falling to a fresh three month low.

Given that Scottish nationalism is still predicated on the idea of using petrodollars to fund a big welfare state, this is bad news for the movement to break up the UK. Politics isn't just about economics, of course, but the SNP's case for an independent, socialist Scotland is even weaker today than it was when it was last defeated in 2014.

There is little hope of the price of oil recovering in a game-changing way any time soon. Brent crude futures were trading at under $51 a barrel at one point yesterday: the rush for shale in the US and other global forces have devastated Opec's ability to keep prices high. The cartel, together with the likes of Russia, has been trying to cut back on output, but it's all been for nothing. Prices are down by 8pc in a week, with more to come, and the US industry has been adding rigs for the past eight weeks in a row.

Stock piles of oil drums

This is good news for inflation and for consumers – Asda was one retailer that announced a 2p cut in the price of petrol and diesel yesterday, for example – but not for the SNP. Scotland's budget deficit was already a crippling 9.5pc of GDP in 2015-16, roughly as bad as the UK's was at the height of the financial crisis. Thanks to the rest of the country's generosity, the devolved government is able to get away with spending far more than the economy could possibly afford – yet Sturgeon is committed to more of the same, forever. Public spending per capita in Scotland was £12,800 in 2015-16, compared with £11,500 for the UK.

The sums don't add up - and if Scotland were to retain either the pound or adopt the euro, it wouldn't even be able to print money to pay the bills. Sturgeon, like Jeremy Corbyn and the political left across the UK, still believes in the myth of the magic money tree. She still thinks that, post-independence, she would simply be able to click her fingers to conjure up the vast subsidies her government currently receives from England. It's preposterous, dangerous nonsense, as is the view that Scotland would be able to tap the EU for massive transfers instead. Scotland is relatively wealthy by global standards and Brussels will find itself facing a fiscal crisis after the UK, a key net contributor, leaves.

The Brage Supplier, an offshore supply ship, sits docked beyond residential houses at Aberdeen Harbour

Even when the price of oil was at $100 per barrel and the exchange rate at $1.60, the assumptions underlying the 2014 plans, the spending sums didn't even begin to add up; now that they are at $57 per barrel, the plan is even more laughably delusional. It is true that the weaker pounds helps the SNP – oil is traded in greenbacks, and the stronger dollars now buys more pounds. But Peter Dixon of Commerzbank calculates that at the current sterling-dollar exchange rate, Scotland will need oil to rise permanently to around $80 per barrel to ensure it can generate the same revenues (and that assumes it can access all the oil that it claims as its entitlement).

At best, independence would take some time to negotiate: there would need to be an agreement on all sorts of things, including the division of the national debt and of the armed forces. Scotland would have to gain control or create its own tax collecting agency, and various government back offices shifted around the country. This means that Scotland would have to leave the EU for at least a couple of years with the UK before it would be allowed to rejoin. There is no way that an independent Scotland could possibly seamlessly shift from being part of the UK and the EU to being "independent" and part of the EU (in reality, EU membership isn't compatible with genuine political independence, but that's another story).

Pro-Scottish independence supporters at a rally in Glasgow last year

In the meantime, thanks to years of mismanagement and left-wing policies, the Scottish economy has been flatlining for a while. Onshore GDP growth was probably 0.7pc for Scotland last year, against 1.8pc for the UK as a whole. Inflation is also much higher in Scotland, suggesting that living standards are collapsing North of the Border: Scotland’s implicit GDP deflator, a measure of whole economy inflation, jumped 3.1pc in the year to the third quarter of 2016, compared to 1.8pc for the UK overall, according to David Owen of Jefferies. The savings ratio in Scotland, which used to be higher than England’s, is also now much lower (3.1pc for Scotland, compared to 5.8pc for the UK).

What of the new argument, beloved of many Remainers, that Scotland could hoover up lots of UK economic activity by rejoining the EU and the single market? In theory, there is a small amount of truth in this argument. Some financial services activity will probably migrate away from London in the absence of a UK-EU trade deal on Brexit; some financial services require licences to operate in the EU. But the numbers will be relatively small and there is no reason why Edinburgh would gain more than Dublin, Frankfurt or Luxembourg or even New York.

In any case, the hard-left SNP despises those who earn large salaries, a worldview that is incompatible with turing Scotland into a hub for upmarket service sector jobs. Sturgeon’s hard-left vision and her rejection of basic accounting realities mean that her plan for independence would be doomed to end in tears.

allister.heath@telegraph.co.uk