

## [BizforScotland destroys the No Campaign's bank bail-out lies](#)

[Gordon MacIntyre-Kemp](#) | 09/09/2013 | [19 Comments](#)



1 Churchill Place, Canary Wharf is a very important address in the debate about the economics of independence. It is home to a company the recent history of which completely exposes the misinformation tactics of the No Campaign.

Over and over again we hear from anti-independence proponents (especially former Chancellor Alastair Darling) that an independent Scotland could not have afforded to bail-out the Scottish banks. After all, Alastair knows best! He was in charge when they collapsed!

The logic of his argument relies on the assertion that banks are bailed out by the taxpayers of the country in which the institution is headquartered. However, we think that it is almost impossible for the former Chancellor not to be aware that this argument is baseless.

Let's go back to that address in full: Barclays Bank PLC, Global Headquarters, 1 Churchill Place, Canary Wharf, London, E14 5HP, UK. Barclays is a UK bank and if you accept there is such a thing as a Scottish bank then Barclays is clearly an English bank.

The public was repeatedly informed by the media during the crash that "Barclays didn't need a taxpayer bail out at all". In fact, this proved quite the opposite. Barclays Bank – yes, that English based bank – received the single biggest bail out of any UK bank, but most of it didn't come from the UK taxpayer.

Barclays was bailed out to the tune of [£552.32bn](#) (at backdated exchange rates) by the [US Federal Reserve](#) and [£6bn by the Qatari Government](#). Or to put it another way, [foreign governments](#) bailed out Barclays to the tune of more than twelve times more money than the UK Government's capital support for RBS (£45bn).

On October 7th 2011, The Financial Times wrote, "[RBS received the world's biggest bail-out during the financial crisis, at a cost of £45bn to the UK taxpayer](#)". Now we know **that isn't true**. Capital injections were just one part of much broader bail-out packages including combinations of capital, liquidity and asset insurance which, in the case of the larger banks, were almost all from multiple nations.

Citigroup, for example, benefitted from \$45bn US taxpayer capital but also from discounted central bank liquidity support around the world. Of course, in the case of Citigroup the US Government made sure an arrangement was put in place whereby American taxpayers would get their money back with a profit (\$12bn is just over two years). In contrast, the £45bn of your money Alastair Darling invested in RBS looks like a lost cause now. For the record, that's an awful lot of hospitals and schools we can't afford to build.

Barclays is also not moving to the USA. Barclays' CEO at the time of the crash, Bob Diamond, recently told a [Westminster Treasury Select Committee hearing](#):

*“Barclays intended to remain based in London”. He said “the City had numerous benefits, including the time zone, a good pool of talent and the fact that English was the native language”.*

### **The Truth**

Why did the US Federal Reserve come to Barclays' rescue if it was not an American bank and so, on the face of it not its responsibility?

Well, the credit crisis provides us with a clear historical precedent showing that banks are not primarily bailed out by the government of the country hosting their brass plaque. In fact, what matters is risk of contagion. We now know banks are bailed out on the basis of where they have economic assets and business activity the demise of which would lead to contagion in the local and global financial system. There are numerous examples of this. In the case of Barclays, it fell to the US to support the bank because they were one of the single largest purchasers of US Government debt, ipso facto the problem was the US Government's and not the UK taxpayer's alone. The US intervened so that its debt market didn't collapse and to prevent broader consequences for America's economy and society.

It's worth also noting that the UK Government bail out of RBS and HBOS amounted to £65bn. That's a lot of money, but the US Federal Reserve made emergency loans available to RBS of £285bn and to HBOS of £115bn. The US bailed out these UK banks too, in the same way as Scottish taxpayers contributed to liquidity support for international banks based in London (including American ones).

### **Could an independent Scotland have afforded our contribution?**

The answer is *absolutely yes*, according to the Harvard professor and international banking expert Andrew Hughes-Hallett, who said “the cost of Scotland's contribution to the bank bail out as an independent country would have been roughly the same as it was as part of the UK – roughly 10%”.

Although we absolutely know this wouldn't have been the case, even if we'd been left with the full bill of £65bn, we could have afforded it. Scotland after all has bailed the UK out to the tune of £89bn in the last 19 years alone. Had Scotland been an independent nation, we would have enjoyed a surplus of £68bn over the last 19 years. Instead we bailed the UK out to the tune of £83bn. That is our contribution to UK national debt interest that an independent Scotland would not have paid. And all of this ignores the question of whether a regulatory system with direct Scottish influence would have allowed RBS and HBOS to over-leverage their balance sheets or that Halifax is actually in Yorkshire!

## **Conclusion**

*Next time anyone says Scotland couldn't have afforded the banking bail out, just ask them why the US Federal Reserve bailed out Barclays to the tune of £552.32bn?*

Then explain that the contribution of Scotland's taxpayers as an independent nation would have been the same as it has been as part of the UK. And remember 80% of the peak losses at RBS derived from its London based businesses.

And next time you hear Alastair Darling, the man who was in charge of our financial system in the lead up to the credit crisis, have the cheek to peddle fear about the handling of a future credit crisis, you'll know better. He's the last man we should be listening to on this subject, so please share this fact based article with as many people as you can.

As Alasdair Gray wrote: 'Let us flourish by telling the truth'.