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Enough of the Scottish subsidy myth - Scotland pays its way in the Union

**Scotland pays its way in the Union - it's
time the London commentariat
acknowledged that.**

by [James Maxwell](#) Published 6 November, 2011 - 09:05



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The notion that Scottish public services are subsidised by English taxpayers has become so commonplace in UK politics that not even David Dimbleby, the supposedly neutral presenter of *BBC Question Time*, thinks twice about repeating it. During an exchange on a recent show with Liberal Democrat Jo Swinson about her decision to vote as a Scottish MP to impose tuition fees on English students, Dimbleby said, "You voted for England to have fees, whereas Scotland, as we know, with the amount of money that comes from England, doesn't need to have them."

This view is based on the discrepancy between levels of public spending per head of the population in Scotland and England. According to the Treasury's latest Public Expenditure Statistics, Scots gets an average of £10,212 spent on them every year by the UK government, compared with around £8,588 -- £1,624 less -- for people in England.

In line with narrative of the Scottish welfare subsidy, the extra cash allows Scotland to provide its students with free higher education, its elderly with free personal care and concessionary travel, and its sick with free prescription medication, while their English equivalents are forced to go without.

This so-called "Union dividend" is also used by many London-based journalists and politicians -- many of whom would describe themselves as social democrats -- who argue that current levels of public expenditure in Scotland would be unsustainable were it to break away and become an independent country.

Yet, if the London commentariat took the time to examine the figures a little more closely, they would discover what a large number people north of the border already know: not only does Scotland more than pay its way in the Union, but its overall fiscal position would actually be stronger as a fully sovereign nation.

Let's tackle the subsidy charge first. Scots represent 8.4 per cent of the UK's total population, but they generate 9.4 per cent of its annual revenues in tax -- equivalent to £1,000 extra per

person. The remaining £624 is easily accounted for by decades of UK government under-spending in Scotland on defence and on other items which are not routinely broken down by region, such as foreign office services.

Second, there's the claim that Scotland's "bloated" welfare state could not be sustained outside the Union. This is nonsense. Including its per capita share of revenues from North Sea oil and gas production, Scotland's public expenditure probably does not exceed the OECD average and is almost certainly lower than that of the Scandinavian social democracies. The fact that the Treasury cynically refuses to class those revenues as part of Scotland's overall annual economic output inflates the level of public sector expenditure as a proportion of GDP relative to that of the private sector.

Finally, one of the most common -- and least well-considered -- claims made by supporters of the Union is that the 2008 global financial meltdown shattered the economic case for independence. How, they argue, would the economy of tiny, independent Scotland have been able to cope with the burden of debt needed to rescue its financial sector from collapse? It wouldn't, of course, but according to George Walker, professor of financial regulation and policy at the University of Glasgow, Scotland would only have had to take on a proportion of the total cost of the bail-out based on the subsidiaries and business operations of HBOS and RBS in Scotland. This would probably amount to no more than 5 per cent.

For the sake of argument, nationalists might also wish to note that Scotland's 2009 - 2010 deficit was, at 6.8 per cent of GDP, a full 3 per cent lower than England's, and that the likely defence expenditure of an independent Scotland would, at around \$1.8bn per year in line with Nordic average, be roughly £1bn less than what the UK currently spends on its behalf.

But why should Unionists let the economic facts ruin the image they have built up of Scotland as a nation of selfish, indulged welfare "mendicants"? The subsidy myth is too politically useful to be simply abandoned. Of course, if they ever do come to terms with the reality that Scotland could survive on its own - and even prosper - it will probably be too late anyway.



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About James Maxwell



James Maxwell is a Scottish political journalist. He is based between Scotland and London.

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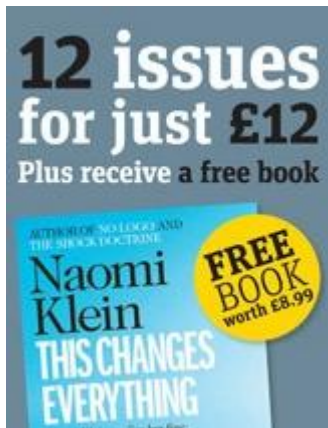
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