

# Scotland: Currency

---

- The Chancellor has said that there will not be a currency union between the continuing UK and an independent Scotland. The Chief Secretary and the Shadow Chancellor have supported this position.
- If people in Scotland vote for independence, the Treasury would advise the continuing UK Government against entering into a currency union with an independent Scotland.
- A eurozone-style currency union would cost jobs, cost money and would not provide economic security for either an independent Scotland or the continuing UK. People would not accept it, and Parliament would not agree it.
- The only way for Scotland to continue to share the UK Pound is to stay part of the UK.

---

## The current currency arrangements work for Scotland

- **The UK is one of the oldest and most successful monetary, fiscal and political unions in history.** It is a union that has brought economic benefits to all parts of the UK because monetary policy, taxation, spending, and financial stability policy are co-ordinated across the whole UK.
- **The UK is a full fiscal and banking union.** During the 2008 financial crisis, effective coordination between HM Treasury, the Financial Services Authority and the Bank of England allowed the UK Government to extend unprecedented support to the Royal Bank of Scotland over a single weekend.
- **If people in Scotland vote to leave the UK they are also voting to leave the UK pound** and UK institutions that support it, including the Bank of England. This is part of the choice that people in Scotland need to make.

**There would not be a currency union between the continuing UK and an independent Scotland because it would not be in the interests of either state**

- **Successful currency unions require political and fiscal integration,** which is an important source of stabilisation in times of economic difficulty. The US is a highly successful currency union that is underpinned by fiscal and political union. Without the same mechanisms of mutual insurance, the euro area has struggled to adjust to the effects of the financial crisis.
- **Scotland's economy would behave very differently as a separate state.** The economy of an independent Scottish state would be more exposed to risks from the energy and finance sectors, which are volatile or at risk of large destabilising shocks.
- **In a sterling currency union, an independent Scottish state's interest rates and exchange rate would be common to the currency union as a whole.** It is unlikely that an independent Scottish state would have the fiscal flexibility to offset large economic shocks, due to its fiscal position and the fiscal constraints imposed by a currency union and the financial markets.
- **In a currency union, the continuing UK would be exposed to much greater risk** from a separate Scotland, with the possibility of UK taxpayers being asked to support that state in the event of a fiscal or financial shock.
- **There is nothing in the Edinburgh Agreement or in international law that could require the continuing UK to agree to a currency union with an independent Scotland.** In the event of independence, the UK Government's duty, in currency as in everything else, would be to protect the interests of the people of England, Wales and Northern Ireland.
- **Keeping the pound unilaterally, so-called "sterlingisation", is totally different.** An independent Scotland would have no central bank, no control over interest rates and no lender of last resort to support its financial sector.