REVIEW

Ian McLean, Jim Gallagher and Guy Lodge. *Scotland's Choices: The Referendum and What Happens Afterwards*. Edinburgh: Edinburgh University Press, 2013. Pp. xiv + 223. ISBN 978-0-74866-986-8. £12.99.

The authors aim to inform the debate on the 2014 Scottish independence referendum. They have tried to be impartial as political scientists, but they do not explore issues surrounding the Union nearly as often as those surrounding independence. The heart of the book comprises three chapters dealing in turn with the consequences of a 'Yes' vote, a 'No' vote, and increased devolution. The remaining chapters deal with the mechanics of the referendum, the concepts of social union and fiscal federalism, the financial implications of North Sea oil, the history of Scottish debates on home rule and independence since 1689, and what will happen after the vote. The decision to put the historical background in the second last chapter means that many readers, particularly non-Scots, will be left wondering for much of the book why a referendum is taking place. Non-Scots may also be puzzled why Scotland already has its own National Health Service, legal and education systems, and much else besides.

The book was published early in 2013, before the Scottish government's White Paper, *Scotland's Future*, or various pronouncements by the Westminster government and Unionist parties on the White Paper's proposals for the continued use of sterling after independence, or for Scottish membership of the EU or NATO. The authors have placed updates on the publisher's website, but the most recent one was dated 18 September 2013 at the time of writing this review, two months before the White Paper appeared. Inevitably their treatment of Scotland's choices is incomplete. Nevertheless, they set out a clear framework within which later contributions to the debate can be placed.

They do not doubt Scotland has the resources to become an independent country. On the other hand, they believe there is a good deal of uncertainty about the economic and political consequences of independence. For example, the terms of

Scotland's entry into the EU as an independent country remain unclear. They place more emphasis than the White Paper does on the importance of oil revenues for an independent Scotland. Even excluding the output of the North Sea, gross domestic product per head in Scotland is 99 percent of the UK average. The volatility of oil revenues would undoubtedly be a problem for an independent Scotland, but could be managed by establishing a fund to smooth out fluctuations by investing in overseas assets in good years and selling them in bad. The book lacks a consideration of risks arising from UK macroeconomic policy. For example, the Governor of the Bank of England, Mark Carney, has said that a currency union with the rest of the UK would restrict an independent Scotland's power to borrow or vary interest rates. Yet the present position holds that the Bank of England and the Treasury tend to respond to the dominant voice of London and the South-East of England. In 1998, the then Governor of the Bank, Eddie George, caused controversy when he implied that unemployment in the north of England was an acceptable price to pay to preserve affluence in the south. While George claimed he had been misinterpreted, it remains true that in the 1980s and again in the late 1990s, Scottish export industries became less competitive by an avoidable rise in sterling's exchange rate. For context, oil-rich Norway tempered a rise in its currency by creating a sovereign wealth fund. On the whole, the book would have benefitted from a deeper economic analysis.

The authors excel at dealing with political systems and public finance. They make the point that the status quo is not an option, since even in the event of a 'No' vote there will be increased devolution as a result of the Scotland Act 2012. In particular, drawing on the experience of the funding of Canadian provincial expenditure, the Act provides for a proportion of income tax to be devolved. The authors devote considerable space to exploring the possibilities for further devolution, showing that the UK has a highly centralized tax system compared not only with federal states like Canada, but also with unitary states like Sweden or even France. The chapter covering this has become more relevant to the debate since the Labour and Liberal Democrat parties have recently outlined proposals to provide greater devolution than the 2012 Act.

Taken as a whole, the book is a very good *vade mecum* around the intricacies of present and future Scottish public finance, under increased devolution or after independence. Complex matters like a future division of the UK's debt and assets are explained clearly. The authors have made a helpful contribution to the debate and, in the event of a No vote, their work should inform discussion of further devolution.

George Peden
University of Stirling