Should Auld Acquaintance Be Forgot?

Wednesday 3 September, 2014

- **Tightening polls raise the risk of Scottish independence.** The majority against independence fell to six points in the latest YouGov poll, down from 22 points in early August. That follows Scottish National Party leader Alex Salmond's win in a 25 August televised debate with Alistair Darling, head of the anti-independence campaign.
- **We expect Scotland to vote no to independence on 18 September.**The anti-independence camp leads and polls do not always translate into results. The final poll before Quebec's 1995 independence referendum showed 53% in favour of independence, yet the final result was 50.6% against. Admittedly that was very close, but voters may find it harder to support change in the polling booth.
- **Still, the latest YouGov poll is important.** Because YouGov usually finds a larger majority against independence than other pollsters, the recent result suggests other polls could soon record a majority for independence. As we argued in our note *UK risks: politics is top of our list* (21 July), the risk that Scotland will vote for independence is real.
- **A yes vote could cause serious short-term pain.** Some financial firms may move south and uncertainty about currency arrangements and the status of Scotland in the EU would surge. Long term, Scotland would be forced into austerity. For the rest of the UK, losing relatively pro-EU Scotland would raise the risk of Brexit from the EU.
- **A deal would be reached.** We expect that London and Edinburgh would reach a deal on the outlines of a velvet divorce quickly in the event of a yes vote. A long, noisy negotiation would drag out uncertainty and the short-term pain, which would suit no one.
- **A no vote matters too.** A close vote would keep alive the chances of a second referendum in 5-10 years, so uncertainty would remain. A no vote would mean more devolution, with additional powers for Scotland probably kick-starting changes to UK regional governance.
- **In the long run, policies matter.** In principle, Scotland can function well alone or as part of the UK. It may use independence or devolution to pursue more growth-friendly policies. But if it uses any of its extra powers to pursue policies that scare businesses away, it will be worse off.

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