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COMMON CENTS

I am sure it started out as something of a lark: why not be independent? We can surely go it alone, can't we? As the Saturday Night Live character Stuart Smalley used to say: "I'm good enough, I'm smart enough, and doggone it, people like me." However, less than a week from now, the Scots will go to the polls to decide whether to stay in the United Kingdom or become an fully sovereign Scotland. As I type today, the outcome of the referendum is far from certain, and any daily change in public opinion polls generates a lot of headlines and even more debate.

Lark might not be the right word, as there has been a relatively robust nationalist movement north of Hadrian's Wall for some time. However, I would have classified it as the separatist equivalent of The Ramones: somewhere between fringe and mainstream. *What a minute! The Ramones? Yeah, I once read The Ramones were too big for Bar Mitzvahs but not big enough to be on American Bandstand. I thought it fitting.*

As an American, I don't really have much at stake here. All things being equal, an independent Scotland wouldn't impact my life terribly much, if at all. I don't have any direct business dealings over there, and I don't consume many Scottish exports. Better put, I have learned my lesson, and no longer consume Scotland's most famous export to the US. Shortbread really packs on the pounds you know.

However, as romantic and attractive as independence from the UK might sound to the average Scot, there are a lot of issues a go it alone Scotland would immediately face. Currency? Monetary authority? Defense? International trade agreements and treaties? Assumption of UK debt? Foreign policy? Existing UK pensioners living in the Scotland? Current UK civil servants, public institutions, and defense installations? The true state of offshore energy reserves and projected depletion rates? Do you divide up the energy reserves based on the current median line, geographic boundaries, per capita considerations, or do you get with the Norwegians to rewrite North Sea claims? What would an independent Scotland mean for separatist movements in Spain, Belgium, and even Italy? Would the EU even entertain a Scottish membership bid because of this?

Shoot, if Scotland goes it alone, why wouldn't England jettison the relatively underperforming countries of Wales and Northern Ireland? The Conservative (Tory) party would dominate English politics, and the Welsh, Scots, and Irish would be left to their own devices to develop more left-leaning, European-focused economies and governments.

The list of considerations is almost limitless, and I am certain someone has given much time and thought to all of them. At least I would hope so. After all, this isn't the 1800s, and this isn't some internationally insignificant country. This is a global economy, and the UK is a major player in it, as well as being one of the world's primary policemen.

For our part, the Administration has publicly taken a neutral stance on the Scottish referendum. However, I can't fathom it not working diligently behind the scenes to prevent any breakup of the United Kingdom; I just can't...but stranger things have happened.

Now, what would we, in the US, do if Texas decided to branch off? That is about what we are talking about here: roughly 8.5% of the population, and a like amount of the economy, plus or minus a quarter percentage point or two. What would we do? Would we allow it?

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**Sweep through the heather like deer in the glen
Carry me back to the days I knew then.
Nights when we sang like a heavenly choir
Of the life and the time of the Mull of Kintyre
Paul McCartney**

Something to Think About Cont.

Well, history would suggest not, as the Texans have already tried to break away once and were, um, deprived of the opportunity. But that was 150 years ago, and a lot has changed since then. Still, Texas has an energy and agricultural driven economy, with a good slug of high-tech and manufacturing, just like Scotland. As any Texan will tell you, it has its own, separate and distinct culture and cuisine, just like the Scots. When you see a cowboy hat and boots, do you think of Texas or Connecticut? When you see a kilt, do you think of Scotland or England? I think you get the picture.

Frankly, if Northern Ireland were having a referendum next week, the world probably wouldn't notice, just as many Americans wouldn't care if Mississippi or Alabama decided to break off. But Scotland? That is a different story altogether, just as Texas would be in the United States.

After all, Scotland and England have been legally joined at the hip since 1707. That is over 300 years of shared institutions, policies, economics, and culture. Further, that is 69 years longer than the United States has been around. How do you simply divorce after that long without there being headaches, hiccups, problems, and hard feelings? You don't, or I don't see how you would.

I can't imagine Westminster would just sit back and accept Holyrood's territorial claims over basically all of the UK's current oil production. I also can't imagine the RAF maintaining a base in Scotland, or the Royal Navy keeping ships, submarines, and nuclear missiles at its facilities in Coulport and Faslane. Will the British Army simply turn over its bases and material? Not bloody likely.

That is without some significant compensation OR the assumption of large amounts of existing UK debt. Without those things, the remaining UK will simply take its toys and go home; taking with it a lot of economy activity while forcing Edinburgh to fork over big wampum to build out some sort of military of its own. Has the Scottish National Party (SNP) considered this? Who is to protect a defenseless, independent Scotland IF a well-armed England decides it wants the Scots back? Certainly not the US, and I doubt the French, Germans, and Italians would want to get involved. Do you think any of that lot would be willing to march on Berlin if the same situation were to happen in Lower Saxony? *Where in the [heck] is Lower Saxony?* That leaves basically the Russians and the Chinese as the only potential countries with the military might to stop the English, and they would be too busy laughing at the situation to be of much help.

Oh, the English and the Scots would never take arms against one another would they? Well, they have in the past, and wars have been fought over far less serious things than debt, oil, currencies, submarines, and nuclear weapons. However, it wouldn't be a very long or particularly brutal war; the English would take what they wanted and leave. The Scots would complain about it, and the rest of the world would turn a blind eye. After the inevitable is done, the two countries would get down to business on decidedly unequal terms.

Whew...but what of the economy?

Consider this from the British newspaper The Guardian:

A separate Guardian investigation has found that key industries are dominated by foreign and London-based firms:

- Nearly all Scotland's North Sea oil and gas production is licensed to foreign firms. Only one privately owned Scottish firm, First Oil, can be identified as holding licences [sic]. It produces just 6,000 of the total 1m barrels of crude produced every day.
- In the financial and banking sector, Scottish-owned institutions earn only £17bn in UK revenues, compared with £34bn earned by UK and overseas firms based in Scotland.
- Another 90 banks and finance companies operate in Scotland with no Scottish registered office, including global firms such as Barclays, HSBC and Morgan Stanley, whose earnings flow directly to London or overseas.
- More than 70% of Scotland's total economic output – excluding banking and finance and the public sector – is controlled by non-Scottish-owned firms, according to Scottish government data. The figure for the UK is 36%, according to Office for National Statistics figures.

Something to Think About Cont.

- Of firms in Scotland employing 250 or more people, 83% are owned by non-Scottish companies. By contrast, at UK level, the ONS shows 28% are overseas-owned, and control 47.5% of the income.
- Well over 80% of Scotland's whisky industry – the UK's largest food and drink export – is owned outside Scotland. Nearly 40% of total output is in the hands of one London-based company, Diageo.
- More than 80% of Scottish farmed salmon, Scotland's most valuable food export, is foreign-owned. About two-thirds of it is controlled from Norway.

If these numbers are accurate, and I have no reason to believe they aren't, it would seem the Scottish economy is largely a 'branch office' economy. This matters, because much of the independence movement is based on the supposed Scottish economic might. So, what happens when all the corporate profits are sent back to the home office, in another country? What happens when the foreign-owned firms, read English, need to downsize or decide to develop a new international strategy? What happens when a smaller Scotland, economically and militarily, negotiates fishing, drilling, and licensing rights to foreign companies? Will it get the same terms as it did when it was part of the UK?

The upshot is this: due to the factors facing the economy if Scotland opts for independence, it will have to develop the same types of policies Ireland has had to adopt in order to be competitive in the global economy. Unfortunately, Scotland is a pretty liberal place, and such business friendly tactics would probably be anathema to the voting population. Couple this with a less than impressive, even awful, population growth rate for native Scots, and I am afraid the Scotland the independence movement envisions will not be the Scotland of reality.

To support this, according to the British census, there were 4,410,400 native born Scots living in Scotland in 2001. In 2011, there were 4,411,884....basically no growth over an entire decade. Further, the median age in Scotland, according to its own census, is 40 for males and 42 for females. Brother....a stagnant and ageing, if not already old, native population. THAT doesn't engender vibrant economic growth.

As such, Scotland will HAVE to develop immigrant friendly policies to maintain population growth and ensure an adequate number of payers into public pension systems, as well as just having enough consumers. So, what kind of workers will it be able to attract? Skilled or unskilled? Will they assimilate to Scottish culture? Will they stay OFF the social safety nets? Is Scotland prepared to police its borders, particularly its massive coastline, to keep illegal or undocumented workers out? What will this mean to the unskilled and semiskilled native workforce? Will they get squeezed? Is that why they voted for independence? To compete economically with folks from all over the world?

The mind boggles at all the considerations, potential pitfalls, and worst case scenarios.

In the end, if Scotland decides to be independent, so be it. I can certainly understand why a proud culture would want to stand apart. However, after over 300 years of being intertwined with England, independence will not be as simple as the SNP thinks and says it will be. The economy WILL take a hit in some form or fashion without major corporate-friendly policy considerations, and per capita income will fall as English companies repatriate their profits. After all, as I pointed out, the Scottish economy is largely a branch office one, with one advantage: North Sea oil....depleting or not.

If the British refuse to give that up without a fight, economically speaking, the Scots had better be careful for what they wish.

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