

## Candidate 6 evidence

11a	One argument for Scottish independence is that Scotland could have total control over its budgets and base rates therefore be totally in control of its own economy with no influence from UK / Bank of England.	
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	<p>Another argument for independence is that Scotland would gain total control over its own assets such as oil and gas and run its own exports market without interference. Potentially increasing efficiency of the market.</p>	
	<p>Another argument for independence is that Scotland could create a sovereign wealth fund which would benefit future generations and reduce detriment of national debt.</p>	
	<p>Another argument for independence is that Scotland could potentially rejoin the EU and being free from trade barriers/tariffs trade would increase and importing and exporting would become much quicker and easier - potentially increasing growth.</p>	
	<p>Another argument for independence is that increased migration from free movement (if we joined EU) could tackle the crisis of labour shortages and ageing population, therefore boosting employment.</p>	

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	and efficiency which is currently limited by lack of EU membership.
	One argument against independence is that Scotland will stop receiving the block grant from UK which is estimated at £40 Bn and may have to increase tax to cover difference - disincentivizing wealthy individuals setting firms and even individuals working.
	Another disadvantage of independence is that there is an issue with the currency used. If Scotland is unable to use the Sterling <del>£</del> because of UK demands or EC regulations we will need to create a new currency which is backed up by nothing and has no credibility. This could be a big issue in borrowing money.
	Another disadvantage of independence is that it is estimated to decrease income per capita by 6-9%. This will reduce standards of living for individuals.

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	<p>Another disadvantage of independence is that Scotland will have to pay its share of UK National debt payments even plus interest which will be extremely costly. There is also the opportunity cost of interest payments.</p>
	<p>The LSE has found evidence to suggest the economic impact of independence will be 3x worse than that of Brexit. Scotland may go into deep and long recession.</p>
	<p>Another issue with independence is the issue of a hard border with England - it could become extremely difficult and expensive to import and export to Europe and even from Scotland to other parts of the UK.</p>
11b	<p>High energy prices have been a huge part of the reason for soaring inflation over past year. Energy prices are up 250% in 2021 and</p>

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	This has led to very high inflation.	
	<p>High inflation, caused by energy <sup>PRICE</sup> increases has led to the cost of living crisis. Government expenditure has increased on providing support with energy and gas bills and this will worsen the budget deficit as expenditure continues to exceed revenues from tax.</p>	
	<p>The turmoil in the energy market led to some smaller energy companies <del>being</del> becoming unable to operate i.e. Bulp which has led to increased unemployment in the UK. This has further increased the budget deficit as JSA / benefits expenditure has increased.</p>	
	<p>The huge increase in energy prices has meant peoples real wages have fallen, especially in the public sector where govt cannot afford to increase pay by up to 10%. Aggregate monetary demand has also fallen as a result</p>	

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At high energy and gas prices but this has not helped decrease inflation since it is supply side. Therefore base rate manipulation / other demand factors are not improving the inflation rate.

This has led to a reduction in people's standard of living and an increase in those living in poverty or absolute poverty.

Energy firms have made ~~high~~ record high profits (such as BP) from higher prices however have been subject to increasing regulation and intervention from Ofgem / CMA. Therefore while firms ~~are~~ have ~~benefited~~ profited individuals and the ~~the~~ economy have suffered greatly.

National Debt has increased as result of increased expenditure on support and intervention and this has

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	<p>an opportunity cost in terms of interest repayments as they could be used more efficiently to maximise utility.</p> <p>High energy prices have also been a leading cause in exacerbating income and wealth inequality. Those on low incomes struggle to pay bills disproportionately compared to those on high incomes and many are forced to choose between essential goods like food or energy. This may have long lasting impacts on income + wealth inequality.</p>	
	<p><del>IIc</del></p> <p>IIc The UK government could impose a maximum price on energy supplies per kWh energy.</p>	

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	<p>This means firms cannot charge profit maximising prices and the consumers are protected from profiteering.</p>	
	<p>However the energy price cap has been criticised for not exactly protecting the total bill paid and for disproportionately affecting those on pre-payment meters.</p>	
	<p>The govt could nationalise the energy market so that it could be run as part of the public sector. This is beneficial because it removes the profit motive which firms have and focuses on reducing price and inequality in the market.</p>	
	<p>However some people claim public sector organisations are not run as <del>efficiently</del> efficiently as private sector firms and lack motivation to achieve dynamic efficiency. This could lead to an uncompetitive market for energy and create unnecessary waste of resources.</p>	

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	<p>The government could introduce rate-of-return regulation for firms in the energy market. This is where govt covers a firm's costs <del>at</del> if they keep prices at agreed (below profit maximizing) <del>level</del> level to protect consumers and the economy.</p>	
	<p>The issue with this is that firms have little incentive to control their costs and can become inefficient. The government also suffers imperfect information as to true cost of firm.</p>	
	<p>The government could also invest more heavily in sustainable energy. This could eliminate future risks and reduce <del>the</del> negative externalities of oligopolistic market (ie. income inequality).</p>	
	<p>This could be initially expensive but would be worthwhile investment which would save money in the future.</p>	