

Operating and Pegging Currency

There is no magic about establishing a new currency, just a few knowledgeable people setting it up and suitable regulation and legislation to protect the system from corruption.

There are two main types of currency in general use.

(1) Domestic Currency is the legal currency issued by the monetary authority of a country to conduct business solely within that country's borders. The monetary authority is a part of the National Central Bank. Domestic currencies are secure from currency speculators.

(2) International currencies like the Euro, US Dollar and the Pound Sterling are both domestic (within their country of origin) and international trading currencies. International currencies are open to market speculation.

Foreign (International) currencies not domestic currency is used to pay for imports. Scotland exports more than she imports thus an Independent Scotland will probably enjoy a better balance of payments than rUK.

Countries buying goods from Scotland will pay in international currencies for Scottish exports such as whisky, food and drink, hydrocarbons, electricity and water etc. providing Scotland with foreign reserves.

The primary function of the Scottish monetary authority will be to keep the value of the domestic currency stable. The Scottish Central Bank will set the exchange rate at a level reflecting the Balance of Payments.

In the early days the Scottish Central Bank could fix the exchange rate to peg the value of the new Scottish currency to an international currency such as the pound Sterling – just as the Danes peg their Krone to the Euro. That is perfectly normal practice and provides full flexibility of domestic monetary policy.

The Scottish Central Bank will be the depository for all foreign currencies and local banks will require a foreign exchange account with the Scottish Central Bank. Thus Scots importers and exporters will conduct their business in foreign currencies whilst their domestic bank accounts are automatically debited and credited in Scottish currency at minimal cost.

Similarly, Scots travelling abroad will obtain local currency from cash machines just as foreign tourists here will draw out Scottish currency. Everyone's personal bank account will be automatically debited in his or her domestic currency.

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