
Devolution All Round: A Manifesto for 2005

A Policy Brief from *The Bow Group*, by Denis Whelan

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Although the Conservative party may be quick to criticise the new White Paper on regional assemblies, there are plenty of reasons why it should embrace devolution to the English regions as the centrepiece of its own campaign at the next general election. Such a change is worthwhile on constitutional grounds alone, and – much more importantly – is politically workable and consistent with core Conservative views on the reform of public services, liberty and Europe.

Introduction

In this policy brief we argue that:

- the Conservative party's next general election manifesto must meet certain criteria;
- devolution within England fits these criteria;
- furthermore, devolution within England offers real opportunities to core Conservative ambitions, despite widespread antipathy to the idea in the party; and
- notwithstanding some common counter-arguments, regional devolution is the best way to advance a coherent Conservative agenda.

Criteria for the Next Manifesto

Since the Conservatives' dismal performance at the last general election, many people (both inside the party and out) have been devoting themselves to thinking hard about how the party and its policies need to change. This brief takes another look only at one aspect – the Tories' broad policy appeal at the next election.

No-one doubts that, in seeking to maximise its policy appeal in 2005, the party will, to begin with, have to identify what criteria its manifesto must meet to command popular support. Although there is already a rough consensus on the criteria needed for success, different commentators have different emphases. Our own version is as follows:

1) The next Tory manifesto must have an overall theme. One of the Conservatives' difficulties at the last election was that there was no simple and distinctive theme to the party's platform. A distinctive theme will

breathe life into an otherwise diverse collection of proposals¹.

2) The next Tory manifesto must allow the party to address the core issues of public services. The manifesto must provide some answers to the questions "how will you improve hospitals?" and "what will you do for my children's education?"².

3) Significant parts of the next Conservative manifesto must be distinguishable from 1980s/1990s "Thatcherism". Simply put, there must be *something new* about the next Conservative manifesto.

4) The next manifesto must offer a solution to the asymmetric and partisan devolution which this Labour Government has introduced. The Conservatives in office will face hostile authorities in Wales and Scotland (and London), and a strategy for managing this relationship is necessary.

These then are arguably the four key criteria for any successful manifesto. Yet the Conservative party platform failed on all four of these hurdles at the last election.

Various potential manifesto themes for the next election have already been discussed elsewhere. Measured against the above criteria, however, many of the most obvious possible manifesto themes can be found wanting. Reforming public services through the increased use of market (or market-mimicking) measures imposed by Whitehall smacks too much of past Conservative policies (the "internal market" in the NHS, and so forth), and is unpopular. Campaigning on opposition to further European integration will not allow us to engage with the public service concerns of many voters. Libertarianism has some advantages but as an overall theme offers too much of a challenge to many party members, and fails to address the question of public services. Democratic

¹ To quote Margaret Thatcher: "The ideal manifesto should project a vision and have a limited number of radical and striking measures rather than irritating little clutches of minor ones".

² On the importance of healthcare, education and law and order, see Damian Hinds, "Policy Polling Power", Bow Group Policy Brief, September 2001 (available on www.bowgroup.org.uk). By addressing these issues, Conservatives will concentrate on the things that make most difference to people's lives.

reform to reverse the downgrading of the House of Commons offers little traction with the needs of the man

on the Clapham omnibus. For a graphic illustration of how each of these policies score, see the following table.

Manifesto content:	An overall theme?	Addresses public services?	New?	Addresses devolution?
2001 Manifesto	NO	NO	NO	NO
Market Reform of Public Services	YES	YES	NO	?
Europe!	YES	NO	NO	?
Liberty!	YES	NO	YES	?
Restoring Parliament!	YES	NO	YES	?
Devolution all round!	YES	YES	YES	YES

Certainly, there are considerable truths underlying these Conservative political rallying cries. Market mechanisms without doubt offer many possibilities for improving services; European integration needs more oversight and control; the state does involve itself too much in some areas of our lives; and Tony Blair has as Prime Minister carried a decline in democratic accountability to new depths. All this is true. But no election will be won with any of these approaches as a manifesto theme.

What is needed is a way of achieving our policy ends through *indirect* means. By choosing a theme of decentralising power to the English regions, the Conservative party can hope to revive neglected parts of its political heritage such as scepticism of central authority, increase our popularity with the voters, improve democracy and the current constitutional arrangements in Britain – and advance Tory views on reforming public services, liberty and Europe. Indeed, we will advance those ambitions more effectively with the strategy of devolution than by charging headlong towards them.

“Devolution All Round!”: A Manifesto Theme

The manifesto theme this brief proposes is “Devolution all round!”. Simply put, elected assemblies in the different regions of England would be responsible for the delivery of many public services, and have significant discretion in policy areas such as policing, transport (within the region) and so on. Of course, much of the impact of this policy would depend on the exact range of functions delegated. There is insufficient space in this brief – which is in any case advancing a primarily political argument – to deal with the mass of detail on organisation, finance, voting methods and so forth which would need to be addressed to bring this policy into effect. For the purposes of this brief, therefore, let us assume that the delegated functions would be approximately equivalent to those delegated to the Welsh assembly, which is to say considerable control over public expenditure,

employment in public services and implementing secondary legislation – but added to these powers would, crucially, be an element of tax-raising authority³.

Let us now consider what advantages an election manifesto of “Devolution all round!” would have for the Conservative party.

1) “Devolution all round!” is a clear and powerful organising theme. Many questions from constituents and the media about Conservative policy could be answered not only with our own policy proposals and criticisms of the Government, but also with the broader answer that we intend different parts of the country to be able to respond differently to their particular circumstances and to the views of their voters. Further, the energy and experimentation released by this policy would lead to improvements around the country.

2) “Devolution all round!” would allow the Tories to address ordinary voters’ concerns with public services. This is one of its most attractive aspects. In many cases, people feel (and many media commentators opine) that changes to education and health policy are done in an unaccountable manner far from local views and needs. This is not mere sentiment. A single example speaks volumes: national pay policies for teachers (not to mention nurses and police) are responsible in part for insufficient salaries in the more prosperous areas of the country. Devolution would help address this.

3) “Devolution all round!” would clearly distinguish the Conservatives of 2005 from the Conservatives of 1987. The Thatcher era (and indeed the general trend of post-war policy-making) was marked by a concentration of political power in Whitehall. Devolution within England would thus mark a considerable novelty, with attraction

³ There is insufficient space here to address the important question of allocation of central government grants to the elected assemblies. As a first approximation, each region would receive grants to the same sum as they do now: no additional or lesser redistribution across regions is envisaged. In other words, while related, the issue of the allocation of financial resources around the UK is *separate* from which political authorities control those funds (regional, national or local). But obviously this question would need to be considered at length in its own right.

both to opinion-shapers in the media and the general public.

4) “Devolution all round!” would mark an acceptance of devolution to Scotland and Wales. This policy theme would help revive the Conservative party in both parts of the United Kingdom. It would be a move towards achieving a more symmetric, less partisan constitutional settlement. At the moment, devolution has occurred only in areas of the country where Labour dominate (excepting Northern Ireland). In the long run this is unworkable. But devolution all round, even if remaining somewhat asymmetric, is much more workable. Indeed by devolving power to the English regions, we will normalise devolution in Scotland, Wales and Northern Ireland.

From a broader historical perspective, we must accept that the Conservatives have been dealt a severe defeat by the Blairite constitutional reforms. Like the Conservative party after 1832, we are at a loss as to how to manage the new and irreversible situation, which offers unfamiliar and treacherous ground for us. The solution of the Conservatives in the 1860s was to accept the Great Reform Act, and discomfort their opponents by boldly outbidding them. Famously, *The Times* said at the time that Benjamin Disraeli saw the Conservative voter in the newly enfranchised working class in the same way that Michelangelo had seen an angel imprisoned in a block of marble. We now need to see the Conservative voter in the newly devolved United Kingdom. By accepting their lip-service arguments in favour of regional powers but advancing them boldly with our own conception, we will wrong-foot Labour, whose appetite for further devolution is in fact very limited (as, in fact, was the Liberal appetite for suffrage extension in the 1860s). Indeed if the Labour party wishes to push regional government in England, let us outbid them. It remains only to add that it may be possible in part to extend the powers of Scotland and Wales in this devolution process, which would further signal our acceptance of the constitutional revolution (and help our popularity in Scotland, Wales and Northern Ireland).

Devolution All Round and Core Conservative Interests

“Devolution all round!” therefore offers considerable advantages to the Conservative party as an election manifesto theme. But, less obviously, it also offers opportunities for a wide range of Conservative policy interests. Here we will address just three: reform of public services; libertarianism; and our views on Europe.

Reform of public services

The first step towards sensible reform of public services is to end the national monopoly exercised by Whitehall

control⁴. By transforming the NHS into a dozen or so distinct regional health delivery systems, as opposed to the existing regional bureaucracies which remain under central control, all will be exposed to more competitive pressure to reform than the current national monopoly⁵. By ending national pay scales for teachers and nurses, local labour markets will be better reflected in hiring and pay policies. The incentives for more efficient delivery of public services, reflecting regulation by price and not by state fiat, will operate even in regional authorities which are controlled by the Labour party. This may indeed be the most powerful argument for regional authorities in England. Further, in selected policy areas, and with careful design, it may be possible to combine regionalism with a residual national, market-conforming policy. One possible example: university funding arrangements might be delegated to regional authorities, while at the same time the national government would continue to support with generous loan arrangements the possibility of attending public-private “national universities”.

Liberty

Libertarianism has never been the dominant strain in modern Conservatism, but our scepticism of state authority does lead us to question many aspects of government control. By devolving power to regional authorities on some carefully chosen issues where Conservatives are tempted to adopt a more libertarian policy, variety and experimentation may result not only in policies better suited to local opinion, but also in a stimulus towards general deregulation and liberalism. Policies on Section 28, drugs and pub opening hours are only the most obvious candidates. Of course, opinion on these and other libertarian issues is divided within the party, and careful debate is needed on how to address these issues. The point is only that, sensibly managed, there is room for libertarianism aspects within a policy of devolution to the English regions.

Europe

It is one of the distinctive features of European politics that national governments have been much more willing to support European integration than sub-national authorities. The widespread Euroscepticism among the German *lander* (compared with Euro-enthusiasm of German governments of all partisan complexions) is only

⁴ Others have responded to the current constitutional situation by urging the Conservatives to support an English Parliament (e.g., see *An English Parliament: A Proposal for Fairness and Transparency in a New Constitutional Settlement for Britain* by Jocelyn Ormond, The Bow Group, 1999. This line of argument focuses on “fairness” but ignores the huge advantages of breaking up the existing national public service monopolies and permitting tax competition which will only happen through a dozen or so regional authorities. What we are seeking is not primarily “fairness”, but the more important goals of advancing Conservative values on public service reform, Europe and liberty (and getting increased fairness and transparency into the bargain).

⁵ This does not preclude any of a variety of significant reforms to the NHS. See, for example, Lee Craven, *A Radical Alternative to Wanless: Lessons from the Lion City*, The Bow Group, March 2002, available on www.bowgroup.org. But even the existing command-and-control health service would be improved by breaking it up into 12 or so democratically diverse regional delivery systems.

the most obvious case in point⁶. English regions would be permanent lobbying points for less European integration. Vitaly, regions within the United Kingdom could be given a formal role in deciding on advances in European integration. Any new treaty (the likes of Maastricht, Amsterdam or Nice) could require the approval of a supermajority of regions (including the English regions, Scotland, Wales and Northern Ireland). This could act as a break on any undesirable moves towards European government, even when the Conservatives are out of office nationally⁷. In addition, a Conservative leader could signal his party's indisputable acceptance of devolution by indicating to the Scottish Parliament that they would be afforded a formal role in approving European treaties; at the same time, it is a concession which only favours Conservative policies – and one which the Labour party cannot match. More radically, one could give the same regions a deciding role in ratifying *any* treaties signed by the United Kingdom. One of the things which the Conservatives need to do is provide a distinctive policy on “globalisation”. Broadening involvement in decision-making on international agreements would be a striking way of doing this, and would democratise decision-making while broadly protecting Conservative interests.

These three policy-areas only illustrate a wider point. Regional reform could also be used to address a very wide range of Conservative policy concerns, from labour market regulation, through policing and fox-hunting to agriculture and planning regulations, provided that detailed work is done on the likely consequences of reform.

Possible Objections

In this brief paper it is not possible to give full consideration to the many possible objections to a political manifesto based on “Devolution all round”. But it is worth considering at least two frequent objections: that devolution all round would create new layers of bureaucracy and taxation, which Conservatives always wish to avoid; and that a manifesto theme of “Devolution all round” is a second best programme to devolving not to regions but to local authorities.

New layers of bureaucracy and taxation?

It is certainly true that creating powerful regional assemblies and authorities might lead to increased taxation, bureaucracy and regulation, if done poorly. Much will depend on the design of devolution, which will need to restrict the potential for these problems. In particular, it might be necessary to impose limits on the

number of employees of any new assembly (not to mention avoiding crony appointments), and to impose requirements for compulsory competitive tendering of services (or “best value”, as the current Government would have it); and delegation of powers should not include the regulation of product markets where the importance of the national market for economic efficiency is paramount.

But to lay too much stress on these issues is to miss the wider point: that regional assemblies (of all partisan complexions) will necessarily compete with each other to produce the most efficient environment for business production and public service provision, and the force of this competition will be more effective on 10 or 15 regions than it is on a single national policy. Inefficient and unnecessary regional taxes are much more likely to be reduced by fears of businesses and individuals moving to other, competing regions, than they are to be reduced even by a Conservative government at the national level (and this pressure for reform is more important than any national economies of scale)⁸. By delegating both spending and taxation powers, the number of spending and taxation authorities may rise, but the amount of taxation and spending is likely to fall (while at the same time the exercise of such powers is likely to be more responsive to local needs, and thus more efficient). Indeed it is this sort of reasoning which probably accounts for the Labour party's luke-warm attitude to further devolution: it is precisely to avoid the effects of such competition that left-wing parties are usually opposed to devolution and support unified national government. (Some on the left want majority decisions on taxation at the EU level for the same reasons).

A “second best” programme?

The more difficult argument against these proposals is that they are a half-hearted attempt towards an even more attractive policy: devolving power to local governments. The Conservative heritage of scepticism of state centralisation is certainly much more supportive of local communities and local government (the counties and boroughs) than regional government in England. Further, it is sometimes suggested that regionalism may be the enemy of local governments: regional authorities might take more power from local governments than from Whitehall.

This is certainly a danger. Regional authorities, empowered in the wrong way, could indeed have a negative effect on local government. Further, a manifesto theme of power to local governments might indeed strike a vibrant cord with many in the party and the country.

⁶ And is in fact much more significant politically than froth about “Europe of the Regions” – a concept with no practical effect.

⁷ It is only by moving decision-making outside Whitehall through John Major's pledge to have a referendum on joining the Euro that the Conservatives have – so far – remained in control of this policy. We need to broaden involvement in decision-making on other European issues, particularly treaties.

⁸ This is one of the best supported findings in all modern political research. Local taxation for public goods combined with mobility of factors tends to reduce taxation (and increase efficiency). For a classic article, see David Cameron, “The Expansion of the Public Economy: A Comparative Analysis”, *American Political Science Review*, 72:4, 1978 December, page 1243ff. For a more recent contribution (with extensive references to the wider literature) see Yingyi Qian, Barry R. Weingast, “Federalism as a Commitment to Preserving Market Incentives”, *The Journal of Economic Perspectives*, Vol. 11, No. 4. (Autumn, 1997), pp. 83-92.

Does localism therefore trump regionalism? The answer is "not necessarily".

First, we already have established regional authorities in Scotland, Wales and Northern Ireland. This part of devolution cannot be reversed. If we are to seek a more symmetric constitutional settlement, which is overwhelmingly in the Conservatives' long-term interests, these authorities must be balanced by regional authorities in England. The political weight of the Scottish Parliament cannot be balanced by Cambridgeshire County Council, let alone Enfield Borough Council.

Second, there are issues which cannot be plausibly delegated right down to the local level. Much of what is currently done in Whitehall on NHS policy could be done at the regional level – indeed is already administered that way – but not by local boroughs, many of which will rely on services delivered outside their jurisdiction, on account of their small size. Similarly, while it is implausible that local governments could set different university funding policies, it certainly seems feasible that regional authorities could. Transport planning on many issues would better take place at the regional than local level. Provinces in Canada, regions in Italy, states in the USA and Länder in Germany, for instance, all have considerable sub-national responsibilities, so real policy diversity is possible at the sub-national level. Treaty ratification (see above) is much more plausibly given to regions than to smaller localities.

Third, giving power to local authorities is, by itself, a chimera. The history of Britain since the war is that political authority has flowed ever increasingly to the centre, at the cost of local government, and that local government by itself is not a powerful enough political force to prevent this. But regional authorities, which would have important political visibility and media scrutiny, and benefit from the implied political connection with devolution in Scotland and Wales, would have much better resources to resist subsequent attempts to reduce their role.

Any advocate of devolving power to local authorities in England must address these three difficulties: devolution to localities will not address the existing partisan constitutional asymmetry; local governments do not possess policy capacity on many crucial policy issues; and the weakness of credible delegation to local governments in the past.

The more important answer is that regionalism and localism need not be in conflict. A Conservative policy must be to devolve power from Whitehall, not take it from local authorities. A Bill creating English regional authorities could transfer some powers directly to local elected governments, protect local governments from regional encroachment and even provide the ability for regional assemblies to delegate powers yet further. We can have more localism and more regionalism at the same time. Indeed regional devolution may prove an indispensable bulwark for local government powers. Modern Westminster certainly has not performed this role.

Conclusion

This paper only sketches the possibility of "Devolution all round!" as a manifesto theme for the Conservative party. It does not consider a host of difficult details, such as the current polling data on these issues⁹, the difficulty of potentially "loony left" regions, the allocation of funds between regions, the many different possible electoral and fiscal arrangements, not to mention the need to organise the Conservative party to win power at a regional level. What it does do is set out a coherent approach which is powerful politically, workable in practice and could advance Conservative approaches to government both in regions which we ourselves control, and regions controlled by other parties. As a manifesto for 2005, combined with lots of hard work between now and then, it is potentially a winner. As the Labour party produces its next proposals on regional assemblies in the UK, we should not be hostile. Rather we should be prepared to outbid them.

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⁹ See April 2002 ICM polling, available on <http://www.icmresearch.co.uk/reviews/2002/policy-exchange-local-choices-poll-april-2002.htm>, which shows very considerable support public support for democratic decentralisation of public services.