On Regulation and Centralisation, the UK’s Record Is No Better Than the EU’s

Philip Booth

Those who voted for Brexit in the 2016 referendum on Britain’s membership of the EU rightly complained about the centralised political structures in Brussels. The slogan was “take back control.” Even for Remain supporters, like me, that was an understandable slogan given the avalanche of regulation that comes from Brussels that affects our daily lives.

But, what will we do when we take back control? The evidence seems to suggest that the UK will become less liberal and will embrace regulation in the economic sphere to an event greater extent. Announcements in areas such as migration, labour market regulation and food standards regulation certainly seem to indicate that.

More generally, accusations of excessive centralisation aimed at the EU by British politicians seem a bit like the pot calling the kettle black.

Britain, despite its size, is one of the most centralised countries in the world. If centralisation is bad for Brussels, it is surely bad for Britain too. Thus, on two key issues for economic liberals – regulation and centralisation, the UK record has no more to commend it than the EU record.

It has not always been this way. Going back to the nineteenth century, local government in Britain was as decentralised as Germany is today. It is only in the post-First-World-War era that it has come to be accepted that Whitehall – and not town hall – knows best.
To give an indication of how centralised the British state is, just 5 per cent of all tax revenue is raised by local government in this country. We often think of France as being a centralised state. There, the proportion of tax revenue raised at local government level is nearly three times as high as in Britain. And those Scots who emigrated to Canada a couple of centuries ago enjoy living in a federation in which half of all tax revenue is raised not by Ottawa but by provincial and local governments.

**Constitutional Chaos**

Not only is Britain a highly centralised state, it is constitutionally incoherent. In many cases, the government has devolved spending powers to Wales, Scotland and areas such as Manchester. However, it has not properly devolved tax-raising powers. This means that the devolved administrations are taking money from Westminster and then spending it. Instead of being accountable to local people, local government, the Welsh Assembly and the Scottish government are accountable to bureaucrats in Westminster.

As if this is not bad enough, there is then the “English question” – the modern version of the “West Lothian question.” Scottish members of the Westminster parliament can vote on issues which have no relevance whatsoever to their constituencies. Indeed, most issues that are voted on in Westminster have no relevance to Scotland at all. To a lesser extent the same applies to Wales and Northern Ireland. This is rather like the Rotten and Pocket Borough system of before 1832 where constituencies without electors could return MPs to Westminster who were accountable to no-one.

**A Federal Solution**

So, what should we do? Every solution that is proposed to our constitutional problems either creates more problems than it solves or only partially addresses the litany of problems outlined above.
English votes for English laws, for example, will lead to unstable and opaque government and, one day, to a constitutional crisis. One day, we will have a government of one party that cannot pass any legislation related to health, education, justice and, possibly, welfare in England.

We should respond to these problems by federalising the United Kingdom. We should have a UK federal government that is just in charge of defence, foreign policy, border control and management of the inherited national debt. All other policy matters should be left to the home nations. The federal parliament would meet about once a month – about the right frequency for any parliament – except in emergencies.

Crucially, any transfer of powers upwards to the federal level would require the unanimous agreement of the home nations and the federal parliament. This is an important lock on the gradual drift to centralisation from which any system of government suffers.

Under this system, the federal UK government would only be responsible for spending 10 percent of national income. Welfare, health and education would all be localised meaning that local policies could be developed to suit local people and local preferences. The home nations would raise their own taxes to pay for their own spending. Accountability would be crystal clear.

Decentralisation should not stop here. There should be radical localisation of tax-raising powers and service provision so that local government can choose to provide fewer services and have lower taxes or provide services in ways that are much more demand-responsive rather than supply-led. Many areas of regulation (for example, relating to smoking indoors) should also be localised.

Federalism is a sustainable answer to Britain’s constitutional problems. Voters will know exactly who is responsible for what and the important relationships will be between the people and their representatives and not between the political class in Edinburgh and the Sir Humphries in
Whitehall. This is not a guarantee of economic liberalism, but the drift to an ever-more centralised Britain is surely a greater risk to economic liberalism post-Brexit.

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