

## **MAIR SCOTCH MIST THAN MYTH: A REJOINDER ON DEVOLUTION**

*Arthur Midwinter*

Mair and McAteer's article in **Scottish Affairs** (Spring 1997) is a curious piece of work. Ostensibly, it is a response to critics and opponents of a Scottish parliament, but the only critics referred to are myself and Murray McVicar! It was clearly written in response to our paper in **Public Money and Management** as this is the only piece of criticism referred to. In an earlier draft of their paper, the comments now attributed to 'critics' were in fact directly attributed to us, and readers should be clear that this is the case. I respond accordingly, treating all references to critics as Midwinter and McVicar (1996).

More importantly, it is a superficial treatment of a serious issue. Mair and McAteer consistently misrepresent our arguments, in order to construct a straw man for them to knock down. Their paper is constructed around assumptions which are attributed to us, but are in fact their own interpretation of what the **Public Money and Management** paper actually said.

I turn now to the main errors. Firstly, they argue that we assume that 'Scotland is relatively privileged'. We say no such thing. The adjective privileged is their own and has connotations which we do not subscribe to. Rather, we point simply to Scotland's spending differential under the present system. David Heald (1990) has however described the situation as 'highly beneficial' to Scotland. Michael Keating (1996) observes that 'Scotland's public spending advantages' are now 'public knowledge', whilst Richard Parry (1983) argues that 'Scotland is continuing to benefit from this system, but the *political justification* [our emphasis] for its expenditure levels is somewhat precarious'. Mair and McAteer then go on to dispute our interpretation that fiscal autonomy is necessary for proper public

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accountability, by attributing the 'Tax Horror' position to us. In fact, our view is that the Conservative position that tax powers would be damaging is wrong. Rather, the problem is that the tax base is too narrow, a position also adopted by devolutionists such as James Cornford (1996).

Secondly, they argue that we assume that this advantage 'will be eroded or eliminated'. Again, we said no such thing. Rather we highlight the areas of uncertainty, hence our title. What we did argue is that 'any attempt to move from the current system may place this comparatively beneficial arrangement in jeopardy', and that 'there must also be concern that the spending advantage derived from the unitary system will be more closely scrutinised under devolution', a position supported in the paper by a quote from Ken Clarke, and reinforced since the change of government by the intervention in the debate in Cabinet by Jack Straw.

Mair and McAteer argue that 'using General Government Expenditure (GGE) data in this manner is highly suspect'. In fact, I have made the point that tax expenditures are important elsewhere (Midwinter, Keating and Mitchell 1991). What they miss, however, is that GGE understates Scotland's spending advantage relative to the services which will be devolved to the Parliament. The inclusion of Social Security spending serves to decrease the Scottish advantage viz:

Social security, accounting for about 80% of the difference between identifiable and block expenditure, has expenditure relativities much closer to 100 in Scotland, Wales and Ireland than those for expenditure managed by territorial departments.  
(Heald 1994, p 167)

Heald shows that the Scottish spending differential rises from 123 to 130 for the Scottish block services which will be devolved. The spending advantage applies to all three non-English nations, and has done so for a long period (Rose 1982; Madgwick and Kellas 1982; Parry 1991).

They argue further that our interpretation of the Scottish fiscal deficit is suspect because we exclude oil and gas revenues. This is a position adopted by political nationalists, not analysts. I do not know of a single independent paper which accepts that assumption (Lee 1995; Bell 1994). Moreover, even if these are included, Scotland remains in fiscal deficit (Stevens 1995). The Mair and McAteer discussion of the Scottish public finances is technically incompetent, which reflects their own lack of research output in this area.

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Mair and McAteer accuse us of endowing the Treasury with 'Olympian powers'. They themselves then attribute such powers to the new parliament on the grounds that it will be a 'more legitimate and powerful political actor than any local authority has been' (p.7). They argue that because local government has managed to shift the burden of responsibility for expenditure cuts, the Treasury has failed to control local expenditure. Therefore, a Scottish Parliament can only do better.

Shifting the burden of responsibility is indeed an accurate interpretation of events under the Conservatives. But if that is to be the role of Scotland's Parliament, then it is not reflective of the autonomy and accountability its proponents assume for it. The notion that the Treasury has not been able to control local spending, however, may have been true of the eighties, but not the post-poll tax era of the 1990s, when significant reductions of local spending have occurred, enforced by capping limits and efficiency assumptions, and leading to unprecedented cuts in services and tax increases. Mair and McAteer then unwittingly provide support for our own position as the Scottish Parliament and local authorities are envisaged engaging in bargaining and lobbying over spending with Whitehall, to obtain resources. We are doubtful of the realism of this scenario. As Keating (1996) has observed, 'there is a trade-off between autonomy and access. The more autonomy Scotland has, the less access it has to the UK decision-making system' (p.241). But it represents fiscal dependency, in which the Parliament's resources are determined by Whitehall decisions, whilst the autonomous fiscal powers are minimal.

Fifthly, they quote my previous work published jointly with Mair, which 'noted the limitations of a simple power dependency model of intergovernmental relations', which they see as contradicting the central argument about the fiscal dependency of the parliament. Midwinter and Mair (1987) did not conclude this at all. The power dependency model was and is relevant. I criticised the early work on central local relations which focussed narrowly on finance in the centralisation model, and recognised that policy autonomy is also relevant. The power dependency model is concerned with bargaining over resources, and finance is a crucial dimension of this model. The model also recognises that such relationships can be hierarchical, and, with the minimal fiscal powers which the Scottish parliament will have, this will be the case in Westminster/Edinburgh relations. Although they discuss a 'mutual interdependence' model, this is in fact central to the power-dependency model itself.

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Rhodes's own reconsideration (1986) of his model accepted the hierarchical nature of the bargaining process and quotes Ed Page's critique as the best and most sustained in arguing that the relationship is one between a constitutional superior and subordinate with the result that

the problems of the framework arise from the characterisation of the relationship as one of bargaining ... it fails to incorporate the recognition that fundamental inequalities can exist in a relationship of interdependence ... interdependence does not mean equality or even near equality.

(Page 1982, p 322)

Rhodes goes on to argue that after 1984 the centre moved away from the corporatist style central to a bargaining approach, in favour of centralisation of power. Mair and McAteer's understanding of the power dependency literature is as limited as that of the Scottish public finances.

The power-dependency model is a descriptive and explanatory model, which argues that accountability is confused (Rhodes 1987). Devolution is seen as a means of improving accountability in a normative model. Our view is that with minimal fiscal autonomy that accountability will be limited, as recent local government experience attests. Indeed, this comparison is drawn in the same edition of **Scottish Affairs**, by their Scottish Local Authority Management Centre colleague, Professor Alan Alexander - who has some real understanding of the issues - in noting the prospect that acrimonious disputes between local and central government in Scotland will be replicated in acrimonious disputes between the Scottish Parliament and the UK government in the negotiation of the grant in aid. This is not a basis for clarity of accountability.

One final point. I am described as a critic and opponent of devolution. In fact, I have been a consistent advocate of decentralisation of power in order to enhance responsive, accountable government. My criticisms are based on an evaluation that the proposals from the present Government will not provide such an enhancement. This critique is not confined to 'opponents' of devolution, as Mair and McAteer imply. One long-standing devolutionist, Professor James Cornford, argues that the new revenue-raising power is marginal and the block grant will remain the dominant factor. Unlike Mair and McAteer, he too sees the block grant negotiations as occurring 'at arms length' (1997, p.44) between governments, with the territorial transfer of resources becoming more transparent revealing the South-East of England

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providing an 'enormous transfer of resources' to other parts of the UK; and the North of England faring relatively poorly in comparison with Scotland

Professor Cornford identifies the centralisation of fiscal power in recent years leading local government to face 'a drastic reduction in its fiscal capacity', and its 'consequent dependency' on the centre. He concludes:

The logic of these developments is to deny the existence of government at any level below the national. ... If this seems an unlikely or exaggerated picture, consider that the proposal to give tax-raising powers to a Scottish Parliament ... is being defended because it is so small and not because it is remotely adequate to ensure responsibility, accountability and autonomy.

(1996, p 46)

Cornford goes on to stress the need for additional tax powers or assigned revenues. Another devolutionist, Jim Stevens, also describes Scotland's position as one of fiscal dependency, and argues that the new tax powers would be severely limited, but the best deal Scotland will get (letter to **The Scotsman** 4 September 1995). Finally, the Secretary General of the Convention of Scottish Local Authorities, Douglas Sinclair, comments: 'The end result would be to create a Parliament responsible for local government, but with less tax raising power than local government for which it is responsible. That is not a recipe for stability in the relationship' (Sinclair 1997, p.19).

If the authors had not been so keen to attack us, they would have seen that the fiscal weaknesses are also concerns of pro-devolutionists. Devolution does indeed offer an uncertain future.

I am happy to defend my position and pleased that **Scottish Affairs** could accommodate me at short notice. It remains clearly plausible to argue that devolution creates uncertainty over Scotland's public finances, and that the Parliament's fiscal capacity is insufficient to provide the necessary autonomy and accountability. I am disappointed, however, that others with pretensions to intellectual rigour could not take the care to read our original paper properly, let alone the relevant literature, before engaging in arguments which conceal the real issues in Scotch mist.

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