

# DEVOLUTION: A HISTORICAL AND GLOBAL CONTEXT

The 'Cities and Local Government Devolution Bill' proposes to alter the structures of political control in England and Wales. The bill allows for the appointment of mayors with additional powers and responsibilities over combined authorities and thus empowers local leaders to control their expenditure in a way that aligns with local objectives. However, fears exist that a lack of community engagement and social sector involvement in this process could entrench existing inequalities. Therefore, it is imperative that new governance structures actively accommodate the voices of citizens and the social economy; yet, it is only through looking at lessons from history and around the world that we can ensure devolution is seen as a positive contributor in centuries to come.

## 1. Devolution is democracy

The inception of devolutionary ideals can be traced as far back as 507 B.C. to the Athenian leader Cleisthenes who introduced a system of political reforms labelled 'demokratia', or 'rule by the people.' Referred to as the birth of democracy, abolishing elite rule allowed for the creation of mountain-side courts open to the 40,000 free, male citizens of Athens. Led by lottery selected jurors, these meetings allowed the residents of Athens to make decisions which directly affected their communities. With devolution, we are presented with the opportunity to restore these ancient principles. The recent calls for a vote on devolution reflect the desire for greater local democratic

participation which would allow the creation of a collaborative democracy, better able to reflect and meet the needs of local communities. Mayors with devolved powers across England would be in an influential position, with unprecedented authority to alter the course of democratic engagement across local power structures.

## 2. Relationships between leaders and their 'subjects'

Growing levels of dissatisfaction and calls for true influence at a local and community level have emerged throughout the UK, with Whitehall increasingly questioned regarding their ability to reflect the needs of local communities. The proximity of national decision makers and their ability to understand issues affecting local communities has been a contentious issue throughout British history. Exerting political, economic, social and environmental control through colonialism in India, Africa, Australia and America created problems when 'subjects' of the empire no longer felt represented. This led to movements which demanded the full devolution of power and national autonomy to localised parties who were in a better position to address the needs of localities. Most recently, the SNP in Scotland have brought this issue closer to home. The 2014 Scottish referendum significantly altered the way in which cities and regions are viewed within the United Kingdom; yet it was in 1979 that Scots first demanded the right to vote on leaders to decide upon Scottish matters. Despite failing to secure a majority in 1979, a further

referendum, in 1997, saw the creation of the Scottish parliament which allowed Scottish MP's to exert greater control over decision-making in Scotland. The inception of an individualised parliament was a devolutionary achievement; however, it did not stop calls for greater devolution which culminated in the 2014 referendum. Influenced partly by the Scottish demand, it is crucial that English calls for greater representation are not ignored. The Cities and Devolution Bill proposes that devolution extends power and influence throughout England, yet the true measure of devolution and its success will be in its ability to satiate calls for a co-operative democracy which recognises the needs of localities.

### **3. The inadequacy of laissez faire or 'trickle-down' economics has been known since 1776**

In the late 17th century the economic idea that government intervention damaged the cyclical nature of the economy, or laissez faire economics, dominated the arena. This has been modified to a 'trickle-down' system where projections predict investments into economic centres are filtered down to the wider community. In the Theory of Moral Sentiments and Wealth of Nations (1759 and 1776 respectively) Adam Smith, the 'father' of modern economics, highlights that the laissez faire approach doesn't guarantee that money will be dispersed nor does it grant citizens their personal autonomy, concluding that 'trickle down' approaches fail to address inequality. Smith emphasised the role of personal and community happiness in creating a functioning economy and whilst recognising the state's role in public goods, welfare, education and regulation; he was a strong advocate of

granting citizens the right to control their lives and make individual decisions regarding their destiny. The role that personal autonomy plays within Smith's work attests to the importance of holistic planning and collaboration between the state and economic participants. With the limitations of 'trickle down' apparent since 1776, Smith's recognition of state relationships with the people it governs, implies that the purpose of devolution should be focused on effective economic measures that align with social measures to empower individuals.

### **4. Combine capitalism with other socially-based economic theories**

With capitalism's potential to promote individual choice, competition, growth and possible success, the problems and structural inequalities within the model are often brushed aside. However, issues such as inequality, low wages, monopolies and severe depressions have the potential to create an economy which de-socialises policy. There are numerous alternative approaches to managing the economy, such as the Austrian School of Economics, founded in 1871, which takes into account the role of individual subjective preferences when proposing an economic system. The Austrian School focuses on the 'social' element of economic activity and its impact on competition, entrepreneurship, price, perfect information and property. Similarly, Behavioural Economics merges the fields of psychology and economics allowing for the detailed understanding of localised economic needs and individual motives in an attempt to track and regulate behaviour. Furthermore, Karl Marx provides us with the most controversial alternative to capitalism. The Marxist ideal of fully devolving government in favour of small community led co-operatives is an extreme

example of devolution yet captures the importance of community involvement in political decision making. Although these approaches empower citizens as economic actors, none provide a wholly sound alternative to capitalism in terms of a holistic approach which merges social and economic factors. However, the amalgamation of various approaches to economic management may be the answer to a progressive economic system which no longer exploits and entrenches inequality. Devolution should therefore take lessons from other schools of economic thought and temper capitalism's negative consequences by combining capitalism with socially based economic theories.

## **5. There is no way to correctly label and classify a place**

Gross Domestic Product (GDP) is an estimated value of a culmination of the total worth of a country's production and services, which is calculated over the course of one year. This classification is a means of ranking countries; however, GDP is not the only calculation of national prosperity. Recently, statistics such as the GPI (Gross Prosperity Index), gender equality, child mortality and the Happy Planet Index (HPI) have emerged, adopting a more holistic approach on assessing countries. In economic terms, Luxembourg and Norway appear to be the most successful however, broadening our definition of a successful economy to include outcomes such as child mortality sees Monaco and Japan triumph. Furthermore, when considering happiness, Costa Rica and Vietnam emerge as more successful nations in terms of well-being and life expectancy. The discrepancies between GDP and social indicators is made more

apparent when considering that Nicaragua and Cuba surpassed UK and US levels of gender equality and HPI index scores. As well as highlighting the inefficiency in GDP calculations, this demonstrates that the differences in countries advantageous qualities are more relevant to society than growth. The situation is similar within countries. The North of England is not one entity and is comprised of different economies with different needs, and as such one single measure, such as economic growth, will be unable to capture holistic success. Devolution, in principle, promotes empowerment and opportunity but it is only through broadening the methods in which we define and classify nations and regions that devolved governments can focus on the strengths of their localities and prosper socially, environmentally, politically and of course economically.

## **6. National government vs. devolved governments**

The relationships between local and national government differ internationally and are often dependent on the history of the country. Countries such as Italy and Germany, who are historically inclined to be wary of a powerful centralised state, tend to focus on requesting higher degrees of devolution. The USA adopts a unique system of governance based on the US constitution, which limits powers and responsibilities, ensuring that local governments are solely responsible for a wide range of key functions. Furthermore, the national government and state governments must collaborate on issues such as taxes, building roads, making and enforcing laws, borrowing money and welfare spending. The range of powers that states within America hold offers them the opportunity to implement locally-focused strategies however,

the interlinking of certain responsibilities causes hostility and bribery in order to achieve national outcomes. For example, states have taken the federal government to court over issues such as firearm licenses, voting rights and physician assisted suicide. English devolution must take heed and differentiate the role of local government and central government. Currently the Cities and Devolution Bill includes a clause which allows central government to over-rule local government, which could prove detrimental to the efficiency of localised government structures. The mayor should be entrusted with a variety of roles and several key tasks but have parameters and scrutiny measures clearly defined. Distinctions regarding the responsibilities and powers granted to local government will most likely be made clear in subsequent individual agreements between combined authorities and national government, and care should be taken that the relationship is transparent and founded on co-operation, mutual respect and understanding.

## **7. Socially based economic policies can improve both social and economic aspects of the nation**

The 1929 Wall Street Crash saw economic devastation, yet the USA emerged from the depression in the 1940's as an economic superpower with wealth to supersede their international competitors. The means by which the USA progressed rapidly is often attributed to President Franklin Roosevelt and his progressively social outlook on America. The introduction of the alphabet agencies in 1930's America devolved power to smaller local agencies, focused on socially innovative reforms that had the potential to boost the

economy. For example, the AAA (Agricultural Adjustment Act) controlled supply and demand by paying farmers to stop farming crops; the CCC (Civilian Conservation Corps) and CWA (Civilian Works Administration) employed men on fair, government subsidised wages to build public infrastructure; the FLS (Fair Labour Standards Act) regulated employment practices including a minimum wage and the FHA (Federal Housing Administration) boosted the construction industry by providing loans for homeowners looking to renovate. Despite being short-lived, the direct investment that the agencies provided created an initial boost to the economy. Each reform either affected wages, employment, working hours, security, housing, price deflation or social security for the vulnerable in society, allowing for economic development based on social policy. This approach is similar to that of President Obama post-2008, shown by Medicare as an NHS for America, a social policy which has the potential to boost the American economy. Devolved governments are best placed to identify these local issues by focusing on the individualised needs of the local economy and introducing policies that alleviate inequality. This can be achieved by reforms which focus on the strengthening of society using socially directed policies that can positively impact the local economy.

## **8. Enhance local destinies**

London is undoubtedly the economic hub of the UK, responsible for over half of the UK's exports for financial and legal activities. However, it is London's international stronghold that simultaneously enriches and depresses the UK economy. The disparity between London's globalised status and the scattered pockets of development across the UK creates inequality

in terms of overall growth as well as standard of living, house prices and wages. Citizens of the United Kingdom face major discrepancies in the implementation of healthcare, resulting in the UK having the worst indicators for child health and well-being than any other high income country. This is mostly concentrated to the North of England where babies born today can expect to live on average 14.5 years less than if they lived in London. Moreover, some of the UK's regions such as Durham and Tees Valley and Shropshire and Staffordshire are amongst the poorest in Northern Europe, suggesting that development on all levels is needed in order to improve the UK's position both internally and globally. Devolution cannot solve this, but there is an opportunity for England to prosper through the prioritisation of local destinies to create a country with a balanced economy. It is only through the local understanding of devolved governments that movements can be made to redistribute wealth to struggling communities. Focusing on growth will undoubtedly marginalise the north, as well as creating tensions between northern cities that will inevitably compete to reach unrealistic growth targets. The reinvigoration of civil society should be the main concern in order to ensure that growth is not the motivator and improving measures such as unemployment, job creation and inequality are the baseline to economic and social change.

## **9. Mixed economies create long term economic and social success**

The economy was not always heavily biased towards London; in English history, Manchester and Liverpool have played a significant part in the development of Britain as the former industrial capital of the world. However,

the north's reliance on industrial production created a vulnerable economic climate as the economy shifted leaving parts of the UK void of income. The affects and continuing legacy of deindustrialisation highlights the need for a mixed economy which is not solely dependent on one sector. Devolution has the potential to allow for the economic variation to be tailored to suit local needs and create pockets of diverse economic activities across sectors. The Coalition Government's creation of Local Enterprise Partnerships across the UK is a positive step to combat this issue and strive towards a varied economic network that can support national growth. However, this is dependent on mayors as well as councils adopting long term resilience strategies by working alongside neighbouring councils, in order to create a diverse and all-encompassing economy which collaborates with other regional authorities to create a durable economic structure for the benefit of local places as well as the wider UK economy.

## **10. A regionally unequal country cannot recover holistically from a depressed economy**

The burst of the financial bubble in 2008 had profound and differing effects on the UK economy. The North West of England, the second most densely populated area in the UK after London, accounts for the third largest contribution to UK Gross Value Added (GVA) per head, with London and the South East in first and second place. Despite this, the problems the North West faces is documented in the 2012 unemployment rates, with the North West rate of 9.5% rising above the national average of 8.1%. Although the unemployment rates have since declined, inequality within recession responses are evident with London attracting

a disproportionate level of UK graduates. In addition, Westminster has adopted a grossly unequal policy favouring London, redistributing income in order to re-invest back into London and the south. The focus on growth, regardless of regional equality, has led to systems of volatile development resulting in an economy more susceptible to severe market shocks. The severity of inequality caused by the crash calls into question the vulnerability of local places and their capability to function as an independent economy. Devolution will ensure the creation of resilient places is firmly on the mayoral agenda, with emphasis on adopting greater levels of social responsibility and social inclusion. Devolving money and power to local leaders alone will not result in resilient places that are able to withstand market shocks and EU referendums; instead it is localised decision making structures that will enhance place resilience and the ability to create a robust local government structure, able to survive a turbulent economy.

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