A CATALYST WORKING PAPER

In praise of centralism

A critique of the new localism

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Published in November 2002 by

The Catalyst Forum
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ISBN 1 904508 01 4

Distributed by
Central Books
99 Wallis Road,
London E9 5LN
Telephone 020 8986 4854

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Acknowledgements
Tony Travers, Ian Maclean and Dan Corry kindly read drafts; Martin McIvor has been consistently encouraging. My thanks to them.

Summary

1. Difference and inequality

We are all localists now. Centralism has come to be synonymous with bureaucracy, rigidity and control freakery. These vices are contrasted with the virtues of local and regional diversity, creativity and innovativeness. The beauty of devolved government is that it can do things differently.

But what if along with difference go inequality, under-provision and capriciousness? What if the obverse of central government's "initiativitis" is local government's passivity? In the United Kingdom wealth and income are mal-distributed, along with the life chances they buy. Should we none the less celebrate the "diversity" of widespread poverty, huge inter-regional gaps in GDP per head and geographical concentrations of deprivation?

In the territory of England as within the UK major differences in resources exist between areas and nations. "Equalisation" is necessary not just for more effective public services everywhere but in pursuit of the goal of equality of access. Equalisation requires a strong, self-confident centre. In that sense we need more not less "centralism".

2. The case against the centre

The centre is said to be overloaded, ossified by the weight of its regime of targets and output measures. The charge sheet says that in the Blair era Westminster-Whitehall's long-standing tendencies have got worse, endangering local democracy and stultifying local managers of services.

Some of this critique is right. We can all safely sign up to the principle of subsidiarity. But this warm and comforting near-tautology offers very little guide to the practice of taxing and spending in pursuit of progressive governance. The case against devolving powers and responsibilities rests on a profound commitment and its name is equity.

3. The case for a strong centre

The pursuit of equality makes a strong centre necessary. If the history of the Labour Party in the 20th century has a lesson, it is that relying on local government to deliver is both fiscally impossible and involves unacceptable sacrifices of equal opportunity.

Employers love localism if it means cuts in labour costs. For their part employees have good historical reasons to distrust local decision-making. Key tools of social democratic government, such as the idea of "need", imply the existence of standards applicable across more than one area only by a central government.

In the debate about English regional devolution, we need to take care. If regions need more self-government, because they lack prosperity the advent of regional assemblies must not be allowed to reduce the capacity of the centre to redistribute resources in favour of poorer regions.

4. Devolution and equity

Devolution is in the air. But as we discuss arrangements for elected assemblies in the regions of England or read those pamphlets from the New Local Government Network urging powers to be "restored" to councils, we need to bear equity in mind. A core proposition of social democracy is that territorial position should not compound the many ways social position limits life chances and expresses inequality.

We must not forget that the market is a dream mechanism for proponents of diversity. Left to its own devices, it spreads income and wealth differentially. Advocates of the new localism should beware becoming a fifth column for economic liberalism.

1
Difference and inequality

We are all localists now. There, recently, was chief economic adviser Ed Balls extolling "flexibility" and string loosening (1). Did Labour take the wrong road historically, muses Tony Blair, in downplaying a previous tradition of "mutualism, localism and devolution" (2). In the salons it has become highly fashionable to demonise the "centre", "centralisation", "command and control" (3).

What critics mean by those horrors we will explore shortly. But first let's register surprise. When a social democratic government is in power, however limply its standard waves, attacks on the strength of the Treasury, Westminster-Whitehall and the central government of the United Kingdom from the right would not be unexpected. The right does not like collectivism. Right wing or neo-liberal criticism of forceful leadership from the top might be a useful tactic in belittling public provision at large. Michael Howard, the Tory shadow chancellor, may be not be convincing as a born-again localist – a commanding centre was very much part of the Thatcherite project. Yet his opportunism in attacking the Blair government over centralisation is politically plausible. It expresses his party's dislike of fiscal initiative and spending energy and, part of the same package, national collective bargaining in the public sector.

What was not expected is the way a fraction of the left has joined the cat calling and, this autumn, seems to have won at least the rhetorical assent of Labour ministers. There have always been Labour localists (though, interestingly they have tended to be intellectuals rather than the Labour councillors who in practice knew just how much municipal socialism depended on a strong, redistributive central government). What is new is both the vehemence of left-of-centre antagonists of centralism and the remarkable coincidence of their views with the neo-liberal small government crowd.

Centralisation, in the eyes of its critics, means the way political intention has been expressed within the executive, the way the maestro taps his baton and expects all the players to follow the same score. In part it is a dislike of Tony Blair's style of government, in part an institutional critique. Labour's

offence has been to impose norms, performance criteria and, of course, financial controls in pursuit of electoral promises about improvement, of public services, or people's life chances, wherever they live. For critics, favoured synonyms for this assertion of central political will are bureaucracy, rigidity and control freakery. The New Local Government Network makes fun of "initiativitis" – as if an active approach to solving social problems were a sin. These vices are contrasted with (local and regional) diversity, creativity and innovativeness.

But what if along with difference go inequality, under-provision and capriciousness? What if the obverse of initiativitis is passivity, a failure to engage with social problems? Without a strong will (towards greater equality, say) where is the motive force of progressive government to be found? In any given area, managers might be imaginative. Political representatives may sign up for the struggle. But the logic of localism says that in the next-door area you will find slothful managers and lackadaisical councillors. That's what difference is all about. Intolerance of such variation is the hallmark of "centralisation". Studies have shown that the level of equalisation sought through the revenue support grant mechanism in England is more complete than in any other developed country. Evidence of central oppression, cry localists. But look: other countries that are notable for their focus upon grants equalisation include Denmark, Finland, Norway and Sweden. What they have in common is their strong social democratic heritage and remarkably fair distributions of income.

In the United Kingdom wealth and income are mal-distributed, along with the life chances they buy. Should we none the less celebrate the "diversity" of widespread poverty, huge inter-regional gaps in GDP per head and geographical concentrations of deprivation? Labour needs to loosen its iron grip, the localists say; districts and regions must be cut free from the Whitehall bridles in order to solve their problems in their own way. But "their own way" may entail more pupil selection, say, or extra charges for health and social care, or lower wage rates for public sector employees, smashing hard-won national bargains. And how do these local and regional areas, freed from the iron hand of the centre, propose to raise their own resources from economic bases that may already be deprived by deindustrialisation and depopulation?

Not long before he resigned, Stephen Byers, not known for his programmatic utterances about the future of social democracy, published a list of cities and the differences between them (4), saying "we must tackle life's lottery of location". Some might cavil at his use of the word lottery. Decline and deprivation in northern cities follow well-defined historical patterns. Place a district on the map and you can make swift and reasonably accurate predictions about access to schooling, jobs and prosperity for its inhabitants. Infant mortality rates are twice as high in Birmingham, Manchester and Nottingham as in Swindon or Surrey. Staying-on in education post-16 is 91 per cent in Bath and 57 per cent in Sheffield. "In my view", said Byers, "the challenge for government is to eradicate these acute differences." What he should have said was *central* government. Those invidious comparisons between places are only intelligible when looked from outside the city in question, looked at *nationally.*

And only national government (England or UK wide) commands the resources to redirect money from one place to another. GDP per head in Swindon and Surrey, as elsewhere in the south of England, is considerably higher than in the generic north, which means taxable capacity is higher. But that regional or local potential for tax is meaningful, again, only within a national fiscal carapace – a central will to tax and share out the proceeds on the basis of need. Only central distributive mechanisms can make the effort; the fact they are imperfect does not invalidate the attempt to redress the balance.

How naïve, how anachronistic, post-modern leftists will cry. We are all decentralisers now. Freedom is the watchword. Labour centralism once ordained high rise flats and they had to be pulled down. Now its targets and controls impede local efforts and stunt local and regional political imagination. Managerial enterprise (telling word, that) is squashed and local political will sat upon. Why is there a crisis in political trust, they ask? Central bureaucracy alienated voters and damped democracy. Once, Aneurin Bevan could "picture, plan and provide a hospital service on a broad national scale and get rid once and for all of any purely historical impediments" (5). But now, it seems, such "impediments" are the wave of the future. Particularism and "local choice" are much favoured. We want (this is Professor John Stewart, the Moses of Labour localism)

innovativeness, new solutions and they are to be found locally along with renewed political capacity producing "diversity of response" (6). What else can that mean, ultimately, but ever greater variations in standards, in child protection, home helps, special educational needs, staff conditions?

Critics of centralism – meaning the maintenance by central departments of plans, targets, default powers and financial controls – often seize on the rich evidence that territorial inequality abounds. We have a domineering centre, they say, yet massive inequity persists between different places. In the health service RAWP (a resources allocation working party was started Callaghan government and, amazingly, survived the Tory years) has been in existence for a quarter of a century, yet health outcomes are still worse in Liverpool than Leatherhead. The centre has failed to equalise and should give up the effort.

There is an alternative argument, which notes the persisting capacity of local government to deprive citizens of necessary services – either as an expression of local political will or because of insufficient grants from the centre. In a survey of the supply of equipment for people with disabilities the Audit Commission cited the case of a patient operated on to improve a condition of the spine. The NHS hospital procedure cost £30,000 but the patient's council said it could not afford to spend £500 adapting the patient's wheelchair afterwards. One commentator noted this "demonstrates the massive inequalities in a system of health and social services which is failing to be comprehensive. It is clear that little progress will be made until there is the most profound re-examination of the funding and organisation of services that are currently being delivered by local authorities."(7)

Of course no one should be arguing in absolutist terms. Nearly every public service has a local dimension just as most services imply centrally-determined standards and norms. Big, practical questions confront the Blair government about the balance between central initiative and sensitivity to different local circumstances and history, between the enforcement of delivery standards and managerial discretion, between the will of the national government and councillors' expression of local views. But we need in these arguments to be honest, especially about money. It won't do

for localists airily to pray in aid a central framework of powers and duties just after they have damned the centre and all its works. We must have freedom, they say, but give us the money. Conflicts abound between equality and diversity, between centralism and uniformity in service provision and people of progressive mien need to be sure what they are sacrificing if they veer too far in the local direction. Giving the local electorate a bill of rights (another suggestion from Professor John Stewart) is a con if it implies their rights exclude financial vetoes. If local electorates control tax and spend, they are underwriting and probably intensifying territorial inequality and the peculiar selfishness behind NIMBYism that pits parochial amenity before national need. Would that local bill of rights extend to giving the inhabitants of Sheffield or Sandwell a right to commandeer resources garnered in Solihull or Surbiton?

The facts of inequality contend with the aspiration to local democracy. Reliability of public service provision wrestles with diversity. And necessary uniformity of provision conflicts with the principle of difference. In affluent areas the likelihood of surviving cancer is far greater than in poorer places. Similarly the incidence of death and accidental injury during childhood. On many indicators of social deprivation the territorial gap is widening. Localists might celebrate this expression of difference. Social democrats might instead seek a better mechanism to even up chances of health and longevity, to procure central intervention in places where services are failing.

This pamphlet is written in the belief that arguments about central and local have become unbalanced, especially on the left. Since the 2001 election, there has been a spasm of anti-centralism, at the very moment the Blair government has recovered some sense of egalitarian purpose. To state a blindingly obvious but surprisingly rarely stated proposition: in a territory (England or the UK) with major differences in resources "equalisation" is necessary not just for more efficient delivery of public services everywhere but in pursuit of the goal of equality of access. And equalisation requires a strong, self-confident centre. Hence my plea for more, not less "centralism".

2

The case against the centre

Anti-centralist talk and writing is clamorous. An emotional tide seems to be running with devolutionists and critics of the United Kingdom's central government. The centre is said to be overloaded, incapable, ossified by the weight of its regime of performance targets.

The charge sheet says Westminster-Whitehall has always been oppressive, destructive of the prerogatives of local democracy, and in the Blair era more so. William Cobbett was right. Just as under Old Reaction so now, under an ostensibly progressive government, the Great Wen of London (or at least the government located there) restricts initiative and sucks up local capacity. Central formats, imposed everywhere, deny opportunities for participation. Central performance schemes force local managers, councillors, and would-be policy entrepreneurs to bend the knee before the throne. Central government, meaning departments of state, intervene excessively. They and their satraps in the inspectorial quangos impose too many targets and obligations on localities. For civil servants one size has to fit all, which view leads to intolerance of the rich variation in local circumstances.

Local people know best what services they want, it is said – a key justification for giving councils more powers and moving to elected regional bodies in England. Discussing NHS primary care trusts, Matthew Taylor of the Institute of Public Policy Research asserts that only locally can "meaningful debate about public health priorities and needs take place". Local management, he says, is "more accountable" (8). A key proposition here is that public services are better managed under local control. Because the centre can never know enough to encompass diversity it resorts to bureaucratic categories and restrictive classifications. The local and regional is richly detailed while the knowledge management capacities of the centre are finite. How can a department of the environment let alone an office of the deputy prime minister ever *know* enough to justify imposing a single solution to problems of urban housing. (Localists, however, tend to go all circumspect when it comes to education.)

It is a matter, says Anthony Giddens, articulating an aspect of the Third Way, of freedom to do things differently, to have priorities that may conflict with central government's (9). There is positive virtue in this differentiation; that "different" carries an electric charge. The centre is "remote" and cannot understand what goes down on the banks of the Don or the Irwell. Let the burghers of Kingston-upon-Hull sort themselves out and make – or mar – their own political futures. So it follows more local "flexibility" is needed, more customer choice exercised locally – less adherence to standard norms, packages or bargains. There is an affective dimension to the argument. Government that was better "tailored" to local needs would lodge more securely in people's hearts. They would turn out to vote, as the saying goes, if there were something to vote for (less tax, say?). Self-government would revive. Centralisation excludes people from democratic processes, says Charter88. Away from the centre, the argument runs, there is space to innovate. Elected assemblies in the English regions, according to their protagonists, would strengthen people's bargaining powers over centres of undemocratic power in the private sector, but also over quangos maintained by the central state.

To this critique need to be added a whole bundle of arguments about the iniquities and failings of the centre itself, with the implication things would be better organised locally or regionally. The centre rarely resists the invitation to abuse power and the more of it is concentrated there, the more Lord Acton's (19th century anti-state liberal) axiom applies. This kind of argument underpinned opposition to David Blunkett's attempt to impose managerial directives on police forces. Far better to have a score of chief constables than a single police chief: if one of them abused their office, the effects would be contained. Local and regional are likely to be more honest because of their physical proximity to the honest people.

Some of these anti-centralist arguments are empirical, along the lines that local and regional government "works" better. This is a huge claim for which there is no consistent support, either from British administrative history or the experience of other comparable countries. Similarly the "dam" argument, that out there is a huge reservoir of political and managerial talent, pent, waiting to be released once the centre plays unplugged. It is a fine assertion; the weight of historical evidence (and voting

patterns that long antedate the Thatcherite attack on Labour local government) speak convincingly against it.

Let's focus here instead on the arguments of principle being advanced by the devolutionists. They need unpacking if only because of the surprising affinity between anti-centralist sentiment from people ostensibly on the left and those of plainly right-wing provenance. Some may say heterodoxy is a post-modern virtue; celebration of diversity is the thing, in ideology as in the provision of public services. Others, however, may be worried by the connexion between anti-centralism and those enervating doubts about the capacity of the state nurtured during that long night of doubt on the left when the Tories were so ascendant. What if the new localism stems from defeatism, from pessimism about what government can accomplish? What if this turn against central direction turns out to be a staging post on the retreat from equality as an objective? What if localism turns out to be an intellectual cousin of the assertion that markets, invisible hands and all, reflect the differentiated nature of the world and that attempts to order them by the state are doomed to fail?

The right-wing espousal of local variation and dislike of central power is easy to fathom. If all government intervention is suspicious (because the state wants to levy taxes and limit market operations) then the smaller and weaker it is the better. Geographically contained units of government are going to be less dangerous to "freedom". To accumulate power at the centre is to step along "road to serfdom", which may be pink (leading to Soviet oppression said Friedrich Hayek) but far from primrose. Market outcomes tend to be inequitable in a territorial sense and disparity of local circumstance is "natural". So, says the right, topographical variety should lead to non-uniformity in governing circumstances. If Buckinghamshire chooses to organise its schools one way and Birmingham another, that too is "natural". The more each area raises from its own resources (or chooses not to raise from its own resources) so much the better. We note that traditional Toryism talked small platoons but lived off big business but that does not convict the right of hypocrisy. A certain incapacity in government (which is a concomitant of local variation) has always been a Tory aim.

We also need to note the strength, especially on the centre-left, of versions of liberalism that hold concentrated political power to be suspicious. These liberals are ambiguous about fiscal activism and preoccupied with probity in the public office. If those called to government office are "naturally" tempted to ransack the palace, far better to corral them in relatively weak local or regional jurisdictions where they cannot get up to much mischief (or levy onerous taxes). Much of the rhetorical attack on the centre during recent years has been based on an almost 18th century belief that a great apparatus is needed to police political activity because holding power is a straightforward invitation to corruption. Instead of worrying about ministers can do in terms of changing socio-economic conditions for the better, attention focuses on what they might do to feather their own nests. A lot of the fuss about executive strength or the failure of ministers to report adequately to MPs or otherwise to sin against canons of probity is reactionary in its origin.

Of course anxiety about what politicians might do in power cuts two ways. During the 20th century Tories – Neville Chamberlain with the creation of the district audit service and Michael Heseltine with the creation of the Audit Commission – twice expanded and ramified the corps of financial inspectors supposed to stop councillors spending. It is interesting that localists have failed to spot the connexion between the imposition of auditors with just this kind of anti-collectivism.

A left-of-centre tradition celebrates local activism, its pin ups RH Tawney and GDH Cole. For them and early Fabians, too, the equal citizen had to be a participating citizen, which meant he (sometime later she) should have a share in self government and that for most practical purposes would be local. Local self-government helps build capacity in the wider game of self-realisation. That is a resounding proposition, with which it would be hard to disagree: public participation is a mark of a functioning, well-resourced community.

But what if the community lacks resources? The left-localist tradition has had little to say about the consequences of diversity for equalities and it never had a convincing answer to Aneurin Bevan's quip about standing for successive tiers of local government but never finding where the real power was exercised. Labour localism has been peculiarly silent about what LJ

Sharpe called the geography of inequality. What if local people (in well-resourced districts) *do* participate actively and then choose small government, low taxation and steadfastly oppose transfers from Kingston upon Thames to Kingston upon Hull?

In east London in the 1920s Labour representatives tried to spend more than they could raise locally. But what came to be called Poplarism was either a revolutionary doctrine – the town halls as soviets creating fiscal chaos as a prelude to uprising – or futility which ran the risk of damaging the lives of real people in real locations. This was as true in Liverpool in the 1980s as in the 1920s. Places lacking resources could not govern themselves progressively without support from the centre – without, in may cases, per capita grants higher than those given other areas. Refusal to set rates only works if the centre is at hand with a bailing bucket.

Some of the criticism of "centralisation" must be conceded. The Blair government has too many and too many overlapping targets. It is not joined up and the messages it sends to local service deliverers are often confused and under resourced. The profusion of targets has become self-defeating, preventing local service deliverers seeing the wood for the trees. There are limits to Westminster-Whitehall's capacity to absorb, manage and do things with information let alone follow through with implementation of schemes for improving service delivery. Managers need a realm of discretion, space to connect central targets with local circumstances. Too little thought has been given to which decisions can safely be left to local jurisdictions without jeopardising wider ambitions.

But the danger now is throwing the baby out with the bathwater and condemning all efforts at control and planning. Of course there are attractions in devolving decision-making to local areas and regions which have a definite character and may be able to articulate needs and interests. We can all safely sign up to the principle of subsidiarity, meaning trying to allocate government functions to the level where they are most likely to be carried out. But this warm and comforting near-tautology offers very little guide to the practice of taxing and spending. A profound commitment may justify not devolving powers and responsibilities to lower tiers of government within the nation state, and its name is equity.

3

The case for a strong centre

There are two good reasons why the centre needs to be strong, two attributes of progressive government which devolutionists may be sacrificing, knowingly or not.

The first is the state's competence in regulating markets and movements of capital. This is fundamentally an argument about the size and qualities of the unit seeking to govern private enterprise. Companies in pursuit of profit are no respecters of place. Capital flows are not readily confined by jurisdictional boundaries. Firms grow, exploit resources and local labour, then die or depart. The City of London is not interested in who lives in the areas local authorities govern. Bankers rarely bother with the creditworthiness of individual local authorities; what matters is the explicit or implicit guarantee behind their debt, offered by the taxing powers and credit of the sovereign centre. Capitalism veers between a preference for anarchy, and a multitude of opportunities for profit, and Hobbesian authority, to guarantee payments.

A thousand writers on globalisation have told us with glee that the nation state is hamstrung. How can it seek to regulate footloose capital or giant corporations with international reach. Another thousand have told us that power is bifurcating between supranational institutions on the one hand and newly revived local jurisdictions on the other. Yet the enduring reality, inside the European Union at least, is that national government retains the capacity to inspect, regulate and where necessary curtail financial markets – far, far more than regions or localities from which firms and lenders can easily exit. To put it in pseudo-quantitative terms: market size times taxable capacity equals veto power over most species of capital.

A particular worry about devolved economic management is rivalry between sub-national areas, leading to wasteful competition, mutual self-abasement before potential investors and less social solidarity all round. The focus on inward investment in English regional policy over the decades led to manipulation of incentives and inducements to locate in the favoured area; but at least the existence of a central department of trade, in its

various historical manifestations, was able to hold the ring while making some effort to identify and compensate "need".

Inward investment is what the economists call a zero sum game. The total amount of investment is not readily increased by extra spending by sub-national units and the final productivity of both capital and labour may even be reduced. Regional Development Agencies try to hide it, but part of their work is beggar their neighbour. The remedy has to be coordination within the wider envelope of England and the UK, based on a single assessment of economic opportunity and social need – yes, a *plan*. Of course the logic of such an argument about regions applies to competition between nations, which is one very good reason for pan European Union competition policy. But the fact is, national government can take decisive action in and over markets, for example in regulating company governance, even in extremis nationalisation of assets. After September 11 2001, we have seen a marked diminution in the neo-liberal fatalism, so fashionable during the 1980s and 1990s, which said national governments in the modern world were impotent.

But all that, say localists, is old hat. We accept revival can no longer depend on inward flows of capital. The secret is endogenous growth, economic activity stimulated from within cities and regions. And a pre-requisite for that, they say, is the sundering of central chains. This argument in effect says let enterprise, private employment, have its head. And employers do indeed love localism – if it means cuts in labour costs. They hate it if local government brings more property tax, community charge or planning restraint.

For their part employees have good historical reasons to distrust local decision making. The growth of trade unions and collective bargaining in the 19th and 20th centuries was propelled by an awareness that geography was often the employers' ally. Just as employees in more than one workplace so workers in different areas needed to co-operate for the good reason that in greater numbers lies bargaining strength. That lead to more uniformity of pay and conditions – across space as across the boundaries of firms. Enthusiasts for devolution in trade union ranks thus have some difficult arguments to counter. For localism surely has to mean councillors setting

wage rates for their area and regional assemblies putting their stamp on labour markets – insisting on a "regional dimension" to this or that national agreement on pay and conditions.

A fundamental principle is at stake here. If all staff in a given occupation deserve similar or comparable remuneration, irrespective of where they live, the scope for devolution is necessarily limited. Equality at work trumps geography. Living costs vary. But note the very idea of "adjustments" to reflect higher prices in certain areas implies some national grid or standard on which to measure prices in different areas. Trade unions need strong central government.

Professions, too. There is an inescapable conflict between local jurisdiction and the aspiration of skilled staff to autonomy in training and conditions of work. It is not just that medicine, the law, engineering, teaching and so on are organised under statute with nationwide (occasionally international) schemes for entry and training. The very idea of professional judgement, based on expertise, has a "universal" air to it, implying some extra-territorial commitment. Professionals are or should be non parochial. One of the historical challenges of English local government – which it failed – was the management of highly-skilled professionals with aspirations towards autonomy in their practice, teachers and lecturers especially. Professionals' sights are inevitably on wider goals, structures and values and their tolerance of what they perceived as interference by narrow-minded local politicians is low.

The second great challenge confronting devolutionists is equality. However faltering the efforts social democratic governments make to redistribute resources and even up access to schools, health services and the chance of a reasonable life, their potential rests on central authority. Only central government can pool risk, can maximise the area within which taxes are levied, can enforce common responsibility for the geographical areas lagging behind. Size matters. Within the larger entity, country or nation wide, it is easier to raise taxes and mobilise the consent needed to transfer spending from the better off to the needy.

The very idea of "need" implies a standard applicable across more than one area. To tax and to spend, especially with egalitarian intent, implies the government possesses peculiar authority. It may not be possible to lay down hard and fast rules about the size of governing unit but all the pointers are to larger entities being more capable of mustering the force (bureaucratic) to collect revenue consistently and dispense it in conditions of public assent.

People in modern Britain expect uniformity in welfare and public services. That they do not always get it is not a rebuttal of the arguments here in favour of strong central government. Indeed the expectation is something to be celebrated, at least on the left. It implies social democracy has taught one lasting lesson. Which is that neighbours, across the street, in another local area, in another part of the country deserve similar provision, that "fraternity" is not confined by administrative boundaries. Devolutionists have to confront the fact that the media (nationalised for decades) will always seek to pinpoint deficits in expected (nationally defined) levels of provision and will be aided and abetted by trade unions and professional associations (national in scope) which actively campaign in favour of common definitions across space.

From the public's broad expectation that social services in Rotherham should be strictly comparable to if not the same as those provided in Richmond, North Yorkshire and Richmond-upon-Thames flow two things.

One is an extra-territorial definition of need administered, necessarily, outside these local areas, which for most practical purposes means by the central government. In the distribution of revenue support grant to local authorities as in the weighted capitation arrangements for GPs and budgets for primary care, need has to be defined according to general criteria – household income, joblessness, command of English as a first language, etc. These are not to be "relativised". You could say that because there are more jobless in Oldham than Okehampton need is less there – a good Tory argument. Social democracy expresses social need as an absolute. People without jobs and those with incomes below a stipulated level deserve public support, wherever they happen to reside and regardless of what their immediate neighbours may think.

The second consequence of this expectation of uniform services is strong central government. Westminster-Whitehall (the centre) is the only agency capable of pooling and moving resources across the UK space. (Similar arguments of course apply to government responsibilities across time, for dealing fairly with children and pensioners for example.) The historical fact, in England – and broadly in Scotland and Wales, too – is that local government has proven fiscally weak. During the second half of the 19th century local taxpayers, mainly property owners, resisted the burden of alleviating the social consequences of the market system which gave them resources. The shining example of late 19th century Birmingham needs to be compared with poor social provision by the local governments of Liverpool and Middlesborough. Then and into the 20th century only the central state was capable of winning the battle to secure taxes.

And that is how it should be. Just as need is maldistributed geographically, concentrated in some places while others prosper, so are resources. Local (and regional) government are in permanent fiscal crisis in the sense that they will find it hard, often impossible to match need and resource within their own area. Think of the tax base within the North East; how could Hartlepool rely on itself to provide services. It is hard enough to secure the resources for progressive policies by persuading the well off to part with their money. Regions and localities, if they had to rely on local imposts, would find it impossible. The brute fact is that opportunities for equitable transfers within local authority (or regional) areas are limited, even if the local political will exists. According to polling for the Department of Environment, Transport and the Regions (as it was) a majority of people believe local councils should spend their budgets *equally* across the district – in other words, not pursue strategies that recognise differences in social need and spending.

At this point in the argument some localists turn round and demand a grants system that somehow combines equity at the national level with freedom for local or regional spenders. Grants are certainly going to be the key to what the new election English regional entities do, let alone whether local authorities are to be "revived". True devolution must mean devolving decisions on tax as well as spend. And fiscal devolution is, potentially, a recipe for greater inequality. The people of the North East may wish for

new transport infrastructure or investment incentives and an elected assembly surely ought to articulate their demands. But would it ever levy taxes? More likely the North East assembly will want central subsidies, more not less support. The region might well deserve support given the way regional GDP per head has been lagging. But what has regional democracy got to do with these big questions of equity?

The hinge on which Scottish self-government will turn is whether higher per capita spending in the past can be sustained in future without recourse to money raised in Scotland itself. Debate about the Barnett formula or any other scheme for allocating public spending within the UK implies the UK is and remains a political entity within which the assent to redistributive taxation is wholehearted. That means the UK continues as a moral community with social democratic potential, able to assess geographically dispersed need and apply financial remedy appropriately. Tax-raising powers are at the heart of the devolution debate. Revitalisation of the regions (John Prescott's great phrase) ultimately depends on cross-subsidy within the national envelope, which has nothing in and of itself to do with regional democracy. Indeed the weaker the centre – the more battered by assertions that it lacks democratic credentials – the less able it would be to raise tax then transfer money on the basis of need.

A transparent case for devolution would make a virtue of more *self-* government, which has to mean less dependence on the centre. If the people of the North East do want to tax themselves to pay, for example, for better public services, the model works. But if their capacity to pay is less because of their region's historical place in the economic order, what then?

There is a concealed, even hypocritical, term in the regional devolution debate. In John Prescott's eyes, a justification for active regionalism is inequity. Regions need more self-government, he is saying, because they lack prosperity. But in the UK the problem is how better to share national (UK) prosperity, not least between the affluent south, Wales, the English periphery and Scotland. Some would say that sharing is best done through individual transfers, cash benefits and tax credits, the acme of centralist

welfare statism. But if the transfer is to take place at regional level, the crux is a centre strong enough to command and control taxed resources.

Devolutionists also have to worry about rights. Rights – that is to say their delivery – are also a matter of size. Unfortunately the way the Human Rights Act 1998 was introduced laid heavy focus on individual assertiveness, against the state, ignoring the logic that says only a strong state can offer sustainable remedies to the oppressed. For every right there has to be a corresponding authority able to put it into effect and sustain the claimant. Labour allowed the neo-liberal rhetoric imported from North America to drown a more European-minded discussion about the balance of individual and collective.

The consequence of rights is uniformity. To put it grandly, human rights are intolerant of spatial differentiation. Imagine regions decided their own policies on ethnic minorities or even on access to public spaces by those with mobility impairment. Devolution – think of Scotland and the section 28 debate – may be reactionary. Brian Barry has argued that the idea of unconditional rights puts a limit to diversity (10). Councillors may favour corporal punishment in schools. The assertion that all children have a right to be protected against adult violence requires a strong centre.

Only a "centre" can reconcile conflicting geographical interests. Unless, that is, we make an heroic assumption that sub-national governments can come together voluntarily to agree tax and spend arrangements; the case of federal Germany, where the Laender appear to agree to fiscal transfer, is much more complex. Take the use of land, for housing, say, or transport infrastructure. Future as well as present generations have an interest in the expansion of air travel (and of course in its environmental sustainability). The residents of Harmondsworth and other districts around Heathrow have an interest in living a reasonably quiet life. Courts may even talk of their rights to an uninterrupted night's sleep. But are Spelthorne district or Hillingdon borough to determine the travel patterns of the UK? Only central adjudication, never perfect, can make the call. A social democrat might add that the adjudication of competing interests might be all the more sustainable if it were based on some scheme or strategy. For example a plan for housing that recognises the relative prosperity of the South East,

the need for affordable accommodation there and the consequent necessity of freeing up land for development. Communities are sites of special interest; the best, the only place for expressing the general interest is elsewhere, at national level. The very idea of planning implies higher rationality – from the centre. The very idea of strategy implies stepping outside local or regional confines.

4

Devolution and equity

The Blair government has been convicted of hypertrophic targeting. In health, schools and other public services, those doing the job are distracted by edicts on performance, public service agreements and the like. But accepting there has been excessive intervention by the centre in service management does not make a case for devolution or imply the centre should not aspire to control – in the sense of guaranteeing – local outcomes.

Central targets are necessary. They stimulate, motivate, provide local service deliverers with a map of where they should be heading. But their utility extends only up to the point where they crimp the capacity of local managers and political representatives to respond to genuine differences in their local circumstances. The centre should back off – but not too far. There is, at least notionally, an equilibrium point that gives local service managers and elected representatives room to think for themselves, experiment and respond to local conditions, while retaining a sense of national purpose in the pursuit of equality.

We cannot legislate a priori where diversity should end and the effort to equalize should begin. The tension between central principle and local empiricism will – and should – be permanent. The point of this pamphlet is to recall the case for a strong, ambitious and determined central government – ministers in their departments working (at least in theory) with teams of energetic civil servants to secure local outcomes in accord with national priorities. At the heart of the argument for devolution is a wish to see more difference – places vary in their physical and social make up and that should be reflected in public policies. But "difference" will eat into fairness. John Prescott says he recognizes that housing problems in the north and the south are different but "as pressing" in each area. Leaving under-provision in one area and over-provision in another to local authorities or, in future, regional assemblies will not wash away the profound reasons why housing conditions are different across the regions nor mitigate the case for central government seeking to redistribute available housing finance to meet them – and to do that on the basis, yes, of "bureaucratic" categories, national schemes of need and targets. The

housing revenue account cross subsidises between councils with large debts and low surpluses and those with low debt and high surpluses. It embodies an ancient, even socialist principle. The cost is a degree of complexity and, unavoidably, bureaucracy. But "simplifying it will not be easy if the regime is also to be fair" (11).

One of the 20th century quests of the Labour party – its trade union affiliates included – was to achieve power where the instruments of equalization could be grasped, which meant Westminster-Whitehall and UK. Labour's first legislative achievement was the Wheatley housing act of 1924, which provided a scheme of grants to (poor) local authorities to allow them to build those homes fit for heroes which Lloyd George had signally failed to supply. Being in power in the locality would not secure a single dwelling if the rate base was limited and borrowing constrained. And, to make an obvious point, not all local authorities are either Labour controlled nor active in meeting social need. Herbert Morrison's municipal vision could not deal with the gaps, that is to say the space in between those local authorities which are adventurous, innovative and generous and those conservative, risk averse and mean. This is the missing element in the "new localism", which even prime minister Blair now espouses. In his Fabian pamphlet he cites Wheatley, before condemning it to statist history. Housing needs have changed since, undoubtedly, but all the localism and mutualism in the world is not going to cope with the size of regional disparities in need.

The geography of inequality in the UK has been strikingly similar for generation. But the fact the map has not changed much over 50 years is testimony to the difficulties in combating inequality, not an argument for the futility of the effort. It certainly does not recommend devolution. The welfare state was intended to be inclusive and the standing critique of the various alternative schemes proffered from the right and centre, insurance and the like, is that they exclude people and ramify inequality. Is devolution also a stalking horse for exclusion? When proponents of the "new localism" acknowledge their model will lead to local failure as well as success, they are saying some people will be left out. The principle of lottery applies. Some want to cherry pick devolution. Teachers, say, want freedom to opt out of the constraints of the national curriculum but their union leaders

recognize that school governors would like other opt outs, too, from national pay bargains or agreements on workload (12)?

But can't there be a balance, some ask, between freedom and constraint, between local autonomy and central intervention? Why not a "neutral" grants commission, asks Professor Ian Maclean of Oxford University, similar to that which operates in Australia (13). The idea is that procedure substitutes for ministerial discretion in doling out money from the centre, which in theory would allow more local autonomy in spending, once the money reaches the regions or local authorities. This ostensibly constitutional approach misses the big question however: the identification of need to spend and on whom spending should be focused is political, it is about values. Formulae can and should be fairly administered but what goes into them is determined by values, by the determination say to ensure poorer children are given a fair start, that schools serving low income areas get higher per capita allocations. A grants commission might say public spending per head in the English regions should be the same. The cake would then be easy to cut, you just divide the total by population. But social democracy is a matter of "weights", of trying to get more to those most deserving of support.

The Blair government has a model of functions to be performed "differently", tasks for the proposed regional assemblies as opposed to those for which national government must retain responsibility. Devolutionists deride the list – economic development, housing etc – because they see no reason not to go the whole hog. They have a point. It is not easy to see the dividing line between services which are inherently variable and those which demand the strongest effort to be made in securing uniformity of provision. Take a common or garden municipal function, street lighting. Should lamp standards be spaced or the light they throw out determined by local choice. Is this a classic example of a "situational" service to use a phrase coined by Professor Sue Richards of Birmingham University. No. There are technical reasons for standardizing this service and a strong public appetite not just for uniformity but for complete similarity in street lights in one place and another. Which asks the question, is there really any connexion between local democracy (meaning the exercise of regular choice by the governed through the ballot box) and

such basic social provision? And if street lighting demands to be organized according to central norms and uniformities, how much variation should be permitted in child protection, or the provision of assistance at home for older people let alone schooling or access to acute health care? Devolutionists would have to make a powerful case to convince people they should get less than their neighbours in order to uphold the principle of local choice. Make no mistake: once the centre gets involved, it will insists on regularizing safety standards and ensuring care assistants are properly trained, and in that sense ratchet up "intervention".

But devolutionists will say: the public has elaborate views on who should run services and why should they be gainsaid. Schools are seen by a majority as a service for which standards should be set centrally. The public tells pollsters they think refuse collection should be run locally and are divided about who should ensure older residents get home help. But imagine what populist public services might entail. Where the affluent old congregated, single mothers and children might get scant support. In true blue districts, trade unions could expect overnight derecognition – and a thoroughgoing localist would forbid any equivalent of secondary picketing. Communities, in other words, can be reactionary and mean. Social democrats have concentrated on pursuing power at the centre because, as the Webbs said, the head is likely to be more rational and more progressive.

Yet "community" continues to have aphrodisiac qualities for policy makers on the centre left. It conjures up attractive images of participation and self-government. The Blair government has sniffed the scent and a significant part of its urban agenda rests on hazy ideas about community participation. But participation does not secure equal access to resources. It does not secure a way of transferring capital to regeneration areas. What price the New Deal for Communities Partnership area where GPs will not set up surgeries – at least without strong pressure and financial inducement from the Department of Health?

Can equality be combined with diversity – meaning recognition of the rich variability of human circumstance? Tony Wright posed it in a Fabian pamphlet during Labour's dog days (14) but its salience has grown; the left

in recent years has invested heavily in the idea of diversity as a progressive value. But what if the sincere pursuit of "diversity" as localism leads to weakening belief in the capacity and competence of the central state, which alone can make an effort at reducing economic and social inequality within the framework of the nation state? That concept, nation state, has become more problematic in the UK at least since the re-foundation of a Scottish parliament with some elements of sovereignty including a power to levy taxes. But those who would dispense with the UK as a functioning polity would do well first to dwell on regional GDP figures and concomitant flows of public expenditure. Any given level of government with fiscal competence can in principle address income and social inequalities within its administrative space. But there are hard limits to taxable capacity, let alone willingness to pay. Where those limits fall, appeal has to be made to the wider entity which considers itself obliged to redress imbalance and minimize inequity within its borders. That remains the UK.

Similar arguments apply within England. A new assembly for the North East say may, conceivably, get the democratic juices flowing; but the relative need of that region remains sharp, expressed in terms of GDP per head – and with those figures a strong case for central assistance to boost the life chances of the region's inhabitants. Provided the centre is invested with moral and political authority. The danger we face is that in their enthusiasm the regionalists and localists snap away at public faith in the state and, eventually, the capacity of the state to seek to distribute more to the neediest regions and areas (which it defines) is diminished.

The principle source of inequality is market access; market power is a key to life chances. Why then, if the argument for decentralization and devolution is so strong in public and political life, why do we so rarely hear it applied to power in the private economy, say in favour of the localization of markets and the downsizing of firms? The answer is that devolution is often, surreptitiously, an argument for shrinking the state and diminishing the capacity of government. After all the market is a dream mechanism for proponents of diversity. Left to its own devices, it spreads income and wealth differentially.

The market exults in "difference". Localists and advocates of regionalism need to beware becoming stalking horses for smaller and weaker government. So far many advocates of regional devolution within England display strong social democratic credentials. But there is a danger that in their enthusiasm they became a fifth column for economic liberalism, antagonists of the higher (centrally levied) taxation and (national) planning which the poorer regions need if the life chances of their people are ever to improve.

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