Decentralization, Devolution and the Political Economy of Scale in Britain from 1945 to 2016

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ABSTRACT

On September 18, 2014, a referendum on Scottish independence took place with 55.3% of voters choosing to remain in the United Kingdom, indicating that Scotland's Union with England, Wales and Northern Ireland would tenuously endure for the near future. Meanwhile, just under two years later, on June 23, 2016, Britain made international headlines when nearly 52% of the public chose to leave the European Union via a referendum. How we make sense of the recalibration of political, economic and democratic scales within advanced industrial nation states is as relevant an endeavour as it has ever been. While much work has been done attempting to explain how and why political reform has been occurring across the world in terms of the partisan motivations and contested relationships involved in designing and reforming political institutions, economic factors and the possible politics behind them have been given much less attention. This dissertation uses an historical approach to provide a post-war analysis of the political economy of decentralization and devolution in Britain.

Each chapter aims to capture how the competition between different actors at different levels of the state (local, regional and national) seek to control the means of capitalist development. In turn, the chapters indicate how this competition steers partisan relations in certain directions over time with the constant push and pull to control the levers of domestic capital investment especially. There is also a perpetual tension over the centralization and decentralization of decision-making apparatuses which ranges from the circumscribing of local government, the implementation of regional de-concentration, broadening asymmetrical devolution, and new public management approaches to local and regional policy-making.

Ultimately, this dissertation shows how British devolution is broadly connected to the struggles over decentralization and democracy because of how they are simultaneous expressions

and re-articulations of the spatial contradictions of capitalism and its associated class tensions. Political parties (statewide and regional), local councilors, the working class, and spatially rooted social movements, have been and continue to be divided by place and ideology when it comes to the scaling of the state, how economic development should be pursued, and how decision-making should be institutionalized.

To my parents, grandparents, and wife

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"Show me your friends and I'll tell you who you are," is a quote that my dad used to say, and it has stuck with me over the years. In the context of this Phd, the network surrounding me would tell you a lot, both who I am/have become and what my dissertation is/has become. I owe a great deal of gratitude to those who have contributed to my journey throughout the PhD program.

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Source: https://www.electoralcalculus.co.uk/region_map.html

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Introduction

In the 1950 general election in the United Kingdom the Conservative, Labour and Liberal parties won 99% of the popular vote and 100% of legislative representation, a pattern that remained virtually unchanged over the next two decades. Meanwhile regional parties like the Scottish National Party or the Welsh Plaid Cymru registered support that collectively amounted to far less than 1% of the total votes throughout the same period. Yet by 2000 many of the political aims of these regional political players would be accomplished, with the establishment of devolved regional parliaments after 1997 and the regular election of their own members to the national parliament in Westminster since the 1970s. The success of this regional politics with its focus on decentralizing the United Kingdom's traditionally centralized form of political power is surprising as it goes against the grain of most of twentieth century British politics. Just how the country shifted from a seeming consensus for a nationally focused polity in the 1950s to a more devolved one at the turn of the century has produced much debate about the actual factors that have led to what amounts to a profound shift in the political status quo.

As is often the case, the story is more complicated than first appears. Reforms to the economic and political institutions in post-World War II Britain have entailed shifts in how they are organized at different levels of the state. Traditionally and conventionally, the United Kingdom has been viewed as top-down governing configuration, to the point that it has often been considered *the* bastion of centralization among developed democracies. To observers, this was reinforced by the constitutional practice of parliamentary supremacy at Westminster, where the dominant governing political party of the day was 'unencumbered' by any competing jurisdictions, be they

regional or hierarchical, in implementing any national legislation they devised. The single member plurality electoral system reinforced this by tending to produce legislative majority Labour or Conservative governments. Despite their competing partisan allegiances, both parties long remained wedded to the ideal of Britain as a unitary state.

Nonetheless, measures for devolving legislative powers from the national level to regional levels were introduced at Westminster in 1997, with the caveat that regional populations had to support devolution through separate popular votes. In 1998, referendums were passed in Scotland and Wales, inaugurating a new era in British politics. The implementation of devolution led to a reconfiguration of the British constitution; indeed, some have argued that the policy package implemented by the Labour Party at the time was the most important since the Reform Acts of the nineteenth century.[1] This is interesting because for most of the twentieth century the British left tended to view devolution as incompatible with socialist aims to take democratic control of the commanding heights of the economy, and particularly after World War II as inconsistent with Keynesian demand management. Anything but a centralized approach to social policy and economic planning was a threat to a key pillar of the welfare state, namely the uniform provision of social services across Britain. However, things shifted by the late 1990s when the Labour Party sought devolution as the key to what they called 'modernization'. The economic context had changed, and the era was dominated by a new paradigm committed to supply-side economic policies influenced by new right-wing thinking and neoclassical economics, which encouraged among other things the downloading of responsibility to other levels of the political system. But within the ranks of the left, devolution was also increasingly held in esteem for its potential to further democratize British government and placate regional populations unhappy with the

[1] See Vernon Bogdanor, *Devolution in the United Kingdom* (Oxford: Oxford University Press, 1999).

methods of governance employed by the Conservative Party led by Margaret Thatcher and John Major.

By contrast, the right had traditionally viewed devolution, for the most part, as inconsistent with the sovereignty and security of the national level, though there was some scattered right-wing support for Scottish Home Rule. Overall, British-ness rather than regional identity was more relevant to the Conservatives. Even by the time that devolution became law in the late 1990s, decentralization of this magnitude was being opposed by the political right for its potential to break up the state. However, over time the Conservatives have come full circle regarding devolution. Now they also view it as an engine for Britain's economic competitiveness in a global economy, consistent with the view that regions are economic innovators. Moreover, devolution deals between local and national authorities are now being negotiated by recent Conservative-led governments.

Even though the postwar political system was dominated by two parties and showed no signs of letting up, Britain in the twenty-first century boasts a regionalized union state that is contested at the margins by multiple parties. Scotland, Wales and Northern Ireland have their own elected legislatures, accountable to regional populations and with alternative electoral systems that differ from what is used at the national level. These institutional reforms are no small feat considering that similar reforms fell short in 1979 when Scotland and Wales were unable to secure devolution via referendums. The failure at that time is somewhat surprising when we reflect on the decline of two party dominance at the national level in the 1970s, amid what appeared to be intractable economic decline and a concomitant rise of nationalist politics in the form of a dramatic legislative breakthrough for the Scottish National Party and Plaid Cymru. Yet it was roughly twenty years *after* these events took place that constitutional reform was finally secured, at a time when

nationalist voting had declined. All of which makes devolution both a fascinating and a perplexing phenomenon to consider.

Political scientists tend to regard constitutions and institutions as difficult to change, which begs the question: why and how does the dispersal of power like devolution take place? Some studies have attempted to shed light on this question but often approach it in a way that describes decentralization as an inevitable byproduct of an inexorable economic and technological transformation (globalization) that is external to partisan struggle.[2] Economic factors and the possible politics behind them have been given much less attention. More broadly, the common themes associated with designing new institutional means of decision-making tend to fall into one of four categories: pluralistic group activity/demands for a more inclusive political system; the need to find new functional methods to govern advanced industrial societies; local as well as regional dissidence produced by social movements and political actors; and sheer political will and the strategic calculations made by political parties in power.

Aspects of Britain's recent devolution are clearly unique to the UK. A major reason for this is the historic asymmetry of regional institutions responsible for social, economic and urban development. Not all regions can be considered equal when it comes to devolved political and fiscal powers, either now or in the past. There is also a history of peripheral resistance by Scotland, Wales and Ireland that has influenced the politics of place and identity in the United Kingdom.[3]

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[2] In addition, taxonomies of decentralization and devolution have appeared without reference to the contexts of political, social and economic contestation, focusing instead on the 'politico-administrative' features of devolution. See Paolo Fedele and Edoardo Ongaro, "A Common Trend, Different Houses: Devolution in Italy, Spain and the UK," *Public Money and Management* 28, 2 (2008).

[3] See Michael Keating, *State and Regional Nationalism: Territorial Politics and the European State* (London: Harvester Wheatsheaf, 1988); and James Mitchell, *Devolution in the UK* (New York: Manchester University Press, 2009). Interestingly, recent commentary has claimed that Scottish nationalism as we know it today began in the 1960s and 1970s, achieving maturity in the 1980s and 1990s. This nationalism was not seeking independence to defend ancestral culture. Rather, it was a left-leaning political mechanism to protect against neoliberalism. See Ben Jackson, "The Political Thought of Scottish Nationalism," *The Political Quarterly* 85, 1 (2014): 50.

At the same time, the UK's recent devolution is in line with an international trend towards decentralization – as in the political, administrative and/or fiscal authority granted to regional and/or local levels – which makes it an interesting case for comparison. Much work has been done attempting to explain how and why political reform has been occurring across the world in terms of the partisan motivations and contested relationships involved in designing and reforming political institutions.[4] Here a deep examination of the reasons reform has occurred in the United Kingdom can then be brought into dialogue with this broader comparative work. Accordingly, this dissertation will examine devolution as a case study of this Western trend of decentralization and its relation to broader questions of institutional and democratic reform, focusing on Britain from the postwar period to the present, with attention to the overlooked role of political economy.

Why Study Devolution and Decentralization?

With modern democratic states like Britain being restructured, scholars have been examining new and previously under-appreciated forms of institutional organization including devolution (as a type of decentralization), drawing attention to the changing spatial characteristics of state power and democratic politics. Expanding literatures have sought to decenter the entrenched role of the national scale as the predominant locus for state activities and question the internal coherence of national economies and civil societies.[5] Broadly speaking, the examination of decentralization is relevant given the dramatic changes that many Western states have undergone in recent decades.

4 For example, see Patrick Heller, "Moving the State: The Politics of Democratic Decentralization in Kerala, South Africa, and Porto Alegre," *Politics & Society* 29, 1 (2001); Stephanie L. McNulty, *Voice and Vote: Decentralization and Participation in Post-Fujimori Peru* (Stanford: Stanford University Press, 2011); and Yves Mény, "The Political Dynamics of Regionalism: Italy, France, and Spain," in *Regionalism in European Politics*, ed. Roger Morgan (London: PSI, 1987).

5 Neil Brenner et al., "Introduction: State Space in Question," in *State/Space: A Reader*, ed. Neil Brenner et al. (UK: Blackwell Publishing, 2003), 3.

In the 1960s, regions became an important basis for administrative and political mobilization across Western countries. The literature points out that the 1970s marked the beginning of a decisive turn towards the creation of intermediary levels of government. This phenomenon has been referred to as the rise of 'meso' government. Just as democratization has been said to occur in waves starting with developed and then in developing countries, the first wave of post–World War II thinking on decentralization focused on what has been termed the de-concentration of hierarchical government structures, namely the implementation of regionally administered outposts of the national bureaucracy. The second wave of decentralization, beginning in the mid-1980s, broadened the concept to include political power sharing, democratization, and market liberalization, expanding the scope for private sector decision-making. During the 1990s decentralization was a way of opening governance to wider public participation through organizations of civil society.[6] Clearly, some of these aims have proven to be in tension with others, like market liberalization and increased public input.

There are many possible examples of institutional reform that could be described as decentralizing or de-concentrating political, and/or fiscal power. For example, a decentralizing thrust was observed in Latin America in the 1980s and 1990s when reforms swept across almost every country in the region. It was claimed that such changes were implemented to strengthen the role of local and regional governments. At the same time, national governments were also abandoning various social programming efforts in favour of more neoliberal approaches to policy. Ultimately, the experiences in Latin America were not isolated; by the mid-2000s sixty-three out of the seventy-five countries with a population of five million or more across the world came to

[6] Shabbir G. Cheema and Dennis A. Rondinelli, "From Government Decentralization to Decentralized Governance," in *Decentralizing Governance: Emerging Concepts and Practices*, ed. Shabbir G. Cheema and Dennis A. Rondinelli (Harvard University, 2007), 2-3.

experience some degree of decentralization since 1980.[7] Many of these countries underwent transitions to elected governments in the 1980s and 1990s. Therefore, after more than two decades - that is, the 1940s and the 1950s - of increasing centralization of government power and authority in both more developed and less developed countries, governments around the world began, during the 1960s and 1970s, to decentralize their hierarchical structures.[8] Connected to the creation of a regional level of government has been an emerging trend in municipal authorities to directly elect mayors. Moreover, localism has arisen in the context of bureaucratic reform and local government modernization, which claims to empower individuals as consumers of public services. Yet this new localism tends to paper over deep ideological differences between neoliberal and social democratic understandings of the role of the public domain.[9]

In addition, intermediate government has figured at the supra-national level, initially just in Western Europe. But with the fall of the Eastern Bloc it has since become a broader European phenomenon. This was in part due to the consolidation of the European Economic Community in the 1970s, and especially in the mid-1980s when funds provided by the supranational level enhanced regional consciousness in peripheral areas. This bound subnational institutional developments to the concomitant economic growth and expansion of the European community.[10] More recently, member states in the European Union (EU) comprising nearly 90% of the

[7] Andrew Selee, "Exploring the Link between Decentralization and Democratic Governance," in *Decentralization and Democratic Governance in Latin America,* ed. Joseph S. Tulchin et al. (United States: Woodrow Wilson International Center for Scholars, 2004), 3.
[8] Cheema and Rondinelli, "From Government Decentralization to Decentralized Governance," 3.
[9] Kevin Morgan, "The Polycentric State: New Spaces of Empowerment and Engagement?," *Regional Studies* 41, 9 (2007): 1245.
[10] L. J. Sharpe, "The European Meso: An Appraisal," in *The Rise of Meso Government in Europe,* ed. L. J. Sharpe (London: Sage, 1993), 2.

population have seen some level of decentralization.[11] Extra-constitutional relations in the form of supranational bodies and alliances is often pursued in connection to the liberalization of trade.

The global shift in the transference of power, authority and resources to supra/subnational levels of government indicates that few spaces around the world remain untouched. This begs the question: how does the altering of political institutions impact the substance of politics? This is important because assertions are often made about the connection between political reform and the enhancement of democratic processes. In fact, decentralization is often synonymously linked to the concept and practice of subsidiarity, in which political decisions are made as close as possible to the level on which they have immediate impact.[12] In an age where we hear a great deal about democratic governments suffering from democratic deficits, facing increasingly apathetic publics, the idea of restructuring state or democratic institutions into new political tiers that would potentially bring democracy to levels where citizens can interact more directly with politicians might seem to be something prized and actively sought after.

However, others like Mark Purcell consider this the "local trap," namely the problematic assumption that decentralization automatically leads to democratization.[13] Indeed, there are various concerns that come with the local scale: decentralization for some is an impediment to the achievement of both program and horizontal policy goals, threatening equality before the law. To be sure, areas that are unable to handle complex problems may require large public agencies for implementation. This draws attention to the fact that even if elites are committed to decentralization at subnational levels, new laws and regulations need to be implemented along

[11] Andrés Rodríguez-Pose and Nicholas Gill, "The Global Trend Towards Devolution and Its Implications," *Environment and Planning C: Government and Policy* 21 (2003): 337.
[12] Michael J. Goldsmith and Edward C. Page, "Introduction," in *Changing Government Relations in Europe: From Localism to Intergovernmentalism,* ed. Michael J. Goldsmith and Edward C. Page (Abingdon: Routledge, 2010)*,* 10.
[13] Mark Purcell, "Urban Democracy and the Local Trap," *Urban Studies* 43, 11 (October 2006): 1926.

with redeployed personnel and rechanneled resources to achieve institutional capacity building. Moreover, decentralization might reinforce or revive local power structures that centralized government may have been designed to control. In developing countries especially, issues about the elite capture of devolved power in the form of clientelism have been a common concern. This means that potentially shaking up existing patterns of political control and patronage might be necessary. Of course, this is much easier said than done.

Mediating between claims about the outcomes of decentralization requires an appreciation of history and context. Decentralization always occurs within a wider structure of power dynamics, and the interplay of political forces determines the choice of principles for the drawing of administrative, political and economic boundaries. The autonomy of regional and local levels of government are often partly the consequence of central decision-makers putting restrictions on local jurisdictions, partly a result of a pre-existing institutional structure which limits the agenda of legitimate political action, and partly the product of the structure of social relations which state institutions are designed to sustain. Subnational levels may develop degrees of autonomy and contradict these structures of social and political relations, but the extent to which local political institutions might challenge these structures depends on both mobilization and allies.[14] Where power resides spatially is political and is often the product of antagonistic political struggle.

Decentralization thus provides the potential to reorganize how political power is wielded at different levels of the state. It opens room for exploring multiple spaces of contestation between central, regional and municipal levels, including the extent to which democratic institutions have or have not changed over time. However, why political restructuring in the form of decentralization takes place needs to be more thoroughly examined. This is relevant because understanding *why*

[14] B. C. Smith, *Decentralization: The Territorial Dimension of the State* (Winchester: George Allen & Unwin Ltd., 1985), 203-205.

political reform and institutional decentralization happens connects to *how* states and democracies are changing. As argued below, the major approaches to understanding why decentralization takes place are limited in their ability to capture the connections between political actors, civil society relations and economic environments.

Why Does Decentralization Occur?

The literature on why decentralization occurs falls into four areas: pluralism, functionalism, centre-periphery struggles, and the rational actor model. In the first group, civil society groups mobilize to achieve a more representative and inclusive political system. Decentralization is implemented to ensure more legitimate and accountable relations between government and citizen interests, by making new spaces for democratic decision-making accessible to the public. An example of pluralism in connection to decentralization is observed in Robert Putnam, Robert Leonardi, and Raffaela Nanetti's (1993) book *Making Democracy Work: Civic Traditions in Modern Italy*. The authors find that in regions where civic action is strong, leaders partake in horizontal versus hierarchical political relations. This is because "government institutions receive inputs from their social environment and produce outputs to respond to that environment."[15] Thus, the authors claim that bottom-up civic participation in local social networks determines both the quality as well as the variations of different political and legal institutions. However, as I have argued elsewhere, we also need to account for the fact that political actors simultaneously impact the capacity of civil society top-down, often by redesigning subnational institutions.[16]

[15] Robert D. Putnam, Robert Leonardi, and Rafaella Nanetti, *Making Democracy Work: Civic Traditions in Modern Italy* (United States: Princeton University Press, 1993), 9.
[16] Nick Vlahos, "The Politics of Subnational Decentralization in France, Brazil and Italy, *The Journal of Public Deliberation* 9, 2 (2013): 5, 12.

The second group considers geographic as well as population pressures as consequential for government structure, such that countries with large populations are more likely to decentralize functions to subnational governments in order to oversee tax obligations, and implement various policy measures.[17] Functionalist arguments also assert that decentralization (in the post-war period) has been a response to pressures originating in the administrative overload of the central state.[18] As a result, local governments are rationalized as service providers, and meso governments now typically seen in regions have been established in many countries. Scholars adopting this approach also tend to highlight how globalization and European integration force governments to recognize the limitations and constraints of central economic planning and management. Thus, functionalists consider decentralization necessary to produce a more efficient organizational model of public service delivery.[19] Changes are therefore held to occur because they serve to make things work better. But that assumes rather than explores what any given institutional goals might be. The problem with functionalist and modernizing discourses are that they neglect how institutional restructuring is a political project in the service of class and partisan objectives. Decentralization is but one manifestation of political struggle.

For the third group, decentralization arises from centre-periphery cleavages and the push from below by (regional) parties and social movements. The groups commonly cited are those linked to regional political mobilization including regional nationalisms, linguistic minorities and ethno-regionalist parties. Research indicates that ethnic nationalism creates pressure on the state to relinquish decision-making powers; the electoral threat of regionalist parties generates the clout

[17] Liesbet Hooghe and Gary Marks, "Beyond Federalism: Estimating and Explaining the Territorial Structure of Government," *Publius* 43, 2 (2013): 197; Sharpe, "The European Meso: An Appraisal," 9.
[18] Maurizio Ferrera, *The Boundaries of Welfare: European Integration and the Politics of Social Solidarity* (Oxford: Oxford University Press, 2006), 170.
[19] Piattoni, *The Theory of Multi-Level Governance*, 7.

necessary to push national parties towards decentralization as a means of policy appeasement.[20] Studies also examine peripheral mobilization through a party lens, namely the ethno-regionalist challenges to centralization and how these reflect the territorial dimension of party politics. Research on this territorial dimension points out that culturally distinct peripheries are trying to defend their minority culture against the encroachment of state- and nation-building policies. Nevertheless, it is important to point out that more than one explanatory approach is needed to fully understand how certain cleavages can produce political devolution or decentralization. Indeed, shifts in the territorial distribution of political power may have as much to do with political struggle for resources as they do with identity.[21] Moreover, countries vary, with some having strong regional parties but weak regional cleavages, or the opposite. As a result, regional cleavages do not automatically translate into party systems, and even where they do, the political pressure applied by regional parties is often not enough to cause a country to decentralize.[22]

Lastly, there are those who argue that strategic choices by political parties determine the issues that land on the political agenda and their salience in public debates. Based on Anthony Downs's median voter model, decentralization could be a rational act aimed to maximize electoral possibilities. In other words, by calculating the electoral tradeoffs, a party in power weighs the risks involved in institutional change. In the case of devolving power, this would involve giving up some influence over national power for the opportunity of competing for decentralized power

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[20] Simona Piattoni, *The Theory of Multi-Level Governance: Conceptual, Empirical and Normative Challenges* (Oxford: Oxford University Press, 2010), 7; Emanuele Massetti and Arjan Schakel, "Ideology Matters: Why Decentralization Has a Differentiated Effect on Regionalist Parties Fortunes in Western Democracies," *European Journal of Political Research* 52 (2013): 797. Bonnie M. Meguid, "Institutional Change as Strategy: The Role of Decentralization in Party Competition" (paper presented at the Annual Meeting of the American Political Science Association, Cornell University, 2008), 3.

[21] Jonathan Hopkin, "Political Decentralization, Electoral Change and Party Organizational Adaptation: A Framework For Analysis," *European Urban and Regional Studies* 10, 3 (2003): 228.

[22] Sonia Alonso, *Challenging the State: Devolution and the Battle for Partisan Credibility: A Comparison of Belgium, Italy, Spain, and the United Kingdom* (Oxford: Oxford University Press, 2012), 26; Dawn Brancati, "The Origins and Strengths of Regional Parties," *British Journal of Political Science* 38 (2007): 135.

in the future and the possibility of winning future elections at both levels.[23] Moreover, political calculations are taken in the context of path-dependent and internal institutional dynamics influenced by William Riker's political party model. Here decentralization results from the difference in levels of political party centralization and national party strength.[24] Rational actor perspectives also see politics as occurring within an institutional status quo, with rules governing policy, spending, and the way taxable powers are distributed between levels of government. Equilibrium defines this state of affairs and decentralization entails renegotiating a new one. Change only occurs when some disturbance upsets this equilibrium. But what causes such disturbances? Here rational choice approaches offer only weak, essentially anecdotal reasons, which basically amount to suggesting that it was in somebody's self-interest to seek change. While veto-player accounts deny that decentralization is carried out by benevolent leaders, they tend to assert how self-interests override more cleavage-based objectives. Yet cleavage-based approaches have a lot to recommend in terms of understanding where the dynamic tension fueling change comes from. In fact, new theorists of decentralization are being encouraged to go beyond studies of median voter models to better understand institutions and politics.[25]

Contrary to assertions about the effects of post-industrialism and the de-alignment of class voting, class politics in industrialized societies and the social structural bases of politics, are still empirically supported and debated.[26] Class has defined the process of political institutional reform

[23] Kathleen O'Neill, "Decentralization as an Electoral Strategy," *Comparative Political Studies* 36, 9 (2003): 1074-1075.
[24] R. Enikolopov and E. Zhuravskaya, "Decentralization and Political Institutions," *Journal of Public Economics* 91 (2007): 2265; Christopher Garman, Stephan Haggard and Eliza Willis, "Fiscal Decentralization: A Political Theory with Latin American Cases," *World Politics* 53 (January 2001): 212, 234.
[25] Jonathan Rodden, "Federalism and Decentralization: On Meaning and Measurement," *Comparative Politics* 36, 4 (2004): 494.
[26] G. Evans, "The Continued Significance of Class Voting," *Annual Review of Political Science* 3 (2000): 413. Much of the current spate of scholarship still revolves around the use of class as a relevant way to understand democratic and welfare state politics. See for example J. P. Allan and I. Scruggs, "Political Partisanship and Welfare State Reform in Advanced Industrial Societies," *American Journal of Political Science* 48 (2004): 496-512; Michael R. Alvarez,

over different historical periods because of the tensions inherent in establishing and then maintaining the capitalist form of democracy that emerged in Western countries.[27] For Colin Leys, there is a significant connection between the capital-labour relationship and the discussion of political parties and actors: "the short and long term changes which are constantly occurring in the capital-labour relation, interacting with political leadership and organization and the effects of ideological struggles, have affected the political significance of the class system in Britain in decisive ways."[28]

However, parties should not be reduced to their class base. Class interests are not ahistorical givens, but are rather historically constructed by movements, organizations and leaderships that act in particular contexts and entail possible alliances or oppositions.[29] There is nothing immutable in the relation of class to party, as broad social and economic trends are able to alter the ties of class to party. Recognizing this nearly fifty years ago, David Butler and Donald Stokes argued that the emphasis of classes in relation to political parties has shifted from the maintenance of established traditional allegiances to the articulation of new grounds for party alliance.[30] This dissertation accounts for the way political parties and actors adapt to shifting political circumstances over time by focusing on the redesign of political and democratic institutions.

Geoffrey Garrett and Peter Lange, "Government Partisanship, Labor Organization, and Macroeconomic Performance," *The American Political Science Review*, 85, 2 (1991): 539-556; Richard Clayton and Jonas Pontusson, "Welfare-State Retrenchment Revisited: Entitlement Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies," *World Politics* 51, 1 (1998): 67-98; Walter Korpi and Joakim Palme, "New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries, 1975-95," *American Political Science Review* 97, 3 (2003); Hyeok Kwon and Jonas Pontusson, "Globalization, Labour Power and Partisan Politics Revisited," *Socio-Economic Review* 8 (2010): 251-281: Elinor Scarbrough, "West European Welfare States: The Old Politics of Retrenchment," *European Journal of Political Research* 38 (2000): 225-259.

[27] Dennis Pilon, *Wrestling with Democracy: Voting Systems as Politics in the 20th Century West* (Toronto: University of Toronto Press, 2013), 230.

[28] Colin Leys, *Politics in Britain: An Introduction* (London: Heinemann Educational Books Ltd., 1984), 131-132.

[29] Evelyne Huber, Dietrich Rueschemeyer and John D. Stephens, "The Impact of Economic Development on Democracy," *The Journal of Economic Perspectives*, 7, 3 (1993): 75.

[30] David Butler and Donald Stokes, *Political Change in Britain: Forces Shaping Electoral Choice* (New York: St. Martin's Press Inc., 1969), 95; Leys, *Politics in Britain*, 145.

Ultimately, political parties and actors need to be studied over long periods of time in order to understand how as organizations aim to defend specific interests, they formulate programmes that reach beyond the class whose interests initially inspired it, and adapt to changing contexts.[31] Though decentralization is often viewed as a phenomenon associated with the protection of power, social relations flowing out of capitalist development are often taken for granted. The result is that less of a focus is given to the way that the contradictions of capitalism and economic governance are reflected in the outcomes of intra- and inter-state political restructuring. Decentralization should be linked with the reasons collective actors seek to develop or limit political and economic institutions at different levels of the state to regulate political-economic conflict. The next two sections will elucidate the aspects of the political economy of scale research that this dissertation builds upon and adds to, i.e. the ways in which the scaled organization of political-economic institutions under capitalism are socially produced and transformed and how this helps understand the British political struggle over devolution.

An Alternative Analytical Approach to Studying Decentralization

This dissertation uses a political economy of scale approach to address why decentralization happens (how this particularly relates to British devolution is followed up in the method section below). The analytical parts include: redefining how decentralization should be examined, explaining why the politics of scale is relevant to the study of decentralization, and, lastly, describing the contested social relations involved in scale production and reproduction. In this approach, both centralization and decentralization are inter-related facets of the politics of scale.

[31] Leys, *Politics in Britain*, 143-144.

Actors at different scales of the state are implicated in either the maintenance or redesign of economic and political decision-making institutions at the local, regional and national level. Fully grasping this requires a different framework for examining decentralization and institutional reform.

A sizeable portion of the broader literature tends to view decentralization as a partisan choice to implement at the national level alone.[32] It is also common to see attention given to just one form of decentralization, even though it does not simply consist of the government-to-government transfer of either fiscal or political powers to some alternative or new subnational level. Countries that are (in the process of being) structured around multiple tiers of governments may not have symmetrical constitutional powers, the same legislative capacities or electoral and party dynamics, equal fiscal revenue generating authority, or developed public administrations. This tends to produce uneven institutional outcomes.

A fruitful way to approach this topic is to draw from scholarship that recognizes the need for studying the links between both centralization and decentralization. In this sense, decentralization is part of a continuum of institutional reform that encompasses *both* centralization and decentralization. This implies a change in perspective, towards focusing on the political system as a whole.[33] To do this, the study of decentralization should avoid reifying newly restructured state levels as fully completed projects. Rather, decentralization consists of new or any altered means of political and fiscal authority that get implemented by incumbent or incoming governments and the often-ongoing struggles to influence these by opposition actors.

[32] Pedro Camões, "Political Decentralization in Western Europe and The Dynamics of Institutional Change: An empirical Analysis" (paper presented at the EGPA Conference, Toulouse, September 8-10, 2010), 11.
[33] Sean Mueller, *Theorising Decentralization: Comparative Evidence from Sub-National Switzerland* (ECPR Press, 2015), xxiii.

This requires going beyond path-dependent 'high' politics at the national level of the state. Political scientists have asserted in the not-so-distant past that the state possesses sovereign control over its territorial borders, meaning it is self-enclosed and that state-level actors constitute the units of the global system.[34] This leads into a binary distinction between domestic and foreign, where the national scale is a fixed part of the modern international system and a static foundation for political and economic life.[35] By contrast, scholars in the field of geography have created a useful heuristic for examining the state in terms of a set of social relations between competing scales of the state. Here the politics of scale begins with the core assumption that scales (i.e. national, regional, local and supranational) are not territorially fixed and timeless but are instead made and remade.

The object of this analysis is to deconstruct rather than reify; this begins by analyzing institutions as complex phenomena, whose reproduction is always incomplete and coevolves with other emergent phenomena.[36] Seeing the state as a political process in motion allows for an examination of the role of political strategy in the production of new sites of governance.[37] Therefore, scales do not exist outside of the social relations that sustain them, thus empirical analysis should not treat scales as institutionally separate from each other but rather as intertwined dimensions continuously being struggled over and reworked.[38]

All scales of the state – meaning local/municipal, regional/provincial, and national levels – can and do change. What this dissertation intends to do is examine how scales of the state in the

[34] John Agnew, The Territorial Trap: The Geographical Assumptions of International Relations Theory, Review of International Political Economy 1, 1 (1994): 59.
[35] Brenner et al., "Introduction: State Space in Question," 3.
[36] Bob Jessop, "Institutional re(turns) and the Strategic-Relational Approach," *Environment and Planning A* 33 (2001): 1230.
[37] Mark Goodwin, Martin Jones and Rhys Jones, *Rescaling the State: Devolution and the Geographies of Economic Governance* (Manchester: Manchester University Press, 2012), 13, 16.
[38] Becky Mansfield, "Beyond Rescaling: Reintergrating the National as a Dimension of Scalar Relations," *Progress in Human Geography* 29 (2005): 468.

UK are changing over the post-war period, from sustaining a centralized national orientation to moving in a more decentralized direction. It is important to note that the active design and re-working of political scales does not automatically equate to decentralization. Demands for pluralistic forms of inclusion in the political system are not simply capitulated to whenever mobilization from below is high. Decentralization demands are met with countervailing tendencies, some of which are centralizing. Scales consist of various interconnected institutional apparatuses and the actors that use them for some form of decision-making and implementation of their goals. When examining change at any given scale, different territorial scales, local/regional political parties, government/bureaucratic officials, as well as social movements, need to be considered all together as potentially part of the process of contesting governance and influencing institutional change.

Research on state rescaling has opened productive avenues into historical and contemporary issues, but the literature contains methodological and empirical questions that need more systematic consideration.[39] One relevant area that the politics of scale has been slow to pursue is a comprehensive inter-scalar examination of an encompassing political system. Less empirical research has expressly tended to local, regional, national and even supranational reproduction *simultaneously* over an extended period. Conventional accounts tend to focus exclusively on how *one* scale impacts others: selective national state top-down strategies, the regional assertion of political rights, or otherwise the ways in which local government is a political force. Taken separately, these neglect the structuring of interdependence between national and subnational levels.

[39] Neil Brenner, "Open Questions on State Rescaling," *Cambridge Journal of Regions, Economy and Society* 2 (2009): 123.

Emphasis placed on one or two scales may be due to research constraints, as the complexity of integrating local, regional and national scales offers significant difficulties for detailed and consistent analysis. Therefore, there has been the need for more nuanced approaches to the periodization of state spatial development and to operate along multiple temporal and spatial horizons.[40] Yet, this should not deter other academics from designing an integrated approach. In fact, the impacts of institutions which affect interdependence between scales tend to be under-theorized in comparative research, because it is not clearly distinguished from the impact of decentralization.[41]

Another area of the politics of scale that has needed more exploration regards the agents of change. There has been a noticeable lack of focus on the actors involved with rescaling; the role of party politics for example has been significantly neglected in the politics of scale.[42] Speaking to this, Rhys Jones claims that devolution represents an opportunity to study the role of people in reproducing and transforming UK state forms. He argues that prominent scholars have failed to elaborate on the human actors who have been involved in political transformation.[43] All of this raises the issue of how political actors and parties have in the past and currently are strategically maneuvering themselves nationally and sub-nationally. It is vital, then, to make clear who the actors are in contesting the politics of scale. Specifying the interests or ideological objectives they are seeking also matters.

To this end, this dissertation builds on critical democratization/institutionalism literature, drawing from its political economy emphasis on the factors pushing the (re)formation of political

[40] Brenner et al., "Introduction: State Space in Question," 21.
[41] Nicole Bolleyer and Lori Thorlakson, "Beyond Decentralization – The Comparative Study of Interdependence in Federal Systems," *Publius: The Journal of Federalism* (2012): 2.
[42] Mueller, *Theorising Decentralization*, xxiii; Kevin Cox, "Rescaling the State' in Question," *Cambridge Journal of Regions, Economy and Society* 2 (2009): 115.
[43] Rhys Jones, *People/States/Territories* (Singapore: Blackwell Publishing, 2007), 13, 146.

and democratic institutions. This literature approaches democratic politics as a relational struggle involving structurally unequal agents, particularly different collective actors. Critical democratization scholars argue that democracy involves the distribution and use of power, and power relations determine whether democracy emerges, stabilizes, and maintains itself.[44] Göran Therborn notes that modern democracy was no accident of history, but arose out of the contradictions of capitalism, i.e. the basic struggle between capital and labour is what carried representative institutions beyond the boundaries of the ruling class.[45] In the capitalist nation-state the major arenas of struggle have often been parliamentary institutions where citizenship rights are significantly contested.[46] Political parties emerged as mediators in the installation, delaying, and/or consolidation of democracy, where strong parties were used for mobilizing the democratic pressures coming from subordinate classes against bourgeois and aristocratic classes.[47]

Critical theorizing about democracy has sought to counter mainstream theorizing about political institutions, which is often isolated from the larger social environments they exist in. Historic campaigns in the twentieth century between left and right are often unaccounted for in mainstream social science, and emphasize the actual differences in the left and right's core views of what they think democracy should be, and how both are affected by the actions of the other.[48] For Jonas Pontusson it is not simply that institutions matter, but that underlying structured and unequal relationships actually *shape* the configuration of institutions. Structural power relations and variable interests are essential to understand the politics of institutional change, such that economic and political development cannot be examined in isolation from each other. Ultimately,

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[44] Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), 5, 51.
[45] Göran Therborn, "The Rule of Capital and the Rise of Democracy," *The New Left Review* (1977), 32, 34.
[46] See Geoff Eley, *Forging Democracy: The History of the Left in Europe 1850-2000* (Oxford: Oxford University Press, 2002).
[47] Rueschemeyer, Stephens, and Stephens, *Capitalist Development and Democracy*, 9.
[48] Pilon, *Wrestling with Democracy*, 77.

understanding changes in policy paradigms and political-economic institutions cannot be comprehensively understood without some analysis of capitalism and its dynamics.[49]

This approach to understanding democratization fits with an examination of decentralization and the politics of scale but would focus more on the reasons why institutional and democratic reform are connected to the way state scales are configured. Where this dissertation departs from these critical scholars is by examining other facets making up the modern democratic state, such as territorial politics. For Jim Bulpitt, territorial politics is the arena of political activity concerned with relations between central political institutions in the capital city and those interests, communities, political organizations and governmental bodies that are outside of the central institutional complex but within the boundaries of the state.[50] Hence, territorial restructuring is conceived as changing patterns of relationships among levels of government to the extent that tiers of government may be created or abolished, and autonomy may be deepened or revoked.[51]

Just as struggles that politicize economic and social cleavages can be informed and affected by institutions like party and electoral systems, so are institutional rules regarding the design of political decision-making powers at different levels of the state. This is very clearly the case with the asymmetry of devolved powers in Britain that were included in the failed referendum packages in 1979. It was present again but this time successful, in the 1997 reforms, which devolved some authority over various administrative responsibilities to certain regions while simultaneously entrenching many of the traditional powers of the central government. In the current period, Matthew Flinders underlines the politics behind the recent reforms, noting that "from an empirical

[49] Jonas Pontusson, "From Comparative Public Policy to Political Economy: Putting Political Institutions in their Place and Taking Interests Seriously," *Comparative Political Studies* 28 (1995): 124.
[50] Jim Bulpitt, *Territory and Power in the United Kingdom: An Interpretation* (Manchester: Manchester University Press, 1983), 139.
[51] Simon Toubeau and Emanuele Massetti, "The Party Politics of Territorial Reforms in Europe," *West European Politics* 36, 2 (2013): 300; Liesbet Hooghe et al. *The Rise of Regional Authority: A Comparative Study of 42 Democracies* (Abingdon: Routledge, 2010), 41.

perspective there is a naïve assumption that (New) Labour's reforms represent a fundamental reform of the British constitution and democracy; it is worrying that it is assumed that several pieces of constitutional legislation have amounted to fundamental reform of British democracy."[52]

Thinking about changes to the state and democratic institutions requires a consideration of the economic imperatives created by capitalism and how these impact constitutional debates and reform. In Britain, funding formulas, the control of finance and macro-economic policy is important to this equation. Spatial concerns tend to be marginal except where they can be subordinated to national economic policy aims like productivity, growth, and public-sector efficiency.[53] These last few points draw our attention to an under-examined social and relational facet of the politics of scale and decentralization. In this sense, I draw from scholars like Jamie Gough, who argue that social relations operate at every scale and there are essential relations between these scales. Social relations at a given scale are always structured by processes and actors at other scales. With the different construction of social relations at various scales, reforms may be used by social actors to modify those relations.[54] In this perspective, understanding the state through a lens of the territorialization of political power will require an historical examination of the geography of capitalism.[55]

In the context of Britain, what that boils down to is that capitalist reproduction has tended to be an uneven process, with development in one area causally linked to underdevelopment in another.[56] Indeed, the territorial nature of the British economy has long been one of its defining

[52] Mathew Flinders, "Majoritarian Democracy in Britain: New Labour and the Constitution," *West European Politics* 28, 1, (2005): 62.
[53] Andy Pike and John Tomaney, "The State and Uneven Development: The Governance of Economic Development in England in the Post-Devolution UK," *Cambridge Journal of Regions, Economy and Society*, 2 (2009): 13-34.
[54] Jamie Gough, 'Changing Scale as Changing Class Relations: Variety and Contradiction in the Politics of Scale,' *Political Geography* 23 (2004): 187-188.
[55] Goodwin, Jones and Jones, *Rescaling the State*, 13.
[56] Duncan and Goodwin, *The Local State and Uneven Development*, 62.

features, where the City of London and the economy of the South East has been the most prosperous region because it is the home of the country's financial sector and the associated services and industries it draws. London and the South East were entrenched as the financial and economic powerhouse of the state at a time when the British Empire was at its height. This was also consolidated alongside the presumptions of Westminster being the principal locus of power.[57] The boost that was given by finance capital to the position of London and to the centralization of power, population and wealth also coincided with the relative weakness of the agricultural and manufacturing sectors in the peripheral regions.[58] Spatially differentiated patterns of income and employment are reflected in London and the South East by the much higher concentration of corporate assets, research and development money, and high skill jobs. Moreover, the South East is the chief source of inflationary pressure with monetary policy being determined for the UK in this region.[59] The territorialization of politics thus tends to be structured along the dominant class cleavage in capitalist societies.[60]

As a result, the spatial unevenness of class relations in the UK has been caused by different labour processes and diverse forms of capital ownership depending on the time of development, the preceding social and cultural relations predominating in the territory, and the remoteness from centres producing commodities.[61] The political economy of scale can explain this in terms of

[57] Jonathan Bradbury, "British Political Parties and Devolution: Adapting to Multi-Level Politics in Scotland and Wales," in *Devolution and Electoral Politics*, ed. Dan Hough and Charlie Jeffery (Manchester: Manchester University Press, 2006), 3.
[58] Andrew Gamble, "State, Economy and Society," in *Fundamentals in British Politics,* ed. Ian Holliday et al. (New York: St. Martin's Press, 1999), 34.
[59] Kevin Morgan, "Devolution and Development: Territorial Justice and the North-South Divide," in *Devolution, Regionalism and Regional Development: The UK Experience*, ed. Jonathan Bradbury (Abingdon: Routledge, 2008), 152.
[60] Kevin Cox, "The Territorialization of Politics and What Happened in Western Europe" (paper presented at the International Political Geography Colloquium, Reims, France, April 2, 2008), 5, 8.
[61] Philip Cooke, "Radical Regions? Space, Time and Gender Relations in Emilia, Provence and South Wales," in *Political Action and Social Identity: Class, Locality and Ideology*, ed. Gareth Rees et al. (London: Macmillan Press, 1985), 20.

spatial and territorial politics by examining specific locational (i.e. local, regional and national) patterns of economic, political and social activity in capitalist society. Interpreted through a political economy lens, the politics of scale consists of a) the spatial workings of capitalist commodity production and the process of accumulation, and b) the concomitant antagonistic class relation between capital and labour, which includes the role of the state in mediating this antagonism and securing the framework for capitalist development.[62]

Ultimately, the impact of the economy in the structuring of decentralized institutional reform contests at national, regional and local scales leads into larger constitutional debates about devolution and ultimately democracy. Post-war democratic theory and comparative analysis has revolved around a stable theory of democracy premised on the democratic method developed by Joseph Schumpeter, American pluralism vis-à-vis Robert Dahl, and Seymour Lipset's modernization theory. This dissertation unpacks some of the staple features of postwar analysis regarding democracy and democratization and uses devolution to nuance mainstream academic debates. Democracy, as the most prominent mainstream academics assert, includes sovereign power vested in elected bodies that are territorially centered at the national level. Yet, asserting from the outset that democracy primarily equals the procedures related to voting and elections, obscures the politics involved with its development, naturalizing what is historically messy and without fixed (territorial) boundaries or (institutional) content.[63]

The emphasis on national level representative institutions has been more than a mere omission of the subnational for reasons related to research design. The fact of the matter is that modernization theory and its concomitant in the democratic method has been just as much a

[62] Gareth Rees and John Lambert, *Cities in Crisis: The Political Economy of Urban Development in Post-War Britain* (London: Edward Arnold, 1985), 22.
[63] Pilon, *Wrestling with Democracy*, 4.

political project as it was an academic one. For example, Seymour Martin Lipset claimed that "democracy and the conditions related to stable democracy […] are essentially located in Northwest Europe and their English-speaking offspring in America and Australasia."[64] The polities that approximate the model of the modern political system entailed high degrees of urbanization, widespread literacy, high per capita incomes, extensive geographical and social mobilization, commercialization and industrialization of the economy, mass communication media, and the participation of the societal members in social and economic processes.[65]

Mainstream democratic analysis has obscured how there is a complex interplay and tension between different forms of democratic organization, to the point that national legislatures are not the only politicized battlegrounds for conflicts between left and right parties, business interests, trade unions, and pressure groups.[66] Once we recognize the territorial face of the state we see that organizational power struggles take place between scales; central, regional and local governments utilize particular power resources in pursuit of their own objectives.[67] What gets accepted as democratic is the result of political contestation. But this is by no means preordained. Overall, while the democratic method applied to modern nation-states has been declared as established fact, the gritty details of how 'democracy' entails struggles over what it looks like in relation to the geography and scaling of the state tends to be left out of the analytical picture.

If democracy can be restructured, it is up to scholars to discern approaches for examining democratic processes and institutions, especially with an eye to new or additional factors that

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[64] Seymour Martin Lipset, "Some Social Requisites of Democracy," *American Political Science Review* 53, 1 (1959): 85.
[65] James S. Coleman, "Conclusion: The Political Systems of the Developing Areas," in *The Politics of the Developing Areas*, ed. Gabriel A. Almond and James Coleman (Princeton: Princeton University Press, 1960), 523.
[66] Robin Hambleton, "Decentralization and Democracy in UK Local Government," *Public Money & Management* 12, 3 (1992): 10.
[67] Peter Saunders, "Rethinking Local Politics," in *Local Socialism? Labour Councils and New Left Alternatives,* ed. Martin Boddy and Colin Fudge (Hong Kong: Macmillan Publishers Ltd., 1984), 25.

influence the way it is organized. If both the state and democracy can and do change through the same or different processes of restructuring, then generally accepted concepts would have to be reconsidered, particularly if prominent notions formerly held as acceptable are deemed to be unreliable, or just lacking nuance. If that were the case, traditional sources of understanding may not have been appropriate all along. Unraveling where in time and place notions about really-existing democratic formations have potentially misrepresented phenomena they were said to have represented, ultimately falls on alternative forms of analytical understanding.

Taking British devolution as a scaled phenomenon seriously also requires an appreciation of the connection between administration and politics. For Paul Hutchcroft, political-administrative systems are amalgams of structures of authority and power. The former refers to formal rules conferred upon individuals in official capacities, while the latter relates to informal means where incumbents pursue goals that may diverge from formal structures of authority.[68] Yet, considering that voting is not the sole place where power resides, an ability to influence subnational policy-making and gain access to decentralized services of the state depends on many factors.[69] The struggle for power is endemic even in administrative relations, where modern institutions like bureaucracies and political parties are often penetrated by informal patron-client networks that undermine the formal structure of authority.[70] Scholars of legislatures, elections, parties and patronage systems attend to both authority and power. Yet, while formal structures of authority comprise a significant element of political activity, less attention is given to territorial dimensions of power and authority.

[68] Paul Hutchcroft, "Administration and Politics: Assessing Territorial Dimensions of Authority and Power," *Governance: An International Journal of Policy and Administration* 14, 1 (2001): 26.
[69] Smith, *Decentralization*, 191.
[70] Hutchcroft, "Administration and Politics," 27.

This links with scholars who have treated the examination of Britain as a union rather than unitary state. The difference is not merely semantic. In Britain, legal tradition has it that Parliament at Westminster is sovereign, and parties compete to form a majority in Parliament. Parliament is said to represent the state, and its sovereignty has become a deeply engrained ideology. It has been an article of faith that its system of limited accountability and erratic representation of votes, operating within an unwritten constitution, is the highest form of political development; the modern British state has needed to secure the myth of the supremacy of Parliament through political contests with regional actors and municipal governments.[71] A number of academics point out that this is pure fiction, based on myths about citizenship, territorial authority, and political power, which conceals more than it reveals. Reflecting on key attributes contained in The Acts of Union reveal the administrative territorial face of the British state. British politics and administration from a historical point of view was asymmetrically devolved. This makes differences in administrative capacities and responsibilities relevant to understanding competing processes of integration at the centre and decentralization at the periphery. Scotland and Wales for example, have had different connections than England has with Westminster and Whitehall. As such, parliamentary and popular sovereignty at the national level has not been so easily reconciled with Britain's union form.

In another important way, with the 'meso' signaling an important change to the territorial dimension of politics, the necessity for new concepts to understand contemporary events and processes has ignited questions about the role of centre-periphery dynamics in territorial decentralization. The process by which states acquire, consolidate and retain territorial authority

[71] Patrick Dunleavy, "Electoral Representation and Accountability: The Legacy of Empire," in *Fundamentals in British Politics*, ed. Ian Holliday et al. (New York: St. Martin's Press, 1999), 217; Martin J. Smith, "The Institutions of Central Government," in *Fundamentals in British Politics*, 100.

has been controversial. The dominant paradigm of viewing territorial politics has been provided by theories of national integration and assimilation, associated with perspectives of modernity. Ostensibly, national states were formed around centres and were seen to have absorbed peripheries using a national language and educational system, political democracy, as well as a unified economic system spread evenly across state-territories. Yet the so-called diffusion of homogeneity across the territorial state has been unable to explain the wave of peripheral nationalist movements that swept through advanced Western countries. Among these are the Basques and Catalans in Spain, Corsicans in France, the Celts in the United Kingdom, Quebecois in Canada, Flemish and Walloons in Belgium, Sardinians in Italy, and so on.[72]

Following the powerful resurgence of territorial politics, scholars have been interested in explaining the dynamics of regionalism in terms of the political articulation and mobilization of territorial interests. Increasingly, scholars have been examining how decentralization has impacted state-wide party dynamics as well as the denationalization of party systems. The fact of regionalism has not only opened a host of critiques about commonly held assumptions of state sovereignty, but also how to interpret political party dynamics given the challenges made by ethno-nationalist political parties. In terms of why devolution takes place, conventional work asserts that the rise of regional social movements, the expansion of regional politics parties, and the regionalized pattern of majority party support, provide the main pressures to devolve.

What tends to be sidelined from these analyses is the extent to which local politics is a vital part of administrative territorial reform and devolution. To understand why devolution has taken place we need to understand that local and regional politics are inextricably bound together in Britain. Indeed, any study of devolution which neglects adjacent struggles to reform local

[72] Keating, *State and Regional Nationalism*, 1-2.

government is missing a very important piece to the puzzle of devolution. To be sure, local governments have been locked in concurrent struggles with Westminster over the extent of service-delivery functions that each provide. Prior to legislative devolution, councils were the only other domestic arena for party struggle aside from Westminster, such that local councilors were the sole elected representatives other than Members of Parliament.[73] The subnational was not merely the extension of civic participation, but a field of partisan activity, where the local level was a training ground for national politics.[74] A tradition of local government was established in the nineteenth century that asserted rights of autonomy over local affairs. Over time, local government has endured various forms of attack, reform and subsequent revival and this links with regional devolution because of the partisan dynamics at play in political restructuring, which carried forward up to the devolution settlements in 1997 and well beyond them.

Thus, the constitutional character of Britain is dynamic, and it should be studied in terms of multiple territorial and scaled political traditions that co-exist in relation to each other. Understanding political restructuring in Britain must start by acknowledging that there is a dialectical relationship between both centralization and decentralization that informs Britain's constitutional tradition. The relevant scholarship speaks to a dynamic between parliamentary privilege and regional and local precedence in politics. With deep rooted constitutional traditions prevailing in Britain, gradual rather than radical change is noticeable in political restructuring initiatives. Thus, reform has often meant providing the continuance of diverse institutions while Westminster debates the extent to which the executive retains functions and policy areas. For James Mitchell, the move towards a devolved polity has been no different from previous changes,

[73] Howard Elcock, "Local Government and Devolution," in *Changing Party Policy in Britain: An Introduction*, ed. Richard Kelly (Oxford: Blackwell Publishers, 1999), 178.
[74] Max Beloff and Gillian Peele, *The Government of the United Kingdom: Political Authority in a Changing Society* (New York: W. W. Norton & Company, 1980), 264.

and the consequence has been that devolution owes a great deal to the historical working of the union and in the ways the UK at the centre has managed its constituent parts.[75]

According to some, prioritizing political economy when analyzing the historical working of Britain and the contests between constituent parts, can lead to structural determinism.[76] In this perspective, class-based narratives fail to account for the struggles to preserve, articulate and represent the long-standing ties that the Scots, Welsh and Irish have to the land and the linguistic-cultural identity that has developed. There are good reasons for centre-periphery studies to emphasize regional sentiment, especially given that mainstream political science has been obsessed with viewing Britain as a unitary state dominated by the national government, and denying any dynamic, if not awkward relationship with the regions. Nonetheless, recent scholarship has attempted to reconcile through a political economy lens why nationalism arose, and how it led to devolution. Arguably, the types of protests that occurred at the margins of the state in response to the national level, were heavily attached to economic downturn and the way capitalism was managed.[77] This dissertation will reflect upon the influential role that that organization of capitalism across Britain had on local job placement, the types of industry located in certain regions and why, and how this was reflected into the national political realm of decentralization and devolution.

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[75] James Mitchell, "The United Kingdom as a State of Unions: Unity of Government, Equality of Political Rights and Diversity of Institutions," in *Devolution and Power in the United Kingdom*, ed. Alan Trench (Manchester: Manchester University Press, 2007), 28, 47.

[76] Michael Keating aptly pointed out that Catalonia is not an underprivileged nation seeking independence; we should thus be cautious about simply asserting that peripheries automatically seek secession because they lack economic development. Keating, *State and Regional Nationalism*, 12. The same could be said about other regions such as Lombardy-Veneto in Italy, where the League originated and is still strongest.

[77] Jim Phillips, *Industrial Politics of Devolution: Scotland in the 1960s and 1970s* (Manchester: Manchester University Press, 2008).

Research Design: Tracking Devolution in Britain from the Post-War to the Present

This dissertation uses an historical approach to provide a post-war analysis of the politics of devolution in Britain. The goal is to explain why people turned to devolution as a political strategy and why this strategy made gains when it did (in terms of electoral results and concrete government initiatives). As the recent 'historical turn' in political science research recommends, to do that we need to go back and look, both to understand the reasons people gave for why they were doing what they did but also to gauge the contextual backdrop to such decision-making, something actors may or may not have been aware of.[78] Such an approach departs from the conventional social science variable-testing methods which can, at best, only measure the co-variation of variables, not really explain why co-variation is occurring or indeed the origin of the different variables or the setting they interact within, never mind the inescapable problems involved in operationalizing the variables in the first place. By contrast, what is sought here is more than a statistical relationship among variables but a causal reconstruction that will *explain* a given social phenomenon. But this does not just amount to mining history to create a narrative. As Renate Mayntz argues,

> causal reconstruction … seeks to *explain* a given social phenomenon—a given event, structure, or development—by identifying the processes through which it is generated. Causal reconstruction may lead to a (more or less complex) historical narrative, but in its theoretically more ambitious version, causal reconstruction aims at generalizations—

[78] For example, historical institutionalists have argued that regimes are renegotiated as well as reinterpreted such that the combination of mechanisms and political contestation influences change. See Gerard Alexander, "Institutions, Path Dependence, and Democratic Consolidation," *Journal of Theoretical Politics* 13, 3 (2001); Ellen Immergut and Karen Anderson, "Historical Institutionalism and West European Politics," *West European Politics* 31, 1-2 (2008); Kathleen Thelen, "Historical Institutionalism in Comparative Politics," *Annual Review of Political Science* 2 (1999).

generalizations involving processes, not correlations. The identification of causal mechanisms is the hallmark of such an approach (emphasis in the original).[79]

As a branch within historical institutionalism, mechanism-based approaches have become quite popular, conventionally known as process-tracing, systematic process analysis, and causal reconstruction.[80] But the term 'mechanism' conjures up images of a kind of determinism that lacks agency and the possibility of variation. By contrast, this dissertation will draw from historical sociology approaches inspired by the work of E.P. Thompson, Perry Anderson, Michael Mann, and many others. Here, history is a method to identify structural and causal relations between political actors across time and space.[81] Structured relations are ongoing and clearly cause things to happen but are not unaffected by subsequent reactions and can be challenged and changed. Rather than searching for mechanisms, I examine how structured relations established by capitalism create certain pressures and conflict, both at the various scales of the state and across civil society. These pressures manifest both in political activity as well as uneven and often unstable economic outcomes.

Highlighting this dialectical relationship of politics and economics in modern capitalism, a guiding assumption of this dissertation is that devolution emerges from clashing ideological visions involved in managing the modern capitalist economy. There are three ways the political economy of scale will be deployed to demonstrate this:

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[79] Renate Mayntz, "Mechanisms in the Analysis of Social Macro-Phenomenon," *Philosophy of Social Sciences*, 34, 2 (2004): 238.

[80] See Mario Bunge, "How Does It Work? The Search for Explanatory Mechanisms," *Philosophy of the Social Sciences* 34, 2 (2004); Peter Hedström and Petri Ylikoski, "Causal Mechanisms in the Social Sciences," *The Annual Review of Sociology* 36 (2010).

[81] For example, E. P. Thompson in *The Making of the English Working Class* examined specific events as a method to construct a narrative account of class formation. This was not about understanding *why* events had to turn out the way they did, but rather, *how* things turned out. As cited in Dietrich Rueschemeyer, "Can One or a Few Cases Yield Theoretical Gains?" in *Comparative Historical Analysis in the Social Sciences*, ed. James Mahoney and Dietrich PeterReuschemeyer (Cambridge: Cambridge University Press), 314.

I. Track reigning political economy policy paradigms in each era – Keynesian and neoliberal – and the challenges to their dominance over time;

II. Assess political reasons behind different scale commitments at different times;

III. Gauge political dimensions and dilemmas in maintaining or otherwise pursuing different approaches to the politics of scale in different periods.

By examining the competing partisan approaches to political economy and the policy choices made to achieve them, we can evaluate their impact on local, regional and national scales, and how political contests sustain, challenge and sometimes transform scales. The issues found at these scales and used as empirical evidence to elucidate the three objectives above are:

I. Local level: the urban-rural divide which consists of county-county council boundary disputes; struggles to retain and improve local government authority vis-à-vis the national government; various local pursuits with decentralizing social service delivery decision-making; and the ongoing struggles over the control of urban development.

II. Regional level: the North-South divide, which consists of geographical contradictions in economic development, between outer areas of the North, North East, North West versus inner areas of the South and South East of England; the institutionalized means of deconcentration and decentralization to attenuate this division; and the marked rise of nationalism and industrial strife because of concentrated job losses at the margins of Britain.

III. National level: domestic struggles with geopolitical influences that impact national policy objectives; the attempts to create regional economic centres of employment for global competition during balance of payments crises and a declining pound; and the over-emphasis on overseas finance versus indigenous manufacturing in the regions.

A small-N case-study design is fitting for this project because of the detail that is needed to be historically specific and to make statements about the political economy of institutional restructuring. Using a comparative lens, scholars have overwhelmingly utilized quantitative methodology to assess qualitative and historical aspects of decentralization.[82] A problem with assessments of decentralization from a quantitative perspective is the tendency to focus on codifying decentralized institutional structures as a means for establishing correlations (like how politically and fiscally developed regional authority is for example) without detailing the reasons why reforms are undertaken. And yet this is just what we need to know if we are to unravel what has caused decentralization to advance when it has.

As an example, some comparative research has found that left parties are the most prone to undertake decentralization reforms. Such findings claim that the political left is more supportive of local democratic decision-making than the political right. Various examples in Western Europe are used to support this assertion.[83] However, the comparative literature has not really explained how and why political parties and actors approach decentralized institutional reform differently over time. An aggregative approach to decentralization focuses too much on an either-or scenario – success or failure – and this fails to grasp important details regarding how political parties and actors pursue their strategic objectives, and specifically how these change or conflict, within and beyond their own organizations over time. Without qualifying the reasons for what was fought over in terms of the type of fiscal and/or political authority involved in institutional reform *alongside* the broader social relational context that these occur, we may fail to recognize the purposes they are meant to serve. Nuances about what exactly makes the right or left more or less

[82] Michiel S. de Vries, "The Rise and Fall of Decentralization: A Comparative Analysis of Arguments and Practices in European Countries," *European Journal of Political Research* 38 (2000): 204.
[83] For example, see Camões, "Political Decentralization in Western Europe and The Dynamics of Institutional Change."

democratic in their approach to decentralization can easily be lost, notably when institutional achievements are aggrandized by political actors despite being tenuous, if not contradictory.

For the purposes of this study, only Scotland, Wales and England, rather than the entire United Kingdom (which also include Northern Ireland), will be examined. Northern Ireland, though certainly important to the Union and an examination of devolution, represents a markedly different case than the others in terms of its unique political and economic development, much of which has been influenced by the very particular conditions at work throughout its history, i.e. the tense conflict between Catholics and Protestants over integration of the region with Ireland versus maintaining links to the Union. The patterns of economic investments and decisions over establishing, removing, then re-establishing devolved power in the region are simply too different from Scotland, Wales and England to make for meaningful comparison.

Chapter Outline

The chapters are organized according to specific periods between the immediate post-Second World War and the new millennium: Chapter 2: National Level Scale Commitments from 1945-1970; Chapter 3: The Struggles over Scale Commitments from 1970-1995; and Chapter 4: Devolution as a Scale Commitment from 1995-Present. These periods are designed to capture specific historical contests over land planning and urban development; regional economic policy-making and institutions; and national macro-economic policy and political decision-making. Chapter divisions meet several contextual criteria.

First, they address the issues surrounding the urban-rural, the North-South and domestic-international divides throughout the post-war era, along with the decentralized institutions being

implemented and contested. Secondly, these chapters are grouped in a way that reflects institutional and economic approaches through ideological eras i.e. Keynesianism to neoliberalism. So, Chapter Two will reflect the post-war commitments to the welfare state and its attendant concerns over full-employment. A shift in ideological paradigm is notable by the 1970s and Chapter Three covers a transition from demand to supply-side management of the economy. This chapter also reflects the rise of neoliberal approaches to economic and political decision-making. Chapter Four reflects new approaches to managing the economy and approaches to political reform. Thirdly, commitments towards power and authority at local, regional and the national level are discussed in relation to the reasons why devolution became used as a solution to solve economic problems experienced in Britain.

In this sense, each chapter aims to capture how the competition between different actors at different levels of the state seek to control the means of capitalist development. In turn, the chapters indicate how this competition steers partisan relations in certain directions over time with the constant push and pull to control the levers of domestic capital investment especially in traditional heavy industry and manufacturing. There is a perpetual tension over the centralization and decentralization of decision-making apparatuses which ranges from the circumscribing of local government, the implementation of regional de-concentration, broadening asymmetrical devolution, and new public management approaches to local and regional policy-making. The evolution of devolution is captured by indicating the ways and means of decentralized decision-making imposed by the national level, and the responses by competing subnational actors against their inability to do what they were supposed to do.

For ease of comparison, each chapter is organized in the same way, moving by section from the national to the regional to the local scale, assessing how the reigning political economy

paradigm was deployed across the era and the political reactions each induced. Finally, each chapter concludes with a discussion of competing coalitions of interest sustaining or challenging the existing organization of the scales of the state and the reasons for their actions.

Chapter 2: National Level Scale Commitments from 1945-1970

Introduction

This chapter explores the antecedents of devolution in the post-Second World War era by examining the political economy of postwar reconstruction at different scales of the state. The chapter specifically looks at the partisan relations invested in the implementation of key decentralization projects. The most relevant national, regional and urban planning policy institutions that were developed and opposed by various political and class coalitions is presented as a tool to understand how different levels of the state are produced, sustained and ultimately challenged. Labour and the Conservatives were in the driver's seat with respect to the welfare state and long boom, but they were also integrated into the international economy that limited their domestic policy options. This impacted regions and cities as they were unevenly differentiated by the types and placement of industry and made for a geographically oriented politics of contestation in response to different experiences with social decay and unemployment.

The post-war period is a relevant place to start for a few reasons. Too much has been taken for granted regarding this period, particularly the centralization of the British state as a consensus-driven cross-party project. By contrast, we can observe diverging ideological motivations pursued by different partisan actors. State projects were actively contested at the national level by opposition actors, not simply adhered to in a general agreement with collectivist politics. The period is relevant as there was a coming to dominance of the national scale, particularly seen in the state-wide expansion and consolidation of welfare state services and economic planning by the Labour Party. The Conservatives had their own policy agenda, more market-driven than

collectivist. Nonetheless, they too were committed to a particular form of politics focused on the national level as well.

Despite advances towards social democratic citizenship[1] there were problems with how national scale programmes were applied regionally and locally. The subnational level was being actively produced and reproduced just as the national level was, and this led to various political struggles. Subsequently, mobilization from below built up, boiled over and bolstered the devolutionary politics that was becoming bitterly contested by the late 1960s. Building on the analytical framework laid out in the first chapter, this chapter analyzes the national, regional and local levels of the state, focusing on the most relevant events that produced and reproduced the politics of scale in the post-war era. These events are situated in three periods following the war that the Labour and Conservative parties alternated in power: 1945-1951, 1951-1964, and 1964-1970. A closing discussion weaves together the political economy of decentralization projects, what this meant for competing interests and commitments, and how it fed into challenges by partisans at different scales of the state.

[1] For T. H. Marshall, citizenship can be divided into three types of rights: civil, political and social. Civil rights refer to the rights necessary for individual freedom, including liberty of the person, freedom of speech and faith, the right to own property, and the right to justice. Political rights entail the right to participate in the exercise of political power, including the right to vote through the expansion of the franchise. Lastly, social rights are forms of economic welfare, social security, as well as the ability to share in the heritage of the nation; the educational system and social services, including health care are elements of this. Marshall points out that citizenship is connected to the rise of capitalism and has historically operated as an instrument of social stratification. Nonetheless, the evolution of citizenship has also altered patterns of social inequality in advanced industrial societies. See T. H. Marshall, "Citizenship and Social Class," in *The Citizenship Debates: A Reader*, ed. Gershon Shafir (Minneapolis: University of Minnesota Press, 1998), 94, 109-110.

The National Level from 1945-1970: All-Party Consensus for Centralization

It is generally held that the expansion and consolidation of the welfare state required the centralization of administrative and political functions. However, commitments to a model that required planning at the statewide level had to be established and implemented as the Conservatives, who were mostly responsible for governance throughout the twentieth century, were less keen on state intervention in society and the economy. The coming to prominence of the national scale in the way that it did - with a heavy emphasis on national level planning - starts with the concerted effort by the Labour Party. As will be shown, the national scale in the immediate post-war era was an actively contested political terrain.

1945-1951

On July 5, 1945 the Labour Party made history by winning its first ever legislative majority government. The vision of capturing power at Westminster had finally become a reality and this was fundamental to Labour's strategy as the state and existing parliamentary institutions were seen as instruments to achieve a socialist society.[2] Exactly what the party thought a socialist society would look like and how to achieve it would oscillate over time. There were conflicting tendencies within the party which found expression in different attitudes, particularly between centralism and decentralism. Regarding the latter, local autonomy was viewed as a tactical way to undermine the

[2] The Labour Party emerged out of the coalescence of trade unions, socialist societies and the Independent Labour Party; its broad-church political economy was especially eclectic and diverse until the end of the First World War. By the mid-1920s, Fabianism was the dominant strain of political economy within the Labour Party, and remained so into the post-1945 period. The parameters of socialism oscillated over time, but consistently referred to a programme of change in the economic and social organization of the state in order to improve the material position of the working class. Socialism would entail the substantial extension of public rather than private ownership of the means of production in modern capitalism, a commitment to the redistribution of wealth, the enhancement of social welfare provisions, and the need for planned economic conduct to achieve macroeconomic stability. See Noel Thompson, *Political Economy of the Labour Party: The Economics of Democratic Socialism, 1884-2005, Second Edition* (London: Routledge, 2006), 1-3, 108-109, 137.

bourgeois state and as a training ground for socialist democracy.[3] To be sure, after World War I advocates within the shop steward's movement and guild socialists were seeking decentralized democracy through small, collective forms of community participation. Notwithstanding this, the ideology that would become dominant within the party, particularly in the inter-war years, was Labourism. This was a fusion of trade union concerns for free collective bargaining and a commitment to parliamentary reform and independent representation.[4]

Early in the inter-war years pragmatic electoral considerations aimed to expand the electoral base of the Labour Party. It was argued that to redistribute resources and improve conditions in deprived regions and among workers in general, a centralizing policy would have to be the primary course of action.[5] Labour's political strategy was heavily influenced by their experiences between the end of the First World War and the Great Depression of the early 1930s. It became apparent that despite the severity of the recession, capitalism was not about to collapse, and this encouraged thinking about the efficacy of centralized planning with an emphasis placed on the power of the state. By 1936 the party drew from the economic doctrine of John Maynard Keynes as a means to promote the state's management of the capitalist economy. Despite the advances made at the municipal level in the years leading up to the global economic collapse, by the early 1930s only marginal gains were being made locally. This led advocates to the conclusion that a majority government at Westminster would sooner be achieved than the control of a great many local

[3] Keith Bassett, "Labour, Socialism, and Labour Democracy," in *Local Socialism? Labour Councils and New Left Alternatives,* ed. Martin Boddy and Colin Fudge (Hong Kong: Macmillan Publishers Ltd., 1984), 87-88.
[4] John Callaghan, "The Left: The Ideology of the Labour Party," in *Party Ideology in Britain,* ed. Leonard Tivey and Anthony Wright (London: Routledge, 1989), 25-26. The decentralist strand would later re-emerge and be pursued by the left-wing of the party as an alternative to centralized planning models applied by the party elite at the national scale.
[5] J. Barry Jones and Michael J. Keating, "The British Labour Party: Centralisation and Devolution," in *The Territorial Dimension in United Kingdom Politics*, ed. Peter Madgwick and Richard Rose (London: The Macmillan Press Ltd., 1982), 182.

governments.[6] As a result, Labour's *Immediate Programme* was published in 1937, laying the policy foundation for Atlee's government in 1945.[7]

Labour's post-war reconstruction programme began with the passing of the National Insurance and Health Service Acts of 1946. Universal coverage regarding sickness, unemployment and pension benefits were established, along with a new National Health Service. In terms of industry, economic policy aimed at high employment through demand management fiscal policy. The government took ownership of key enterprises like the Bank of England and civil aviation (1946), coal, cables and wireless, rail and road transport (1947), and electricity and gas (1948), followed by iron and steel.[8] This attempt to control the economy reflected how World War II had impacted the national mood in favour of social change. Public attitudes had shifted during the years of the wartime national coalition government after observing the collaboration between the state, employers and unions. Moreover, arising out of the war, cities were damaged and housing shortages had become a national urban problem, agriculture suffered with production at half of its prewar level and livestock was decimated, industrial production had slumped to one-third of what it had been leading up to the declaration of war, and, lastly, there was a drain of human resources and disruption of communication networks.[9] This meant that a large scale undertaking was essential to rebuild and restore what had been lost.

An extension of government power coincided with the view that controlling the instruments necessary to carry out national plans would raise up the conditions of the organized working class. Most assessments of Labour's approach tend to agree that it added up to a substantial reshaping of

[6] The push for a Local Authorities Enabling Bill to allow for councils to have greater power was dropped in the 1930s in favour of national planning.
[7] Andrew Thorpe, *A History of the British Labour Party* (New York: Palgrave, 2001), 75-77.
[8] J. Denis Derbyshire and Ian Derbyshire, *Politics in Britain: From Callaghan to Thatcher* (Great Britain: W & R Chambers Ltd., 1988), 15-16.
[9] Derek Urwin, *A Political History of Western Europe Since 1945* (Essex: Pearson Education, 1997), 22-24.

the relationship between the state and society, institutionalizing a new level of public responsibility for social provision and an enhanced role for the state in the economy.[10] At the same time, it needs to be pointed out that nationalization was not socialization. Colin Leys argues that it is a popular myth that the postwar Labour government made the tax system very redistributive and brought a great reduction in income inequality.[11] Systemic problems with Labour's approach amounted to the inability and lack of desire to get inside the inner workings of private industry, and this was influenced by the inability to control capital investment.

Labour had to tread a delicate balance between the interests of capital and organized labour. In terms of the latter, the capacity to impose its economic policy rested on the ability to convince unions to exercise voluntary wage restraint and in 1948 there was a call for a freeze on wages. It was extremely difficult to act without the consent of workers given the strength of unions after WWII. In terms of capital, there was opposition to state intervention which also posed a problem for the party: a severe balance of payments deficit convinced Labour to avoid confrontation in order to garner the cooperation of industry. Private industry was not fully incorporated into Labour's centralized planning programme, and it was clear that new planning bodies were not going to redistribute power within industries and attempt to practice a mixed economy with the government taking a stake in private companies. The nationalized industries operated on a corporate model with boards of private capitalists appointed by public officials. This did not change the power relations between managers and workers, however, because the boards were still more industry-controlled than government-directed, and there was a lack of union representation and zero worker control of them. The boards were free from ministerial interference and each

[10] James E. Cronin, *The Politics of State Expansion: War, State and Society in Twentieth-Century Britain* (London: Routledge, 1991), 156.
[11] Leys, *Politics in Britain*, 60.

board operated without any industry-wide coordination.[12] This model created poor industrial relations, to the point that class relations heavily impacted the direction of the economy and helps explain why the immediate post-war national scale planning model hardly altered how economic decisions were made and administered. The failure to develop mechanisms for intervening more decisively in industry was not especially visible in the late 1940s as the government did a good job of managing the economy given the circumstances, and this served to blunt efforts to alter the structure of economic policy-making. The main policy objectives were to ensure full employment, manage the balance of payments and maintain and improve the standard of living.

Yet the means of exercising control over the budget and the balance of payments and investment ultimately proved to be inadequate.[13] Investment was beyond the control of the interventionist state, which limited the extent of the social democratic project. There are two reasons behind this: first, there was the impact of the City of London, i.e. finance capital, on economic policy-making. Britain has long been dominated by a particular fraction of the dominant class. Here the City's position of prominence was institutionalized within the state system through the Bank of England and its connection to the Treasury during the inter-war years.[14] The Treasury assumed control of foreign exchange at a time when the gold standard system was collapsing, and the Treasury was needed to provide loans to British dominions to prevent defaulting on their loans as a result of the transition from gold as a reserve currency in an era of economic crisis. Financial backing was given to stabilize currencies in these countries against the pound which maintained a single monetary area that continued into the postwar period. Yet, London's interests and the

[12] Thorpe, *A History of the British Labour Party,* 109.
[13] Cronin, *The Politics of State Expansion,* 167-168, 176.
[14] Frank Longstreth, "The City, Industry and the State," in *State and Economy in Contemporary Capitalism*, ed. Colin Crouch (London: Croom Helm, 1979).

Treasury's control of capital flows over the group of nations called the Sterling Area created a Catch-22.

Britain became heavily indebted during the Second World War and the war effort created a huge burden on the economy which undermined London's position as a world lender. Britain ran a trade deficit during the war and sold much of its overseas assets, which meant it had little left to liquidate after the war, and so fell short of dollars to pay for post-war reconstruction. Therefore, British governments turned to their allies for support and their WWII liabilities were eventually written off, but at a considerable price. Basically, Britain had to agree to a multilateral regime of trade with the US as the financial guarantor of the Sterling Area. Therefore, notwithstanding financial levity at the end of the Second World War, the Labour government was unable to control international influences on internal economic planning.[15]

This leads to the second of the external influences that affected Labour's post-war objectives. Though the Bank of England was nationalized by the government, it was the Treasury that remained responsible at the macro level for monetary policy. Monetary policy was a messy affair from 1945-1951 because of the conditions attached to relief aid. Much of the financial assistance provided by the United States - initially in the form of the UN Relief and Rehabilitation Administration in 1943, credit lines, and then Marshall Aid via the Economic Cooperation Administration in 1947 - came with stipulations associated with currency stabilization and monetary reform. To garner international economic cooperation for the United States' designs on creating a world-wide regime of free trade and the removal of domestic tariffs, onerous conditions on loans were forced on borrowing countries. Having to abandon controls over trade and make sure currency was convertible for transactions was a huge problem for Britain, to the point that the

[15] G. G. Sterling, *British Economic and Social Policy: Lloyd George to Margaret Thatcher* (London: Phillip Allan Publishers, 1985), 136.

pound was verging on collapse by 1947. Despite the Marshall Plan's assistance as a response, aid was unable to prevent another Sterling crisis from happening in 1949, which prompted the devaluation of the pound and marked the changing reality that Britain's exchange position on the international stage was a fragile one.[16]

Exogenous influences would haunt the Labour Party the next time it was in office as well. Nonetheless, Labour's approach to centralized planning and the national scale would return when they were re-elected in the mid-1960s. Despite shifting the focus to a more expansive national programme and institutional set-up, their commitment to the national level was short-sighted with respect to subnational scales. Early calls for a reformed and more inclusive planning model were largely ignored, underscoring the efforts - and albeit circumscribed approaches - to regional and local planning and institutional design that took place.

1951-1964

In 1951 the Conservatives were able to win a majority government because of the flawed first-past-the-post electoral system's disproportionate allocation of seats to votes earned. The race was tight, with Labour garnering 48.8% of the vote but only 295 seats whereas the Conservatives had 48% of the vote and 321 seats. The Conservative victory ushered in the re-creation of traditional class alignments by gaining a significant number of Liberal votes and two-thirds of the overall middle-class. At the same time, Labour had retained the support two-thirds of the working class. Here we see the versatility of the mid to late century British Conservative Party, how it sought to govern at all costs by alternating between libertarian and collectivist approaches to achieve power and get re-elected. Societal trends that affected landed property interests and privileges did not prevent Conservatives from seeking to preserve the status quo and retain as much

[16] Derek H. Aldcroft and Steven Morewood, *The European Economy Since 1914* (London: Routledge, 2013), 162-163.

of the old order as possible, sometimes appeasing forces that threatened it. In general, the party has continued to maintain a cautious free-market, individualist, low-tax, strong defense approach to retain support from the upwardly mobile skilled working class.[17]

Between 1945 and 1951 the Conservative Research Department was active in producing a number of policy documents and charters that blended traditional Toryism, namely deregulation, private enterprise, individual initiative, reduced public spending and lower taxes, with a vague acceptance of some degree of government planning and some support for the welfare state.[18] At the time they were elected the Conservatives could not mount an immediate rejection of the Labour programme, not least because certain nationalized industries denied the need for privatization, and this meant that their approach to policy was somewhat amenable to social changes within society.[19] Nonetheless, the manifestos of 1945, 1950 and 1951 contain tax-cutting, anti-collectivist and free enterprise rhetoric that the Tories are not often credited with at the time because of the general idea that a consensus had been reached between the right and the left regarding the centralized direction the state needed to take. To be sure, wartime attitudes came to favour social and economic investment which initially benefited Labour, but despite the legacy created by the welfare state the Conservatives mounted a challenge against it with the aid of international forces. To the Conservative Party, the finance of the welfare state came from national insurance contributions, taxes and local rates, and this was seen by them as regressive. Especially regarding national insurance contributions, the welfare state was claimed to be working-class self-help organized by the state.[20]

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[17] Robert Garner and Richard Kelly, *British Political Parties Today* (Manchester: Manchester University Press, 1993), 72; Derbyshire and Derbyshire, *Politics in Britain*, 7.
[18] Tim Bale, *The Conservatives since 1945: The Drivers of Party Change* (Oxford: Oxford University Press, 2012), 30.
[19] Martin Durham, "The Right: The Conservative Party and Conservatism," in *Party Ideology in Britain*, ed. Leonard Tivey and Anthony Wright (London: Routledge, 1989), 55.
[20] Sterling, *British Economic and Social Policy*, 151.

In 1950-1951, a certain amount of credit was given to the Labour Party for creating a positive economic climate despite the difficulties it faced, but their popular image was fading with the prospects of radical reform. Fortunately for the Conservatives, they had occupied government when the dividends of the postwar were starting to take off, seen in the rise of profits and wages caused by the global upsurge associated with postwar reconstruction.[21] The popularity of various policy initiatives as well as the degree to which they were embedded in the state were critical in determining which changes were going to be brought in. Still, collectivism was only half-hearted under the Conservatives. The shift back to Conservative-style policy began in earnest with the denationalization of iron and steel, followed by the removal of price controls, and then a more emphatic license was given to private initiative. This heralded the shift to the retraction of social provisioning and the freeing up of the market.[22]

The Conservative Party's approach to policy in the early 1950s was premised on securing and maintaining a strong currency to stabilize prices and achieve as high a level of employment as consistent with the first two aims. Yet as early as 1952 the government experienced a balance of payments crisis, which was in turn used as an opportunity to move away from full employment. The middle class and businesses were given relief with the emphasis on tax reductions and the pursuit of economies in spending, despite social programmes still remaining in place. By 1955-1956, a recreated politics of taxation arose comparable to that of the interwar years, and the fundamental tenets of the 'postwar settlement' were compromised. The Conservatives felt that

[21] Leys, *Politics in Britain*, 61.
[22] Derbyshire and Derbyshire, *Politics in Britain*, 15.

their association with the economic failure of the 1930s had been shed and the proof was in their re-election in 1955 and 1959, respectively increasing their share of the vote in both cases.[23]

The postwar economic boom had politicians riding high, to the point that Prime Minister Harold Macmillan had come out stating that the British people had never had it so good. However, if economic growth was attributed to the Conservatives in the early to mid-1950s, then so was the embittered process of the decline of the British Empire, seen particularly with the Korean conflict, the Suez Crisis, and decolonization. Moreover, the 'British disease' was becoming an acute problem, with Britain's industrial weakness relative to international competition increasing, along with speculation against Sterling that led to deflationary measures in 1955 and 1957.[24] By the end of the 1950s British politics was dominated by economic problems, and to deal with international competition, both spending and wage controls were sought.

Local government reform was one way to curb spending (examined fully in the section below on the local scale). There were also calls for regional economic planning throughout the 1950s, despite rejecting it when they came to power (examined fully in the section on the regional scale). It was thought that both business and unions needed to be brought together to modernize the economy, so the Council on Prices, Productivity and Incomes was set up in 1957 to influence wage-bargaining. By the time the 1959 election took place, Harold Macmillan claimed he was seeking to establish a corporatist or planned approach to policy-making. Eventually, the National Economic Development Council (NEDC) was developed to encourage trade unions to behave in exchange for a bigger say in interventionist economic policy.[25] The NEDC's aims were to examine

[23] Bale, *The Conservatives since 1945*, 71; Cronin, *The Politics of State Expansion*, 194,199, 208, 213, 221. This also led to serious infighting within the Labour Party over the socialist Clause IV as the reason behind its consecutive losses.
[24] Leys, *Politics in Britain*, 61.
[25] Sterling, *British Economic and Social Policy*, 162.

economic performance, consider obstacles to faster growth and to seek agreement about the ways to improve economic performance.[26]

The problem with this planning arrangement was that despite resembling a semi-tripartite body, it lacked any authority. Moreover, there was very little commitment to cross-class power sharing rather than an endemic attachment to top-down governance. The planning model instituted under the Conservatives suffered from ambiguities in their competing visions within the party for both checking inflation and curbing spending versus institutional transformation, and this because planning was unpopular within the party and the Treasury. To be sure, the only way to get competing factions on the right to agree to some type of institutional framework was to develop it in a way to curb unions by implementing an incomes policy.[27] This was something the Trades Union Congress (TUC) had recognized early on and argued that the new institutions would have to be free to set their own agenda, and that unions should control who would represent workers. In the end, the NEDC was not integrated at all into policy-making, which made its ambit purely prescriptive.[28]

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[26] Nicholas Woodward, *The Management of the British Economy, 1945-2001* (Manchester: Manchester University Press, 2004), 72.

[27] Postwar incomes policy was either a voluntary agreement between the government and workers/unions, or the top-down government imposition of statutory controls, to restrain the growth of wages. For the most part, the British government was forced to seek amicable collective agreement on incomes policy because of the power of the labour movement, meaning that incomes policy would not work without the commitment of unions. Because policy makers found it difficult to achieve their macroeconomic goals in the postwar period, they looked towards measures like incomes policy (pay pauses) to curb inflation, in addition to tax incentives to boost investment. One of the reasons underlying this effort was balance of payments and trade performance. Britain experienced balance of payments problems because domestic demand for imported goods grew faster than world demand for British exports. In addition, incomes rose appreciably faster than productivity, which meant that the costs of production increased. Wage adjustments had to take place in order to address the rising costs of UK exports. Furthermore, goods produced and sold domestically became relatively expensive, which led to spikes in imports. Ultimately, a balance of payments deficit arises if imports increase while exports decrease; as a result, there are pressures to devalue domestic currency relative to other countries. See Alan Booth, *British Economic Development Since 1945* (Manchester: Manchester University Press, 1995), 30, 42, 116; Peter Hall, *Governing the Economy: The Politics of State Intervention in Britain and France* (Oxford: Oxford University Press, 1986), 80, 253.

[28] Cronin, *The Politics of State Expansion*, 231.

Overall, the economic measures pursued by the Conservatives proved insufficient. From 1962-1963 unemployment was the highest it had been for many years, with certain regions being hit the hardest. Restrictive fiscal policy was considered the culprit and the Conservatives' economic competence had been questioned even further by economic decline. The very brief flirtation with planning only in the early 1960s indicates the reticence on behalf of the Conservatives towards a regional apparatus to deal with economic performance. At the time, the Labour Party with Harold Wilson as the leader drove forward the need to have 'democratic' planning and more intervention to secure higher levels of economic growth.

1964-1970

A general election was set for 1964 after Prime Minister Macmillan resigned. The Labour Party ended up winning a small majority with most of its electoral support concentrated in the outer regions of Britain. The election marked a peak in relative class voting which reflected disillusionment with the Conservative Party's ability to continue to increase working-class living standards. The 1964 election had been fought on who could best modernize the productive base of the economy and what institutional reforms would be required to achieve that modernization. Labour campaigned on economic planning, the application of new technology to industry, full employment, faster growth, equitable disbursement of industry across the country, the control of inflation, and solving balance of payments problems. For the Labour Party, economic growth was the means to social progress and this could only come with a dirigiste approach to industrial modernization.

A major administrative reform was the creation of the Department of Economic Affairs to oversee the government's National Plan. Once in power, the Labour Party attempted to build an alliance between big, private, modern capital and Labour's base in the manual working class,

largely from Wales, Scotland and the North East region. But it was unable to reconcile competing class and political interests. The DEA took over the responsibilities of the NEDC that was set up by the Conservatives in the early 1960s, but its tenure was very short lived. The DEA had been created to serve as a counterweight to the Treasury, yet little came of the department as it was unable to wrest policy instruments from the Treasury to fulfill its own objectives. For a corporatist institution, the DEA was the direct representation of manufacturing industry in the state rather than the whole of capital or labour. It was an innovation as far as having a peak organization for industry represented at the government level. The problem was that leading participants of the banking sector were not that supportive of it. In fact, industrial capital was disappointed by the external focus of finance capital and its investment relation to the City as well as bureaucratic resistance by the Treasury to integrated planning at the national level.[29]

Inter-ministerial conflict was not only seen with the Treasury's resistance to its rival economic department as the Ministry of Housing and Local Government (MHLG) also worried that urban physical planning would be subordinated to the DEA. The MHLG regarded any attempt at local level spatial planning as an affront to the demarcated area of its own jurisdiction.[30] In 1966 economic policy was transferred to the Treasury, and by 1969 the DEA was disbanded with its physical planning aspects of development transferred to the Ministry of Technology and the Ministry of Housing and Local Government. The lack of institutions to develop and coordinate planning reveals the problems in the British system of governance at the time. There was no regional tier of administration and government to properly utilize the different regions' potential

[29] Doreen Massey, *Spatial Divisions of Labour: Social Structures and the Geography of Production* (New York: Routledge 1995), 229-230.
[30] Peter Hall, *Urban and Regional Planning* (Harmondsworth: Penguin Books, 1982), 143.

to contribute to national economic growth. The gap in formal machinery to oversee economic and physical planning meant that the National Plan was unable to achieve its stated objectives.

The National Plan had set up targets to increase outputs, but the country had inherited a £800 million trade deficit from the previous government. The government faced a situation where it could not increase output unless its competitive power was increased. Labour had felt that pay policy was the key to curbing inflation and making the economy more competitive internationally by limiting wages. But this incomes policy would come at a time when union density had increased from 42.7% in 1968 to 47.2% by the early 1970s. Shop floor militancy would dramatically rise under Labour's policies particularly when they decided to impose statutory wage freezes.

When Harold Wilson became Prime Minister, the British pound had been overvalued against the American dollar which led to speculation against Sterling. By the middle of 1965 the government had taken conditional debt on by borrowing from the IMF and the Federal Reserve in the US of over one billion dollars. It is a matter of debate if a different approach to deflationary pressures would have aided the longevity of the National Plan. Whatever the case, the National Plan was abandoned in 1967 largely because of the cumulative speculative crises against Sterling. Problems with the balance of payments were further aggravated by the Arab-Israeli War in 1967 because the Suez Canal closed, affecting oil and shipping charges. A decision was made to deflate the pound, which came with a host of effects including cut-backs in investment in nationalized industries and local authorities.[31] One of the consequences of austerity was a statutory incomes policy. As a result, relations with the TUC became marked by distrust.[32] Ultimately, the Labour Party was unable to resolve the contradictions implicit in its vision of growth between policies

[31] Alex Cairncross, *The British Economy since 1945: Economic Policy and Performance, 1945-1995* (Oxford: Blackwell Publishers, 1995), 150, 153-55, 162.
[32] Woodward, *The Management of the British Economy*, 96-100, 117.

aimed at planning and structural reform, and those for controlling inflation by moderating wages. While wages were held down early on with the voluntary support of the unions, the statutory imposition of a wage freeze along with deflationary financial measures alienated the TUC from the government.[33] The opposition of trade unions became very bitter in 1969 when Labour published a White Paper called *In Place of Strife*, which set out new proposed government powers to impose a conciliation period before a strike could take effect and insist on a ballot of the membership of the union.[34]

A noticeable feature of the postwar period from 1945-1970 was the ongoing battle that governments had with deflating the domestic economy, and then shifting the fiscal burden to earned income and consumption. There was no way to avoid this while the main objective was to ensure that London and the pound remained a top reserve currency for international trade. Furthermore, as the avoidance of deficits by each government in power was the constant focus of attention, it took away the prospects for institutional reform. There was a clear attachment to the national scale that persisted in both the Conservative and Labour parties. Nonetheless, the differences between Labour and the Conservatives were clear in the types of controls that they were willing to impose on the economy. How national actors approached the organization of the state at different scales came with costs and ultimately reflected upon the national level. This is explored in the next two sections.

[33] Cronin, *The Politics of State Expansion,* 234-235.
[34] Henry Pelling, *A Short History of the Labour Party* (London: Macmillan Press, 1972).

The Regional Level from 1945-1970: Regional Asymmetry and Uneven Capitalist Development Across Britain

The 'regional question' in Britain is hundreds of years old, stemming from the incorporation of Wales into the Union in 1535 and then Scotland in 1706, the struggle of Prime Minister Gladstone and the Liberals for Home Rule from 1886-1893, as well as the partition of Ireland into the Republic of Ireland and Northern Ireland in 1922. The social movements that mobilized at different periods have influenced the asymmetrical evolution of the administrative and political organization of the British state. The intensity of struggle, moreover, has coalesced with dramatic changes in societal and economic circumstances. Politically, nationalist parties formed in the inter-war years to provide an alternative to national two-party dominance but were largely ineffective in parliamentary affairs until their cumulative breakthrough in the 1960s.

Decentralization to the regions was a complicated debate as partisans held overlapping allegiances. Factions within the Labour Party, especially the Welsh and Scottish wings, numbered supporters of devolution. Moreover, the STUC and Welsh unions had complex attachments to Labour's approach. The interwar years and especially the Second World War had muted calls by nationalists for Home Rule (not least because certain continental European nationalists were open supporters of fascism). The dormancy of the passion for self-rule has been seen by some as a result of the common purpose generated by the wartime effort against the Nazis, of the process of rearmament that led to job creation and production in traditional industries, and the expansion of social services to working class people. During the post-war period, the most concerted expansion of social, economic and democratic rights under the aegis of Labour's welfare state lasted for a few years and managed to keep devolutionists at bay. Yet, in a short time, external circumstances

altered the position of Britain despite domestic efforts, and the regions – being integrated in the way that they were – were the hardest hit.

During the post-war period, attempts to reorganize and manage productive relations included national policies geared towards regional economic development, land-use, property relations, housing and infrastructural provision, and the regeneration of inner cities. In relation to this, we need to factor in territorial politics as a part of these processes, integrating bottom-up pressures from cities and regions in response to the above policies, but not simply to protect or enhance culture or language. This reveals the extent to which spatial structure is central to social struggles, where processes of mobilization are often quite specific to particular localities. For example, South Wales and Clydeside have histories of relatively combative relations between labour and capital, the product of a wide range of conditions characteristic of those areas.[35] Class coalitions across space can feed into regional political mobilization, and this helps explain how devolutionary politics became a response to the management of combative class relations.

1945-1951

Uneven development is a systemic and spatial problem connected to capitalist production; it is often the case that economic expansion in one area is causally linked with underdevelopment in another. Moreover, the effects of spatial patterns of production tend to combine and become mediated through social struggles in civil society. As a result, policy variations are actively formed in the context of particular places.[36] In Britain, this is often referred to as the North-South divide. The spatial division of labour in Britain developed at the time of its imperial height in the nineteenth and early twentieth century when its economy became regionally differentiated along

[35] Rees and Lambert, *Cities in Crisis*, 29.
[36] Simon Duncan and Mark Goodwin, *The Local State and Uneven Development* (New York: St. Martin's Press, 1987), 62, 77, 82.

sectoral specializations. Shipbuilding, iron and steel, heavy engineering, coal, cotton, jute, and woolen textiles were concentrated in Scotland, Wales and Northern England. The importance of these industries coincided with their position as exporters throughout the British Empire. At the same time, the territorial structure of the British economy was (and still is) demarcated by the most prosperous region of London and the economy of the South East area linked to the capital, wherein the financial sector and its associated industries were located.[37] Thus, there is a tendency to speak about British capitalism in 'inner-South' versus 'outer-North' terms.

It was when Britain's relation to the international economy changed with its decline as a world trading power that production in these industries fell and previously dominant spatial structures produced a regional problem.[38] The emergence of a regional problem regarding the organization of capitalism with an increasing disparity between regions was observable in the 1920s and 1930s, and this resulted in the Royal Commission on the Graphical Distribution of the Industrial Population in 1937. The (Barlow) Commission's Report found that the inter-war experience showed that heavy industries were needed less than they had been in the previous century, and where new industries were developed in place of traditional sectors it tended to leave large concentrations of population stranded, creating unhealthy urban environments.

The Barlow Report had influenced the post-war planning model implemented by the Labour Party. To be sure, the geography of production was adjusted by the implementation of institutional structures and these were applied differently by national governments. The legislative framework for immediate postwar regional policy was the Distribution of Industry Act of 1945.[39] The Act reconfigured the wartime Special Areas into Development Areas – Merseyside, the North East,

[37] Morgan, "Devolution and Development," 150.
[38] Massey, *Spatial Divisions of Labour*, 125.
[39] G. C. Peden, "The Managed Economy: Scotland, 1919-2000," in *The Transformation of Scotland: The Economy Since 1700*, ed. T.M Devine, C. H. Lee and G. C. Peden (Edinburgh: Edinburgh University Press, 2005), 244-245.

West Cumberland, Central Scotland and Dundee, and South Wales. These Development Areas (DAs) identified districts that could act as focal centres for industrial development. They also coincided with the Treasury's development of Standard Regions in England to which departments were required to conform and operated by bringing senior regional officials together in coordinating committees. The first attempt at creating some form of regional coherence on the activities of central government departments - different from raising local governments to a regional level - was the division of England into ten regions during the Second World War, each of them responsible to a Regional Commission. They coordinated civil defense arrangements and the Commission held the authority to exercise full powers of government in the event of a breakdown of communications with London.[40]

The Distribution of Industry Act gave powers to regulate the (re)location of industry and attract industrialists to select outer regions in response to the regional problem. Nonetheless, there were problems associated with it. One issue was that the system of location control only applied to factory industry, rather than the tertiary sector. This was problematic because the net growth of employment was in the service industries. Another problem was that subsidies for capital equipment lacked qualifications, such that capital-intensive firms using lots of machinery and very little labour could still get generous grants to go to a development area where it would do nothing to reduce local unemployment.[41]

Notwithstanding the attempt to steer the economy, the traditional orientation of British capitalism persisted into post-war reconstruction with old sectors continuing without any serious reorganization. One of the reasons was that post-war conditions were favourable to traditional

[40] A. H. Hanson and Malcolm Walles, *Governing Britain: A Guide-Book to Political Institutions* (London: Collins Sons & Co., 1970), 215. An issue was that regional commissions confused and exacerbated the task of overseeing field services of central government and became viewed as a centralizing replacement for local government.
[41] Hall, *Urban and Regional Planning*, 103-104.

industries by giving priority to the export of materials from within their sector. The demand was there for ships, coal, and capital goods because economies were reconstructed after the war and industrial rivals were few and far between, which made it possible for world trade in manufacturing to increase. Another reason was the lack of investment by industrial capital. Wartime import controls by the Labour government protected British industry, and industrial capital showed little inclination to take advantage and innovate.[42] After the first balance of payments crises in 1947 industrial expansion and factory building were no longer considered priorities in the depressed outer regions. International market conditions attached to foreign loans prompted cuts in expenditure on regional policy and a relaxation of constraints on the location of export industries in more prosperous areas. The relaxation of controls on industrial location meant that manufacturing employment in growth sectors was spatially concentrated. Established industries of the outer regions expanded by taking on labour and operating existing capacity to its fullest, and where investments were made it was in outmoded technology, rather than securing increases in productivity through new production methods. These regions remained dependent upon a narrow range of industries which masked the problems that would become so prevalent by the end of the 1950s and early 1960s with the rise of international competition.[43] Therefore, with the resolution of the economic crisis of 1948-1951, expansion of output and low levels of unemployment in the peripheral regions carried on, but the most dynamic elements of industry during these years remained within inner Britain where inter-war growth was also centered. [44]

The capital-labour relation was extremely influential in the form of economic and decentralized policy changes that were taking place. The nationalization of coal met the demands

[42] Peden, "The Managed Economy," 246-247.
[43] Rees and Lambert, *Cities in Crisis*, 46.
[44] Doreen Massey, "The Legacy Lingers On: The Impact of Britain's International Role on its Internal Geography," in *The Geography of De-industrialisation*, ed. Ron Martin and Bob Rowthorn (London: Macmillan, 1986), 62.

of Welsh miners for example and organized labour across outer Britain, as well as the demand for cheaper output by industrial capital. The postwar development of the steel industry also reflected the political pressure of trade unions to consolidate steel employment.[45] At the same time, manufacturing capital was able to use the nationalization of industry as an opportunity to reduce inward investment and pursue more profitable ventures elsewhere. Ultimately, the policies pursued by competing classes hindered the modernization of primary and secondary industries; both capital and labour appeared to have been happy with a policy that would eventually turn out to be an impediment to more development and innovation.

In this sense, patterns of capitalist development should be interpreted as embodying changes in the organization of the processes of production as well as the spatial distribution of the activities in which these processes were comprised. The spatial structure of capitalist production was itself partly the outcome of the struggle over the processes of capitalist reorganization, but the patterns of growth and decline were further influenced by the institutional framework that constituted how jobs were relocated, resources were used, and social conditions were reproduced.[46] Both centralization and decentralization coalesced and conflicted with each other, which made for complicated relations between actors at different scales of the state, as some industries were being nationalized and became quite centralized, whereas policies with respect to industry re-location implied decentralization from the central region of the South and South East. Therefore, the state has been important in mediating this antagonism. It will become clear by the end of this chapter that the attempt to decentralize production - through industry location controls and incentives to

[45] John Lovering, "Uneven Development in Wales: The Changing Role of the British State," in *Crisis of Economy and Ideology: Essays on Welsh Society, 1840-1980*, ed. Glyn Williams (Coleg: British Sociological Association, 1983), 66.
[46] Rees and Lambert, *Cities in Crisis*, 25-26.

invest in outer Britain - related to a larger discussion about the decentralization of political decision-making from Westminster to regional apparatuses.

Just as the state was implicated in forms of intervention in the economy, there were debates within the Labour Party over the form and extent of decentralization that could be pursued in a way that was consistent with the postwar reconstruction. The Labour Party under Atlee was not interested in devolution. Nor did Cabinet agree to set up a Secretary of State for Wales, which Scotland possessed for decades. The party elite had claimed that extensive decentralization would not be a useful device to achieve the economic reconstruction of Wales. Labour did, however, agree to form a Council for Wales that would keep the discussion about devolution alive and on the political agenda especially by the latter half of the 1950s when the argument for a Secretary of State and a Welsh Office resurfaced.

1951-1964

When the Conservatives came back into power in 1951 they allowed the regional apparatus created by Labour to atrophy, to the point that by the mid-to-late 1950s most regional committees were discarded. Regional policy would only re-emerge after 1959, which reinforced the impression that decentralization was anti-Tory. This was linked to the Conservatives' objectives in the freeing up of capital; there was no domestic industrial strategy except in the negative sense of facilitating capital export. Even then, gains were primarily in the making of foreign investments. Employment in the 1950s carried over the pattern of the concentration of employment in London and the South East, with service branches under-represented in the old industrial regions of England and Wales. Initially, low unemployment in the early 1950s concealed weaknesses in the continued dependence on heavy industry in the outer regions. The situation would be exasperated by the Tories as their domestic policies were aimed at striking a balance between the needs of the monopolies in

nationalized industries in terms of profits and overseas investment as well as the demands of the labour movement for continued full employment. The reality was that domestic industry was neglected in favour of overseas investment, which facilitated penetration of external markets, but in doing so the Conservatives set in motion a process of industrial dereliction as they failed to expand from a secure base at home.[47]

Changes to Scotland and Wales' industrial structure rapidly accelerated during the 1950s, with income and employment levels reflecting the regional distribution of industry. By the end of the decade the unsoundness of Britain's economic position could not be ignored, as the slow rate of growth, sluggishness of exports, increasing seriousness of balance of payments crises, and inflationary trends also combined with regional imbalances.[48] Until the development of the NEDC, the Conservatives had politically neglected regional inequality. It was thought that the strength of labour in the relatively full employment regions of the South East and Midlands of England, combined with national bargaining structures would bring all wages up. Phillip Rawkins claims that the emergence of regional discontent and minority-nationalist opposition to the maintenance of the structure of the British state and capitalism was strongly related to this process of uneven development. The flow of jobs away from rural places into more prosperous areas exacerbated marginalization elsewhere in the regions causing the breakdown of established social structures, particularly with the emigration of young people.[49] A recession in 1958 led to an abrupt fall in the demand for the products of traditional industries, which led to a reduction in capacity and employment, especially in shipbuilding and coal mining. In addition, the reorganization of the

[47] Tony Dickson (ed.), *Scottish Capitalism: Class, State and Nation from before the Union to the Present* (London: Lawrence and Wishart, 1980), 291.
[48] Hanson and Walles, *Governing Britain:* 197.
[49] Phillip Rawkins, "Uneven Development and the Politics of Culture," in *Crisis of Economy and Ideology: Essays on Welsh Society, 1840-1980*, ed. Glyn Williams (Sociology of Wales Study Group, British Sociological Association, 1983), 218.

international division of labour lowered the costs of producing and exporting goods to Britain. This hindered South Wales, the North East of England and central Scotland from achieving economies of scale of their own. Lastly, the rise in demand for oil as a source of energy had coincided with a fall in demand for coal, and the concomitant closing of pits would mostly be in Scotland, the North East and South Wales.[50]

Regional policy was reactivated with two acts passed in 1958 and 1960. The Distribution of Industry Act of 1958 was tied to development areas with high rates of unemployment rather than economic regions. There was an emerging regional policy as well under the 1960 Local Employment Act with the rate of local unemployment being the sole criterion for the designation of development districts. Debates centered on the role of inward investment to improve the performance of regional economies and tackle disparities in unemployment. As the methods that had to be used to restructure the economy could not entail the wholesale closure of sections of industry because it would cause mass unemployment, dominant groups sought to cut wages and have some form of economic planning (vis-à-vis the NEDC) implemented by the early 1960s.

The NEDC consisted of six representatives from private employers, six from the trade unions, two from the nationalized industries (Transport and Coal), two academics, three Ministers, and the Director of the National Economic Development Office. This led to the establishment of formal machinery for consultation with individual industries, which would later be revamped and expanded with more authority in planning under the subsequent Labour government. The biggest problem with the NEDC was that it was weak in relation to the strength of the Treasury. The NEDC was set apart from the Treasury and Bank of England and was not designed to restructure industrial capital. This ultimately led organized labour to refuse to participate at the planning table. Regional

[50] Massey, "The Legacy Lingers On," 68.

planning instruments thus lacked the ability to secure compliance for growth because they were voluntary, and this was at the heart of the problem with state intervention in Britain.[51]

Despite the intensification of regional policy and diversion of new investments to the West and North of the country, depressed areas declined even further after the 1958 recession. The government's priorities continued to be with balance of payments problems rather than planning. This not only impacted the quality of goods produced domestically, obstacles to growth came from international competition, the rising price of exports, and the loss of colonial markets and their raw goods to decolonization and independence.

The planned restructuring of regional economies to make domestic industry cheaper and more efficient had opened an opportunity for alternative parties to gain ground in local and by-elections in a show of disdain to the national level. Skilled workers in heavy industry as a leading section of the labour movement experienced a decline in employment. At the same time, a realignment with foreign capital was taking place that created an overdependence on branch-plant subsidiaries. An influx of foreign capital, particularly in the automobile industry, was gravitating to the reserve of unemployed workers coming from older industries, but the jobs that were provided were low skill and low wage. As a result, independent political action emerged with Plaid Cymru and the Scottish National Party (SNP) acting to challenge the broad patterns of national economic change that had differentially impacted the country. In fact, the mass actions that had become common place in the early 1960s because of the economic crisis that was maturing in the regional economies would take a more severe turn in the latter half of the decade.

[51] Bob Jessop, "The Transformation of the State in Post-War Britain," in *The State in Western Europe,* ed. Richard Scase (London: Biddles Ltd, Guilford and King's Lynn, 1980), 41.

1964-1970

Until 1964, when the Labour Party regained power nationally, the Labourist approach to thinking about economic management had been faced with a serious dilemma after enduring consecutive electoral defeats between 1951 and 1959. Labourism was, for the most part, a centralist doctrine and anti-devolutionist. However, Labour policy was forced to evolve in opposition, and by the early 1960s *administrative* devolution was seen as a potential complement to the party's traditional views of government, meaning it was compatible with parliamentary supremacy, as well as the Treasury's control of the economy and regional interests.[52] Leading up to the 1964 election the Labour Party in Wales published plans for a Welsh Secretary of State and Welsh Office. Though there was a shift in attitude towards decentralization at this point, the Welsh Office and Secretary of State had become catalysts for greater efficiency in decision-making. With weaknesses being attached to centralist management, administrative reform came to be viewed as a way to help coordinate economic development.

Two sorts of planned economic coordination being used in France were applied in Britain in 1965, i.e. by industrial group and by region. Regions were assigned a Regional Economic Planning Council (REPC) charged with the preparation of a regional study and plan. The English regions were the old standard regions used since WWII, while Wales and Scotland were their own regions. Regional development was politicized to the point that the original National Plan was published before any contribution from the councils could be made. In fact, REPCs were designed to be regionally representative, but their function was to carry out a centrally-determined policy. Moreover, the councils lacked political standing, formal powers or finance, and as a result many members resigned. Councils took on the role of lobbying for local interests, but in areas like the

[52] Mitchell, *Devolution in the UK*, 53.

West Midlands it became difficult to win cooperation for a policy of diverting industry from their own region. Subsequently, every regional council came to publish a plan for economic development and the government mostly rejected their recommendations.[53]

As was pointed out in the first section, there were ministerial conflicts surrounding the government's plans for regional economic planning. This translated into systematic problems for the government's DEA, not least because there was a disconnect between having a mandate to produce regional plans without the capacity to implement its recommendations. On the economic side, it proved difficult to divide up economic planning; the short term remained the Treasury's responsibility, while the long term was the responsibility of the new DEA. On the regional side, the work of the economic planning councils and the economic planning boards had a strong element of physical planning. Thus, on the planning side, the national government's approach to regional development conflicted with the Ministry of Housing and Local Government, because the new regional councils crossed over into the demarcated planning responsibilities of local governments. The result was that national/regional planning exercises came to an end in favour of the Ministry of Housing's local-regional variety. With the DEA abolished in 1969, the work of the economic councils and boards shifted to the Ministry of Housing and Local Government, reflecting the fact that future planning exercises would not be the national-regional type.[54]

Regional assistance had been re-activated in the early 1960s, but it assumed greater prominence under Wilson, particularly to address ethno-proletarian mobilization.[55] It was not a coincidence that unemployment in coal mining, shipbuilding and steel following the end of the

[53] Hall, *Urban and Regional* Planning, 141; Michael Keating, "Regionalism, Devolution and the State, 1969-1989," in *British Regionalism 1900-2000*, ed. Patricia L. Garside and Michael Hebbert (London: Mansell Publishing, 1989), 163.
[54] Hall, *Urban and Regional Planning*, 141-143.
[55] See Phillip Cooke, "Regional Restructuring: Class Politics and Popular Protest in South Wales," *Environment and Planning D* 1 (1983).

postwar boom related to an anti-government swing in Scotland and Northern England after 1959. To be sure, only after 1963 were negative controls applied to investing in areas that already had an abundance of jobs. The reduction of regional unemployment relied on providing incentives to industry to relocate. From 1952 unemployment went from a peak of 400,000 to 600,000 in 1963, prompting a revision of regional assistance. The 1966 Industrial Development Act replaced the previous Development Districts created by the Conservatives with Development Areas (DAs) and covered a higher proportion of the working population. Yet, even with 40% of the entire country cordoned off as development areas, within a year, some districts were particularly distressed. This convinced the Labour Party to assign a special development status to certain areas and grant them more financial help, which also coincided with a regional employment premium introduced to subsidize wages. Thus, to improve the competitive position of the DAs a Regional Employment Premium was introduced in 1967 as a form of a labour subsidy for manufacturing industries. Overall, total expenditure on regional policy increased in nominal terms from £30.3 million in 1963-1964 to £301.5 million in 1969-1970. Yet, this did not prevent unemployment from rising in the DAs from 3.2% in 1964 to 4% in 1970.[56] G. C. Peden points out that there were some serious problems with regional policy, starting with the fact that investment in development areas was delayed or withheld because of uncertainty felt by businessmen about the future scope and level of regional assistance.[57]

Scotland, Wales, and the North of England were all being reorganized as subsidiary economies regarding industrial structure. In fact, regional policy was not geared towards the encouragement of indigenous enterprise rather than branch-plant manufacturing with decision-making centres elsewhere. For example, little development of new enterprises and of employment

[56] Woodward, *The Management of the British Economy*, 111.
[57] Peden, "The Managed Economy," 177.

between 1958 and 1968 took place, with only 37% of employment created in new establishments coming from local enterprise, against 33% from the rest of Britain and 30% from overseas. By 1968, 58% of total employment in the regions was in plants whose control lay outside of local conurbations. The result was to generate the perspective that there was an erosion of decision-making powers within the areas being used as points of entry by international capital.[58]

Despite attempts to create jobs in the tertiary sector; trying to improve industrial efficiency by investment allowances for export industries and industrial equipment; founding hi-tech industries with state help; an enhancement of R&D; and the redirection of investment to the peripheral development areas, things were never going to be the same again politically and economically following the 1964 election. Especially not with a day-to-day struggle to support the pound. Alex Cairncross points out that at some stage in the 1960s, regardless of government policy, devaluation was perhaps inevitable.[59] With hopes of generating growth through structural reform and planning fading, the government attempted to impose an incomes policy on workers. Prime Minister Wilson became convinced of the need to reform industrial relations, which meant weakening the unions' position. Labour went on to attempt to solicit compliance for wage restraint and impose sanctions on unions, but dissension in the party and in the TUC would push Wilson to reconsider.

Pressures from below were being articulated via strikes and industrial protest and by employers lobbying the state. Industrial politics was intimately connected to regional policy; the perceived failure by successive UK governments to address economic decline led to industrial militancy and the re-emergence of the 'Scottish question'. To be sure, the industrial relations

[58] J. R. Firn, "External Control and Regional Development: The Case of Scotland," *Environment and Planning A* 7 (1975): 397-398, 402, 405, 411.
[59] Cairncross, *The British Economy since 1945*,150, 162.

strategy of attempting to curb unions with *In Place of Strife* was central to the devolutionary shift in Scottish politics, according to Jim Phillips. He points out that two institutions tended to operate as a conduit or a proxy for opinion, articulating but also shaping it – the STUC and the Scottish Council for Development and Industry. In the 1960s political and industrial elites were looking for ways of alleviating popular concerns about slow economic activity and settled upon enhanced devolutionary mechanisms favouring increased control from within the Scottish Office of a more robust regional policy.[60]

Nationalist activity became focused on administration in the 1950s and 1960s, and as ministries were reorganized their existence provided a stronger argument for expanding Welsh and Scottish-based organization. In Wales, administrative decentralization was a means to garner bureaucratic recognition. By contrast, Scotland had had a more extensive regional apparatus. The Secretary of State for Scotland represented Scotland in Cabinet and acquired an influence on the Scottish economy to aid with unemployment and slums. Yet it only had advice at a junior level. Ultimately, the state's connection to the structure of productive capital-labour relations made policies involved with the restructuring of the economy fodder for labour unrest. Rising unemployment in peripheral regions prompted conversations about democratic devolution in order to control economic circumstances in the regions.

As a result, new territorial coalitions took shape in the latter 1960s with the effects of rundown industries and failure of regional policy to bring new alternative employment.[61] Appeals to the electorate by the SNP and Plaid Cymru attracted the attention of voters and especially Labour supporters in their own heartlands. Indeed, big changes were observed in political support for the nationalists as they started to modernize their parties and achieve victories like that of Plaid Cymru

[60] Phillips, *The Industrial Politics of Devolution*, 1-2.
[61] Cooke, "Regional Restructuring," 274.

securing its first ever national seat in 1966. Moreover, the demise of the DEA in 1969 marked the end of what initially was a more concerted effort at creating a regional dimension to economic development. The unforeseen consequences of this failure did not only affect places like Scotland and Wales. The loss of the DEA deprived English regional economic planning of its sponsor and would come to influence English regionalism in the 1970s. The politics of scale was ostensibly the politics of economic development and industrial relations. However, the geographical decentralization of production part of capital and industrial reorganization coalesced with political objectives at the local scale as well and is discussed below.

The Local Level from 1945-1970: Urban Planning and Local Boundary Contestation across Britain

Decentralization policies at the local level were a complicated web of attempts to influence urban and land development during the post-war era and they fed into larger problems of the limits to the planning models used to reconstruct Britain after the war. The local scale and how it was continuously contested in terms of its boundaries and functions prompted several official inquiries into democratic organization and reform. England's and Wales' system of local government, namely the administrative counties, county boroughs, municipal boroughs, urban districts, rural districts and parishes, dated from the nineteenth century via the Municipal Reform Act of 1835 and the Local Government Act of 1894.[62] Conflict was built into the local government system as major towns and cities with urban problems were unable to plan development because surrounding regions were controlled by other local authorities that sought different objectives. Moreover, the City of London and its governing body, the London County Council was at centre stage with its

[62] Hanson and Walles, *Governing Britain*, 221.

reputation as an imperial city, and it often prevented the dispersal of local functions. The alliances and bargains between politicians and industrial and commercial interests meant the character of the LCC largely responded to countervailing political and property-owning agencies. The government was often reluctant to envisage radical interference with existing land use and especially land ownership.[63]

The 'area problem' was not unrelated to the 'regional problem' described in the previous section. The local government model established in England and Wales became rapidly outdated and regionalism was one potential response to territorial strain. Services to be performed by local government began to increase and slowly, uniform national standards became expected, which highlighted how areas had failed to provide a financially secure base to build their services. Local government pioneered the provision of public services in a period when the national government offered little beyond traditional functions like defence against external attack. By the start of the twentieth century virtually all the services later associated with the nationally organized welfare state were being provided by many local authorities, such as school education, policing, public health, hospital care, road maintenance, water supply and sewage.[64] Local government administrative systems in England and Wales were divided into two tier County Council and one tier all-purpose authorities, County Boroughs. The upper tier of local government as it emerged comprised Counties and County Boroughs while the lower tier comprised rural and urban districts. Yet in many parts of the country the distinction between urban and non-urban existed only in

[63] Patricia Garside, "The Failure of Regionalism in 1940s Britain: A Reexamination of Regional Plans, the Regional Idea and the Structure of Government," in *British Regionalism 1900-2000*, ed. Patricia L. Garside and Michael Hebbert (London: Mansell Publishing, 1989), 100; Diane A. Dawson, "Economic Change and the Changing Role of Local Government," in *Half a Century of Municipal Decline 1935-1985*, ed. Martin Loughlin, M. David Gelfand, Ken Young (London: George Allen & Unwin, 1985), 32.
[64] Moran, *Politics and Governance in the UK*, 214-215.

institutional structure because urban growth and transportation changed the distribution of the population.[65]

The main source of local finance was property tax and it was a bitter point of contention. There was divisiveness around the privilege accorded to ratepayers, as local politics and councils were often regarded as the preserve of private property owners who paid a local tax, the rate. By contrast, local council tenants were not viewed as legitimate local citizens, and this culture persisted into the 1960s.[66] Welfare, housing, education, and physical planning were more concentrated in upper tier councils in areas under the two-tier County and District system in the one-tier County Borough councils in urbanized areas. While local governments gained money by charging for services and imposing taxes, property tax provided less yield compared to what the central government could collect through income taxes, especially as it drew more workers into its net. The problem of suburbanization made boundaries irrelevant. Towns grew and aspired to be County Boroughs, while existing County Boroughs struggled against the spread of population outwards to the suburbs, and their County Councils tried to extend boundaries to regain mobile populations and those fleeing rates. Boundary extensions were always opposed by suburban County Councils, realizing they were in a zero-sum game with Country Boroughs seeking gains over territory, tax base and status. The desire for boundary reform was not reciprocated by new suburbs.[67]

During the interwar years, regionalists offered an alternative organization beyond piecemeal boundary changes. For regionalists the problem was that County Borough extension perpetuated

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[65] Alan Alexander, "Structure, Centralization and the Position of Local Government," in *Half a Century of Municipal Decline 1935-1985*, ed. Martin Loughlin, M. David Gelfand, Ken Young (London: George Allen & Unwin, 1985), 52.
[66] Jim Bulpitt, *Territory and Power in the United Kingdom*, 149.
[67] Jonathan Owen, "Regionalism and Local Government Reform 1900-1960," in *British Regionalism 1900-2000*, ed. Patricia L. Garside and Michael Hebbert (London: Mansell Publishing, 1989), 42.

the divide between town and country which they saw as no longer relevant. The novelty lay in greater scale and consistency, which meant considering the problem of the adjustment of local government divisions. In the absence of readily definable British regions, the schemes differed, making it more a response to existing problems than a clearly defined and articulated vision. Overall, local government lacked balance as local units did not reflect community; people consumed services in one area while paying rates in another, often splitting communities into rich and poor. Territorial conflict between expansionist towns and conservative counties was reflected in the attitudes struck and the representations made whenever the structure of local government reached the national agenda.[68]

1945-1951

During wartime there were conversations about modernizing local government; in 1945, the coalition recommended that a Local Government Boundary Commission (LGBC) be created to examine and make recommendations for change where the issue of area and function were serious.[69] The incoming Labour government created the LGBC but its recommendations for new county boroughs and new single-tier counties in urban areas were never implemented. The government was more focused on taking over many local government responsibilities rather than enhancing their powers to oversee them. By 1949 the LGBC was abolished, and reform was declared too impractical for the near future. The expansion of the welfare state and the onset of nationalized social services downgraded the question of local government reform. As services were being modernized and new machinery for their implementation was being developed,

[68] Alexander, "Structure, Centralization and the Position of Local Government," 53; Owen, "Regionalism and Local Government Reform 1900-1960," 44.
[69] Alexander, "Structure, Centralization and the Position of Local Government," 54.

justifications for extended boundaries and new all-purpose local governments conflicted with the coordination of services by the national level.[70]

There were contradictions in Labour's approach, particularly because it chose to separate economic development from other aspects of planning and coordination in new legislation concerning municipal responsibilities. The post-war local planning model coincided with regional economic planning policy apparatuses arising from the 1945 Distribution of Industry Act described above. The 1946 New Towns Act led to the creation of ad hoc 'Development Corporations' to build New Towns. Yet, there were no powers accorded to local authorities in this act; the relevant Minister appointed a chairman, his deputy and seven other members. The role of the new Corporations was strengthened by their power to finance most housing and infrastructure services, to select which industries they required and recruit their new inhabitants based on skills. As an adjunct, the 1947 Town and Country Planning Act granted statutory powers to local authorities to plan and regulate development within their boundaries. This act allowed for a levy against private developers and landowners on land transactions and development, but it stopped short of providing local authorities a positive role in the development process. The Act only gave local authorities the obligation to control future developments by regulatory planning, but it did not provide extra resources for them. Being able to curtail unwanted development by the private sector without extra resources made essential development difficult. The lack of state oversight of development was underscored by muted attempts at administrative coordination and reform in the period.[71]

The new Ministry of Town and Country Planning (MTCP) had lacked coordinating functions over land-use, housing and economic development, and this transpired largely because the Treasury viewed it with apprehension. This was further mirrored by the Ministry of Health which

[70] Owen, "Regionalism and Local Government Reform 1900-1960," 51.
[71] David H. McKay and Andrew W. Cox, *The Politics of Urban Change* (London: Croom Helm, 1979), 31-32.

was responsible at the time for housing and local government functions. To be sure, the defeat of the MTCP was also in the interest of the Board of Trade, the Ministry of Agriculture and the Ministry of Transport, each of which had concerns over maintaining their respective economic, agricultural land, and highway planning roles, and sought to ensure their own powers were not usurped. This is very relevant to a discussion of the political economy of scale because land value affects land use, housing, transport and other aspects of urban life, including serious spatial inequalities characteristic of British cities. After WWII a majority Labour government had the parliamentary resources to embark on land nationalization but faced powerful opposition. Land policy at the time had sought to give a more dominant role to the state, and owners' rights in land and the maintenance of profits were to be seriously curtailed. Yet Labour was neither able nor willing to clash head-on with existing class structures invested in private property.[72]

This made the system of planning developed after WWII the product of conflicting interests of class, mediated by political parties and other organizations. The 1947 Town and Country Planning Act and the 1946 New Towns Act coalesced with the Distribution of Industry Act that gave powers to local authorities to try to regulate the location of industry. Combined, the major objectives were urban containment, the end of sprawling suburban growth, the reconstruction of urban centres and the creation of greater regional balance by redirecting industry away from the relatively prosperous South East and Midlands towards outer Britain of the North and West. Yet according to Peter Hall, the responsibility for urban development plan-making and development control in Country Borough and County authorities were separate. Cities were functionally divided from their hinterlands, and that made effective planning of entire urban regions impossible. Local authorities were balancing populations moving into urban regions and out of congested areas into

[72] McKay and Cox, *The Politics of Urban Change*, 36, 69.

the suburbs, and because there was no regional coordination, there were boundary conflicts between conurbations and neighbouring counties.[73]

1951-1964

The principal impulse for development in the postwar era came from the private sector. Not simply urban but even economic planning was reactive to the private sector as subsidies for locating in Development Areas responded to demands from private industry, which meant there was also little scope to shape industry. Here we see the full impact of systemically unequal influences upon the political process. The ownership of land was not directly changed in favour of state redistribution. Fractions of capital sought to protect rural landed interests, and so traditional agriculture with the combined strength and influence of financial capital were able to have financial levy clauses on development processes removed from the 1947 Town Act when the Conservatives came to power. Prior to this, landowners would refuse to bring land forward for development without perceived incentives.[74] This relates to a broader discussion of decentralization and devolution because the politics of place was such that urbanization had created a situation for local authorities that could not be accommodated by them. There were unsatisfactory planning procedures and inadequate resources to manage major housing shortages, a lack of social amenities, and problems with local employment.

Conservative orthodoxy about local government held that local circumstances required decisions to be made locally and that centralized party involvement in local government was anathema to local needs. Nonetheless, while local decision-making seems to be one orthodox interpretation of local government roles, the Conservatives have strongly defended the ratepayer. The Conservatives' electoral suburban strongholds were safeguarded against threats to property

[73] Hall, *Urban and Regional Planning*, 158, 163.
[74] Rees and Lambert, *Cities in Crisis*, 90.

values by preventing council housing construction. The franchise was historically denied in local elections and only granted to occupiers of rateable property in 1945 when Labour extended the franchise locally, adding eight million non-ratepaying voters to the local electorate. However, even with the coming of full adult suffrage in local elections in 1945 non-resident ratepayers retained the right to vote in local elections as late as 1969. The dominance of ratepayers rested on the idea that they should control local authority, while councilors should simply be trustees of the rate.[75]

Between 1951 and 1960 the Conservatives undermined Labour's attempts at positive land-use planning by limiting the role of local authorities. The freeing up of speculative builders in the 1950s encouraged capital to enter the property market, which resulted in higher land and housing prices. The Conservatives rejected Labour's interventionist posture which was also evident in their land values policy, as the free market in land was partially restored in 1953-1954. State intervention was further eroded by dismantling the Ministry of Town and Country Planning in 1951 and its regional offices. As the Conservatives looked to the private sector to meet physical development needs, regional economic and unemployment imbalances were accelerated. By the end of the 1950s central government was increasingly undermining the activities of local authorities. With local government expenditure being viewed as a major part of public expenditure, there was a push to control the economy by limiting the spending of local authorities. Economic aggregates were being pursued in the interests of better economic performance. Local authority expenditure was treated like private consumption or central expenditure, namely as an element of aggregate demand and employment.[76] In 1958, the Local Government Act chose to give authorities a fixed sum of money out of which their expenses had to be paid, the major concern being towards improving efficiency.

[75] John Gyford and Mari James, *National Parties and Local Politics* (London: George Allen & Unwin, 1983), 24.
[76] Dawson, "Economic Change and the Changing Role of Local Government," 41.

The Conservatives had used a Royal (Herbert) Commission set up in 1957 to help justify the restructuring of the London County Council (LCC). By 1963, a new system was inaugurated, and it amalgamated the outer, more conservative suburbs with the core as a means of breaking Labour's long-standing control of the LCC. Whereas there was a lack of will in general for local government reform, reforming London was perceived by the Conservatives to be in their political interest. This proved complicated, however, because as soon as the Herbert Commission report was accepted the LCC began to fight back. Pressures excluded some suburbs so that the result was a consequence of the interplay of partisan advantage and parliamentary bargaining. The structure of intergovernmental relations was more complex than appreciated and reform was more difficult than originally intended.[77]

From 1960-1964 Conservative attitudes began to shift towards an acceptance of indicative planning. They would not aim to intervene extensively, but rather encourage tripartite forms of consultation and advice between local, central and private actors in the planning sphere. The Conservatives did not create the administrative structure necessary for an effective planning system however, and any developments in economic planning in the North East or Central Scotland, for example, were not related to land-use planning regionally, locally or nationally. The fact is that only central government could deal with the area problem; local authorities were simply not capable of tackling it.

1964-1970

On coming to power in 1964, Labour did not attempt to return to the positive land use planning framework of the 1940s. Espousing the ethos of the mixed economy, the government believed that an effective planning system could harness both public and private resources towards

[77] Brand, *Local Government Reform in England*, 56; Alexander, "Structure, Centralization and the Position of Local Government," 60-61.

maximizing economic growth and producing a socially just society. In the areas of housing and land values, the monopoly of the state was rejected, ignoring Labour's Manifesto commitments to nationalize land development. However, Labour did attempt to resolve speculative development and reform the statutory land-use planning system. There was wide concern that British manufacturing was being starved of investment because of the greater profitability of land and property speculation that had been set in motion by the Conservatives.[78] This underscores how determinants of economic policy are intimately connected to urban and regional development: the ineffectual land policies of Labour were influenced by powerful financial interests. And in fact, speculative property development failed to be restricted by controlling commercial rents or by taxing profits. Economic growth in depressed regions was made more difficult by the choice of political priorities influenced by the interests of British international capital.

Regional policy was like macro-economic policy in that it was centrally determined but planning at a regional level required a spatial machinery and a means to link it to the planning of local government and its Whitehall sponsors. For Michael Keating, Labour institutionalized regional planning with three purposes in mind: provide a spatial dimension to the national planning the government was committed to; provide a framework for the diversionary regional economic policy; and link national policies with local government land-use strategies. As mentioned in the previous section, one institutional change was making the DEA responsible for drawing up regional strategies under regional economic councils and boards created to assist in the national indicative planning programme. The new responsibilities entailed partially voluntary integrated land-use and regional planning under regional planning bodies. The problem was that the local authority system needed to be altered because it lacked regional visions, whereas the regional

[78] Rees and Lambert, *Cities in Crisis*, 105-106.

bodies had the visions but no powers. While Labour did not substantially reduce the functions of local government, it had little conception of the need to revitalize it, and in so far as it sought modernization it was in the context of promoting faster economic growth. Serious regional planning would challenge the old central-local division of responsibilities and to succeed, the centre would need to regionalize its own operations under a dominant department of territorial governments or give up its monopoly, sharing it with regional elites. Yet it chose neither of these.[79]

In 1965-1966 a partial gap was filled in the formal machinery with economic planning regional councils and boards intended to deal with a different sort of planning, i.e. economic development in relation to the national economic plan. As soon as they were created the councils were immersed in spatial planning. The logic should have been apparent that it was impossible to produce a development strategy for an area like the North East of England without a physical planning component to control and guide the spatial directions of economic expansion. Planning and regional councils were partially focused on regional investment in relation to the National Plan, yet the councils and boards soon found out that they were aligned closely with spatial planning. The reports that were produced found opposition from local authorities, who were concerned that local autonomy in planning matters was being undermined by an outside body with a purely advisory remit to central government. Regional councils had no power while local authorities had the power but were unlikely to agree to a strong regional strategy.[80]

It was clear that areas were extending farther than a conventional sphere of influence seen with the spillover of citizens into areas surrounding conurbations. Thus, urban development needed to reflect a wider region to match up to economic development planning, but this was not what transpired. Local level intervention on behalf of the national government would have required

[79] Keating, "Regionalism, Devolution and the State," 162.
[80] Hall, *Urban and Regional Planning*, 168.

a level of planned decentralization to encompass the conurbations because of the level of out migration that was taking place because of urban sprawl. In this way, industrial decentralization had large ramifications for new communities outside of the commuting range of conurbations. An adequate decentralization programme therefore needed to be part and parcel of both industrial placement as well as physical and land planning of regional areas.

The mid-to-late 1960s saw increasing mobilization and support for regional nationalisms, and nationalist sentiment reflected the disdain for complacency in many parts of Wales and Scotland. In this period, shares of the national vote increasingly went to the SNP and Plaid Cymru. As a response, the national government inquired into the matter of institutional reorganization. In 1966 two Royal Commissions were set up for England (Redcliffe-Maud) and the other for Scotland (Wheatley). Both reported in 1969. The Royal Commissions on local government in England and Wales, and in Scotland, was followed by a Royal (Kilbrandon) Commission on the Constitution in 1969. These were strategically separate from each other, though both had concerns regarding regionalism, with the result that no comprehensive review of territorial government was formally produced. The commissions on local government were set up to produce reforms desired by the centre, and the Kilbrandon Commission was set up to buy time, yet when it finally reported, the issue of nationalism that they hoped would have gone away actually increased. The demand for constitutional change varied, being much greater in Scotland than elsewhere. The existing structures and procedures of government differed in ways that would make adaptation to a common format difficult. Rather than respond to a series of pressing administrative proposals and political needs, central governments were not interested in comprehensive constitutional reform

and considered English regionalism, local government reform and devolution to Scotland separately and sequentially.[81]

Coalitions of Interest and the Political Economy of Scale from 1945-1970

This section draws together how competing coalitions of interest created and maintained political and economic scales of the state. It discusses why the national political economy of decentralization projects fed into larger debates regarding local and regional institutional reform. One argument this chapter has pursued is that we need to shift how we analyze the British system of governance. The tendency to see subnational levels as mere aggregates of the national level has done a disservice to appreciating the outcomes of partisan struggles at different scales of the state. After examination, this chapter has shown how different scales of the state seek to promote their own objectives despite national political parties dominating the political terrain of Britain. Traditional perspectives have missed why and how the British state was produced and reproduced after the war, rather than simply maintained across political parties and subnational levels.

The chapter has questioned the image of the postwar period as simply being a 'golden era of capitalism' as it is often perceived to be. This critique also connects to ideas about politics in Britain reflecting an *English* pattern of class conflict. There is a tendency to over-stress homogeneity as it relates to the politics of class, treating territorial relations as benign or ignoring them entirely. Culture, language and an attachment to land had merged with working class resistance against British capital, as well as Whitehall and the majority government's approach to the regional and local question. Looking at the period from 1945 to 1970 through the lens of the

[81] Keating, "Regionalism, Devolution and the State," 164, 166.

political economy of scale, we see that there were tensions at work in creating and maintaining coalitions of interest to support the commitment to the national project sought by Labour. The beginnings of the support for devolution being pursued as a policy option was a means to break with the status quo, particularly because 'planned' capitalism and the tide of the welfare state project was not raising all boats equally across the regions. While calls for devolution were ultimately denied at the time largely because of the organization of British party politics and the strong attachment to national political control, the antecedents of devolution are observable in the postwar period (particularly at the administrative level) despite notions of consensus politics prevailing. Thus, in order for us to appreciate the bigger picture, and understand why it is that devolution becomes implemented when it did in the 1990s, we have to look at the finer details of scalar politics taking place after the Second World War.

One way to appreciate how scales are contested by partisans is to reflect on the contradictory relationship between capitalism and democracy. What democracy looks like in terms of procedural decision-making is connected to how scales are designed and fought over by political and class actors. This has been inextricably bound to processes and outcomes associated with uneven capitalist development in Britain. If we reflect upon the eighteenth century British state, the system could be described as both constitutional and parliamentary but not in any sense democratic. It is interesting to note that the British monarch and his/her six or seven ministers were the executive but did not fully control Parliament; rather, they influenced the behaviour of sitting members via patronage and the formation of cliques (eventually becoming modern political parties). The initial rise of the party system in the nineteenth century developed out of elites attempting to control parliament by greater numbers grouped together. Many seem to think this was proto-democratic, but it was restricted to a very limited portion of the population. Parliament was based on three

estates of the realm – the nobility, the clergy, and the commons; nobility and clergy had representatives in the House of Lords while the rest of the population had the knights of the shires and members from parliamentary boroughs who sat in the House which was elected on an extremely narrow franchise until 1832. This system of government was 'democratized' as working class forces demanded that legislative and executive political institutions broaden the base of representation through successive extensions of the franchise, but that process took more than half a century, with most working men only able to vote after World War I.[82]

Institutional design and reform was mediated by political parties in power and, despite their competing ideologies, they held similar views about where democratic decision-making in Britain should reside. The constitution was often interpreted to be government-centered, with the executive as the active and originating element, and the electorate's role confined to choosing a House of Commons.[83] Nonetheless, the rise of the modern state created a problem: the need to secure the myth of the supremacy of Parliament with a reality of executive domination. For Martin J. Smith, the administrative fusion of minister and parliamentary sovereignty had important implications for the development of British government and the distribution of power within the executive. A hierarchical form of government was the result. Ministerial responsibility was a means of reconciling the notion of democratic government with limited popular participation, and the establishment of departments placed policy-making in the executive away from electoral constraints as it created a direct chain of accountability from ministers to MPs and reserved only a limited role for the citizen in the process of government.[84]

[82] A. H. Birch, *The British System of Government* (London: George Allen & Unwin Ltd, 1968)
[83] Wright, "The Constitution," 187-188.
[84] Smith, "The Institutions of Central Government," 98, 100-101, 110-111.

The attempts to accommodate the demands and advances of the working class through political liberalization would set in motion a chain of events. The competitive system that emerged in Britain after World War I was dominated by an uneven spread of class party politics in the regions. There was a strong contrast between the depressed North and the expanding South, with Labour support on average higher in Scotland, the North East, Lancashire and Cheshire, Yorkshire and Wales than in the West and East Midlands, South Central region, East Anglia, the South West, London and the South East. Political cleavages between North and South influenced patterns of party allegiance within classes, and the type of industrialization as well as the extent of economic distress in the interwar period were markedly different by region. The patterns of alienation from established authority in peripheral regions demonstrates that the local political environment has been relevant to regional variation in class politics.[85] The regionalized support did not make Labour a particularly regional party, as sectional interests were socio-economic. There was, however, an attempt to shed its peripheral image for a national one, which made it Unionist like the Conservatives, seeking to gain and exercise power nationally.[86] Moreover, the Labourism of the trade unions promoted the elevation of a British-wide working class which meant that despite there being some advocates in favour of Home Rule, devolution did not figure in the programmes of the first two Labour governments and was shelved. Part of this was electoral calculation as devolution would reduce the number of Scottish or Welsh Labour MPs.[87]

Democratization is often considered complete with the extension of both the franchise and social welfare, and by association this has been taken to mean that democratization coincided with centralization. A problem with this line of argument is that the type of democratic citizenship

[85] Butler and Stokes, *Political Change in Britain*, 135, 137, 142-143.
[86] David Powell, *Nationhood & Identity: The British State* (London: I. B. Taurus & Co. Ltd., 2002), 157.
[87] Garner and Kelly, *British Political Parties Today*, 134-135.

available to citizens was being rejected early into the post-war period.[88] For example, between 1947 and 1950 social movements coalesced into the Scottish Convention and the Scottish National Assembly, both of which had organizing schemes for Home Rule. These were cross-political means of promoting subnational interests aside from winning electoral seats. One example is the national Covenant - a petition to support a Scottish Parliament - and while it collected two million signatures it was ultimately ignored by Labour. Similarly, in 1950 the Parliament for Wales Campaign was launched to lobby for a parliament with adequate legislative authority in Welsh affairs, garnering 240,000 votes or 14% of the electorate. The *type* of democracy that was being pursued by political actors had continuously undermined calls by actors at subnational levels to reform regional and local administration and governance. Even so, class loyalties remained important for those on the left who appealed to class unity to uphold the centralized state structure.[89]

This chapter draws attention to how the democratization of the state was playing out within the struggles surrounding decentralized policy institutions. For the most part, democratic scholars have accepted that the British constitution was adhered to by Labour and the Conservatives because of their acceptance of the fiscal sovereignty of Parliament over its territory. This translates into a belief that Parliament is the embodiment of democracy rather than a set of interrelated partisan political processes that also include actors in local government and regional administration. It is true that territorial management in the British state was far more reflective of Conservative-led governments and their subsequent Union ideals. To be sure, the centre seemed successful by ensuring that membership in the Union brought tangible economic and political

[88] There was civil disobedience in the 1950s regarding the Korean War, decolonization, the Suez Crisis, and in the 1960s against the nuclear weapons programme, the race riots of the late 1960s, and the May 1968 Riots in France.
[89] Nicola McEwen, "State Welfare Nationalism: The Territorial Impact of Welfare State Development in Scotland," *Regional and Federal Studies* 12, 1 (2002): 73.

benefits. This was possible because nationally-organized mass parties were able to mobilize the electorate and colonize peripheral government and political activity. Yet a price was paid for this as Jim Bulpitt points out, influencing the structure of territorial politics. Maintaining external support systems was the highest of high politics, with successive Prime Ministers finding defence and foreign policy and protection of Sterling dominated their tenure. Peripheral interests were adversely affected more and more by external policies, as external policies favoured finance capital in London, rather than industrial capital in the periphery. Local authorities and peripheral working-class communities were left to cope with problems.[90]

The long history of the overt, formal exclusion of groups and individuals from political participation in Britain was the product of Tory and Whig policies. With the Liberals all but decimated at the polls for several decades following the end of the First World War, the battle to shape the terrain of British politics was between competing Conservative values over a strong executive power as the preserve of propertied classes and the aristocracy, and Labour's collectivist attempt to expand the franchise and utilize parliamentary democracy as a means to assert national social citizenship priorities to the general public and working classes especially. The attachment to Parliament was particularly conflicted within the Labour Party and labour movement more broadly. Traditions of municipal socialism and decentralized decision-making gave way to centralized measures that sought to modify government machinery in a way that promoted national structures. Competing political visions were only more complicated by the tendency of the electoral system to produce one party government, making the majority control of Parliament a primary focus of attention.

[90] Bulpitt, *Territory and Power in the United Kingdom*, 137-138.

The dominant ideology pursued after the Second World War added to the commitment to the national scale. Keynesian economic management was focused on national aggregates, and subsequently avoided regional and territorial dimensions of the periphery. Indeed, Labour had implemented a technocratic model of planning that did not go the route of industrial democracy. This coincided with a view that Labour had structurally altered the economy by moving away from private industry towards a paternalistic state that stressed the importance of public ownership.[91] As was pointed out, however, the reality was that the private sector, finance capital and the Treasury resisted any diminution of their powers. Nonetheless, partisan priorities ensured that versions of national structures were pursued, and this is what separated Labour from the Conservatives.

The support for devolution to elected assemblies was not something any national party was willing to grant while in power and cartelizing tactics were used to marginalize any other party that sought to promote a concept of sovereignty that went against the centrality of Parliamentary government. However, this chapter points out that variations in asymmetrical administrative decentralization reflected the complexity of capitalist state development. Alignments to competing political scales were heavily influenced by working class disappointment, expressed through organizations like the STUC. In the immediate post-war years, the STUC maintained a progressive policy stance based on the unity of the wartime military alliance. Yet political changes would take place as the period after 1945 represented a failure of social democratic political organization for the outer areas of Britain, prompting political nationalism to fill a void for working class people who were struggling. As early as 1953 the STUC demanded of the Royal Commission on Scottish Affairs, the re-establishment of the Scottish Economic Conference and more direction in key

[91] Colin Leys, *Politics in Britain*, 59.

economic departments. While using some of the contradictions of the development of capitalism, social democracy was able to maneuver between the interests of capital and the working class. Yet, the loss of Labour votes in industrial regions of Scotland in favour of the SNP reflected the inroads made by the SNP among the working class, and though the post-war boom was taking place, Labour in Scotland was unable to avoid the issue of sentiments of the Scottish people. This highlights the strengths and weakness of social democracy as pragmatic political-economic policies did not alter existing arrangements enough to satisfy demands.[92]

In the 1950s, the deepening unpopularity of the Tories in the peripheral regions was central to the development of regional policy in the early 1960s. The reliance on obsolete heavy industry in the regions led to the prompting of representatives in trade unions to argue for peripheral solutions to problems. With the shift of capital to England and the dependence of industries on state policy, political parties may have been able to militate against Home Rule at the time but the absorption of regional concerns into mainstream developments were not to last.[93] Regional policy was delivered as a response to pressures from below, from those who experienced unemployment. Where regional policy appeared to be inadequate, industrial politics contributed to the growth of devolutionist pressure and the labour movement's politics towards militancy. This would be not limited to the Conservatives. Working class disappointment was noticeable with respect to the economic management of Wilson's government.[94] Thus, the (re)production of the regional scale in Britain played a large part in the devolutionary politics that began to take off in the late 1960s.

Industrial restructuring and regional policy were accompanied by demands for administrative decentralization and autonomy in Scotland and Wales. The Scottish voice in

[92] Dickson (ed.), *Scottish Capitalism*, 302.
[93] Dickson (ed.), *Scottish Capitalism*, 281-282.
[94] Phillips, *The Industrial Politics of Devolution*, 15, 27.

Cabinet was able to argue Scotland's case in expenditure matters and it provided a powerful form of territorial representation as compensation for having to endure centralist government. In Parliament, Scottish legislation was handled in special Scottish committees, without detracting from the right of Parliament. Adjacently, as previously mentioned, from 1964 this type of administrative devolution was extended to Wales with a Secretary of State and a Welsh Office. A misconception is that these offices were mere field offices of Whitehall departments. On the contrary, they were independent departments, with separate representation in Cabinet and their own expenditure programmes. Administrative devolution was as far as governments felt able to go before the 1970s in accommodating territorial distinctiveness on the mainland. The influence of the Welsh Office when it was created was substantial. With respect to local government it was a source or channel for central government power and financial provision. In its relations with local government the Welsh Office would operate through a network of consultation (rather than negotiation) with regulation as the objective.[95]

The systems of administration that have come to be implemented, reformed and disbanded to support competing commitments to the national scale is a particularly relevant place to turn to as some have argued that Britain has really had no territorial departments at the centre like those in France, or an extensive system of field administration with civil servants. Moreover, local authorities were supposedly mere ad hoc agencies controlled by the centre. The way regional policies were implemented by the national level and the class political relations underlying them influenced the form of interest representation in decision-making processes. Systems of administration are intricately connected to dominant legislative and executive political institutions

[95] Keating, "Regionalism, Devolution and the State," 161, 166. P. J. Madgwick and Mari James, "The Network of Consultative Government in Wales," in *New Approaches to the Study of Central-Local Government Relationships*, ed. G. W. Jones (Westmead: Gower Publishing, 1980), 101.

that create the policies that administrative bodies implement. The dynamic between politics and administration plays out between partisans particularly when it concerns expanding or retracting functions of decision-making for implementation. Eventually, the Scottish and Welsh Offices would become the democratic basis for regional legislatures. The bigger discussion about politics and administration - especially with regard to decentralized policies and institutions that were continuously being reworked - is that they were part of systemic struggles for democratization. This tends to be forgotten by much of the postwar analysis of the so-called democratic method that governments in the West were employing.

Constitutional reform was eventually investigated by Labour because of the rise of dissent regionally and locally due to the lack of authority invested in regional and local restructuring. The Royal Commissions were used to buy time and would ultimately play into the hands of regionalists heading into the 1970s. Moreover, the Conservatives would end up reforming local government in a manner that benefited them after they regained power in 1970. The reorganization of local government is associated with the wider crisis of the welfare state becoming urgent in the 1960s, and the attempt to restructure state spending was attempted in a way that would cause the least damage to dominant interests. The goal was to subordinate the local to the central. Some form of reorganization was going to happen irrespective of the party in control; yet ideology mattered, and state policies contributed to local level problems. In the end, no national government sought to reform local government boundaries and implement changes in the land use of a region as means to aid with economic planning. Nonetheless, local government shuffling was still used as a partisan tool to outflank the power bases of opponents and help to serve its own class interests.

Subnational levels are relevant to a topic of devolution in that the creation of new administrative and even political bodies must recognize the municipal tradition and mandate that

is entrenched in Britain. Yet, the local level was almost always removed from regional reform exercises. The separation of local from regional reform was political. The politics of scale was such that any conversation about local reform without addressing the regional question and regional areas, was destined to fail as it would never address the structural problems of the local government area problem. Simultaneously, any conversation about regional government without implicating the reorganization of local government indicated a lack of sincerity in wanting to see transformation at all scales of the state. If regional government were fully implemented it would inevitably take over certain responsibilities of local government. What this would look like under a regional system required local level and regional level discussions simultaneously. The designers of Royal Commissions consciously separated local and regional systems from each other, and removed from these any discussion about their finances, leaving the national government to address such questions.

Ongoing crises and unwavering commitments to national power over the economy to achieve partisan objectives leads into the next chapter, which examines the changes in the commitment to the national scale. This is especially relevant given the rise and consolidation of monetarism as an economic orthodoxy and how this would become even more contested by subnational scales. To be sure, their defeat in 1964 was a prelude to a decade-long struggle to construct a new statecraft strategy that would enable the Conservatives to win elections, and eventually change the ideological terrain of British politics as it concerned regionalism, urban development and macroeconomic policy.

Chapter 3: The Struggles over Scale Commitments from 1970-1995

Introduction

This chapter examines decentralized institutional changes to the national, regional and local levels from 1970 to 1995. The timeframe is important because of the paradigm shift from Keynesianism to neoliberalism in Britain, and across Western democracies more broadly. The previous chapter argued that partisan struggle was apparent throughout the 'consensus' years and noted how tumultuous industrial relations became the norm by the late 1960s. This atmosphere carried forward to the point of instability in the 1970s and influenced an attempt to politically restructure the British state at the end of the 1970s. At the national level, ideological factions pushed to the forefront of party caucuses, causing rifts and new strategic policy directions. Meanwhile, subnational actors constantly mobilized against the Conservative and Labour parties. Where reform was sought, political economy was relevant to how, if any, restructuring was taking place. Overall, the national level was preserved but the divisiveness of central-subnational relations led to constitutional changes in the 1990s. The pattern of one-party control at Westminster served to reinforce regionalist sentiment particularly because two-fifths of the electorate reproduced majority governments that determined national affairs.[1]

The first two chapters argued that prominent post-war thinking about the democratic state placed an emphasis on national level decision-making and service provision. By contrast, this chapter explores continuities and discontinuities between post-war and new right politics.[2] To

[1] David Beetham, "Political Theory and British Politics," in *Developments in British Politics 4*, ed. Patrick Dunleavy et al. (Basingstoke: Macmillan, 1993), 355.

[2] Where there is a discussion of the new right and the degradation of the welfare state from the 1980s onward, the object is to build upon longitudinal research broadly concerned with the partisan effects on the welfare state during the neoliberal turn.

understand how and why institutional change took place in Britain from 1970-1995 in conjunction with an ideological paradigm shift, this chapter examines the confluence between the scalar reorganization of the economy *and* decentralized institutions. National development agendas impacted mobilization from below for reform, and this was associated with troubling experiences related to the spatial and sectoral division of labour. Placing an emphasis on the broader relationship between industrial political relations and policy administration, and specifically how decentralization was used (or sought) as a tool for economic regeneration, we uncover the motivations behind the movement to create legislative assemblies in Scotland and Wales in the 1990s.

This approach also offers the opportunity to provide a critique of what passed for democracy at the time. Decentralized institutions pursued after the Second World War did not entrench meaningful public participation in policy-making. Many of the deconcentrated institutions developed were not democratically elected but rather appointed by partisans. This is important because of their increasing policy responsibilities as the post-war period wore on. Considering this, it is necessary to contrast democratic opportunities associated with decentralization, both in the 1960s and 1970s, and then in the era of increasing austerity following the election of Margaret Thatcher. These contradistinctions add important nuances to debates that focus on social democracy versus Thatcherism.

The National Level from 1970-1995: National Macroeconomic Agendas in a Globalizing World

The early 1970s marked the end of the so-called golden age of sustained economic growth, full employment and reasonably stable prices. The changes to Britain's economic fortunes and

economic policy priorities were influenced by changing world conditions, specifically increasing world price trends. Britain's relatively poor performance in the world economy reflected a wide range of factors, including partisan economic doctrine, as well as shortcomings in company organization, divisive industrial relations, and regional imbalances influenced by inflationary pressures generated in the South East.[3]

Leading into the 1970s, the Conservatives' statecraft strategy was internally divided. On one end, there was the influential MP Enoch Powell, sparking debates that influenced the course of Conservatism by focusing on anti-immigration and free market ideas, appealing to sections of the middle and working classes. For some, Powellism was the precursor to Thatcherism because of the alternative narrative it provided to the social democratic state. Despite Enoch Powell's influence, Edward Heath proved to be more crucial to the subsequent emergence of Thatcherism.[4] His struggle to impose a new trajectory upon state institutions and the economy could not escape the crisis narrative that formed in association with the postwar intervention model. One consequence of the Conservatives' approach to economic issues was the realignment of the alienated TUC with the Labour Party by the early 1970s. Indeed, from 1970 to 1974 the labour movement had reinvigorated itself, and the Labour Party was under pressure to revise its policy positions. By the mid-1970s, the parameters of intervention in the mixed economy were shifting to alternative methods of economic management. This context provided the emerging new right an opportunity to redefine British capitalism through financial deregulation, corporate restructuring, and a rejection of tripartism. In addition, legislation and various decentralization policies refocused public sector reform, industrial relations, attitudes toward European integration,

[3] G. C. Peden, *British Economic and Social Policy: Lloyd George to Margaret Thatcher* (Oxford: Pillip Allan, 1991), 211.
[4] Timothy Heppell, *The Tories: From Winston Churchill to David Cameron* (London: Bloomsbury, 2014), 42, 46.

attempts to use quasi-non-governmental organizations to override local government, and civic populism in the direction of market-based citizen rights.

1970-1974

The Conservative Party returned to office in 1970 and experienced turbulence due to new strategic policy choices, domestic social forces in conflict, and changing world economic conditions. Their initial goal was to reduce state intervention in the economy. The first budget produced by the Tories departed from the previous Labour government's by reducing income and corporate taxes. In addition, a cornerstone of the Conservatives' early approach was to alter industrial relations by curbing wages in the Industrial Relations Act of 1971. However, British workers were unwilling to allow cuts to real incomes.[5] At the time, Conservative Party thinking was that the free market should establish price stability for sustained economic growth, but within a year the economy began to stagnate, and unemployment rose to over one million people. Concomitantly, labour relations were aggravated because of the Industrial Relations Act; twenty-four million working days were lost due to strike activity in 1972 alone.[6]

Prime Minister Heath recognized early on that his approach to the management of the economy was not going to work and opted to change course through a series of 'U-turns' that went against the party's manifesto. The first major U-turn was an increase in public spending and borrowing despite the government's initial reduction in public expenditure. The second concerned the national currency when Richard Nixon ended the convertibility of the dollar by replacing it with floating exchange rates, and Heath chose to follow suit. Domestic economic policy was adversely affected by world events, specifically the inflationary OPEC oil shock in 1973. The experience brought the postwar boom to an end by cutting the rate of economic growth across

[5] Peden, *British Economic and Social Policy*, 199.
[6] Thorpe, *A History of the British Labour Party*, 166.

advanced industrial countries. Britain particularly endured double-digit inflation, balance of payments deficits and higher unemployment. The spike in oil prices acted like a tax, obliging importing countries to pay a premium. A third U-turn backtracked on the abandonment of 'lame duck' companies; instead of being left to the mercies of the market, struggling companies like Rolls Royce were nationalized and the Upper Clyde Shipbuilders were financially supported. The last U-turn consisted of statutory price and income controls. Moving away from voluntary agreements between industry and labour prompted a series of disputes particularly with the National Union of Mineworkers (NUM) and the National Coal Board. Mass strikes, amplified by instability in Northern Ireland, convinced the Prime Minister to declare a state of emergency and a three-day work week. The inability to secure pay restraint brought the CBI and TUC into confrontation as well, especially when the government proceeded to index wages to inflation by legislating an incomes policy. This prompted militant action from miners, railway workers and dockyard workers, whereby Heath chose to dissolve the government and fight an election to gain a mandate to end the protests.[7] These experiences united the left despite the mistrust created by the previous Labour government's attempt to implement its own wages norms. Britain seemingly on the verge of being ungovernable added to the Labour Party's prospects going into the 1974 election, but the effects of the single member plurality system provided Labour with a minority government in the end. They too would struggle with balance of payments and financing the external deficit from 1974-1979, as well as industrial relations problems that would culminate in their own downfall.

[7] Bale, *The Conservatives since 1945*, 161-162.

1974-1979

Early into the 1970s the Labour Party had to revise its policy positions in order to win over the radicalized labour movement's support. In 1973, the TUC and the Labour Party adopted the *Social Contract*, a package of reforms in return for voluntary wage restraint by the unions. Following this, the Labour Party produced *Labour's Programme*, committing it to import price controls, increased pensions, a renegotiation of terms with the European Economic Community, the restoration of free collective bargaining, and the repeal of the Industrial Relations Act. It was the most thoroughgoing set of commitments in years.[8] Nonetheless, the priorities agreed to on paper by domestic coalitions had to contend with international forces. The 1974 election only made it more difficult as Labour won the first minority government to take office since 1929, with the balance of any electoral support being held by the Liberals, Northern Irish, independent Labourites, the SNP and Plaid Cymru. Labour moved quickly to end the miners' strike and reach a settlement, repealed the Industrial Relations Act, and froze council rents. Within six months an election was called and Labour was returned with a comfortable majority. Despite the far-left commitments made by the Labour Party caucus, Harold Wilson was ideologically committed to the reduction of inflation as a main macroeconomic agenda. Nonetheless, inflation rose to 24% in 1975. In addition, productivity growth was slow. Within a year, the government failed to meet its main policy targets: adequate economic growth, full employment, a stable balance of payments, and stable prices. Indeed, consumer spending fell for the first time in twenty years, there were 700,000 unemployed, and the balance of payments deficit was the largest ever recorded.[9]

[8] Thorpe, *A History of the British Labour Party*, 170.
[9] Alan Sked and Chris Cook, *Post-War Britain: A Political History* (Harmondsworth: Penguin Books, 1979), 340, 342.

There was a clear policy divide between the Conservatives and Labour from 1970 to 1974 regarding industry. In contrast to the Conservatives, Labour committed itself to the *Social Contract,* which was a socialist policy that promised to nationalize the nation's top twenty-five firms, create a National Enterprise Board (NEB) to undertake direct public investment and ownership in industry, force the private sector to sign planning agreements, and implement workers' ability to issue directives to the private sector. The Labour Party also declared its intention to arrest the long decline Britain was experiencing by focusing on manufacturing and R&D. After winning re-election, however, a White Paper was produced in 1974 called *The Regeneration of British Industry*. It prompted an internal debate because of its toned-down language and priorities. Still, the goal of Labour was to revive British industry, and rethink economic planning through tripartite bargaining. The problem with their approach started with the fact that the NEB did not have the compulsory power to purchase companies. Moreover, compulsory planning agreements were never actually implemented, limiting a new direction in corporatist bargaining.[10]

Martin Holmes points out that as Labour's macroeconomic strategy unfolded, it fossilized industries like the auto sector by heavily investing in ailing companies like British Leyland and Chrysler UK. Several other sectors like British Airways and British Shipbuilding were experiencing similar problems with low productivity and a lack of competitiveness in world markets, and yet they also received an injection of money. One of the most pressing issues within industrial relations at the time was unemployment and how to best prevent the loss of jobs. Labour's strategy (and the U-turns pursued by Conservatives) only artificially preserved jobs in industries that were in decline, reinforcing internal deficiencies in domestic industries, and

[10] Martin Holmes, *The Labour Government, 1974-79: Political Aims and Economic Reality* (London: Macmillan Press, 1985), 35-36, 38.

reflected the problems with industrial strategy overall. Hundreds of millions of pounds were invested in industry from 1974 to 1979 with no adequate return on capital. It prevented jobs from being lost but it did so without safeguarding these jobs in the long term, save without subsidy. Trade unionism contributed to this, as Labour did not want to appear unsupportive of working class jobs.[11]

Two urgent economic problems were facing the government, namely inflation and the external deficit. With the rise of prices in the world market, Britain piled up a large trade deficit as domestic inflation and consumer prices were higher than those of other OECD countries. One of the traditional ways Labour attempted to control inflation and the balance of payments was to establish a wage norm because it was interested in working with both industry leaders and the unions to guide economic management. And that is indeed what happened; between 1975 and 1976 there was an agreement between labour and capital through the TUC and CBI respectively to implement a wage ceiling.

What differed this time around was that the challenges were so severe that the government had to consider options it would not have otherwise considered, i.e. monetarism, to control the money supply and hold prices steady. The Treasury chose to engineer an export-led recovery by reducing interest rates and selling Sterling to create more foreign exchange. And when the economic situation only worsened, the government was forced to borrow money from the IMF. This was a serious blow to the country because the Labour Party had to implement public expenditure cuts of two and half billion dollars over two years, tighten the money supply and decrease the exchange rate. It was a watershed moment for the future direction of macroeconomic policy because the government's priority would no longer be unemployment. In fact, by the end

[11] Holmes, *The Labour Government,* 57-58, 60-61.

of the government's term in office, there were discussions about targeting benefits and means-testing social security, both of which provided ammunition to the new right.[12]

Adding to the difficult domestic economic situation was Labour's electoral volatility. One of the early situations that contributed to division within cabinet was entry in the European Economic Community. In 1970, sixty-nine Labour MPs voted with the Conservative government and twenty abstained. When Harold Wilson took office, one of his tasks was to support a referendum on staying in the EEC. He advocated for a Yes vote, and ultimately, 67% of the public agreed. By 1976, Labour's parliamentary position was weakening because of defections to the Scottish Labour Party, by-election losses, and the high number of third party MPs. Labour had to broker political deals with third parties through difficult negotiations. Ulster Unionists were placated by the promise of a review of Northern Ireland's representation in Westminster. The Liberals formed a Lib-Lab Pact with the Labour Party based on terms such as direct elections to the European Parliament, and devolution to Scotland and Wales. Moreover, the price of Scottish and Welsh nationalist parliamentary support was devolution. By 1977, it appeared that the economy was rebounding, and the government felt optimistic about its chances going forward.

The veneer of stability was nothing more than a twilight.[13] The reality of the situation was that the Labour government endured even more industrial disruption than the two major strikes had caused in 1972 and 1974. A wave of strikes in the private and public sector against pay policy took place across Britain in 1978-1979, termed the Winter of Discontent. It was the worst series of strikes and days lost to picketing and walk outs since 1926. One and a half million workers in the public sector took part in a one-day protest forcing the government to relax its policy and agree

[12] Woodward, *The Management of the British Economy*, 145; Cairncross, *The British Economy since 1945,* 206, 210, 214.
[13] Tom Nairn, *The Break-Up of Britain: Crisis and Neo-Nationalism* (London: NLB, 1977), 45.

to offer more to low paid workers. A gravediggers' strike darkened the public mood as the deceased were left awaiting burial. These disputes were different as they inconvenienced citizens, blurring the lines of conflict traditionally between workers and employers.[14] It resulted in the condemnation of both unions and the Labour Party. The dispute over incomes policy combined in 1979 with other public issues like the failed referendums on devolution in Scotland and Wales.

In sum, the government faced the worst economic problems the country had experienced since WWII. The reconstruction of Labour's policies assumed that the state could be used to engineer growth, though Heath chose a few years earlier to float the pound and enter the Common Market, increasing the country's integration into the international economy.[15] While the government settled with the miners and replaced the Tory's Industrial Relations Act, it lacked the unity to restructure the machinery of government. The Conservatives were able to capitalize on the public mood as a result of the government's handling of the Winter of Discontent, pushing for a vote of no confidence and ultimately forcing a general election in 1979. They persuaded the electorate that Keynesianism, trade unionism and an overburdened state were the primary source of Britain's problems.

1979-1997

From 1979 to 1997 the Conservative Party enjoyed the longest uninterrupted period in office in British history, and Margaret Thatcher was the Prime Minister for eleven of those years. The outcome of the 1979 general election marked a divergence in the bases of regional electoral support. While the Conservative Party won support across the UK in 1979, by 1997 not a single Tory was elected in Scotland. Hence, the impressive majority victories achieved in 1979, 1983, 1987 and 1992 masked drops in the Tory's regional support, especially in Scotland. This reflected

[14] Holmes, *The Labour Government,* 138-139.
[15] Cronin, *The Politics of State Expansion,* 238.

the pursuit of Britain-wide neoliberal economic policies and the attempt to reconfigure the state's authority through various decentralization policies.[16] Under Prime Minister Thatcher, Britain experienced the most profound political, social and economic changes since the 1945-1950 Labour government led by Clement Atlee. Rebuilding the electoral base did not happen overnight, though. Starting from when she became party leader in 1975, Margaret Thatcher used a populist message to build on middle and working class discontents over the forms and results of the economic and political crisis-management practiced in the 1970s. Her ideological influences included think tanks like the Ridley Policy Group that spoke of the need to prepare against strikes by building up stocks, engaging non-union labour in advance, and getting police on side.[17] Moreover, the return of neoclassical economics à la Milton Friedman was making headway with the political right, particularly the idea that government spending is influenced by the amount of money in circulation; if the government were to control and reduce the money supply, it could influence the level of inflation.[18]

The Conservative Party incrementally unveiled and adapted monetarist policies into a core set of flagship policies as part of a 'Thatcherite' agenda. For the purposes of this section, these included industrial relations, privatization, financial deregulation, and integration with European markets. It was clear early on that she was against collectivism of any sort, and promoted values associated with the traditional family, British patriotism, law and order, and individualism. The major post-war yardsticks of Keynesian demand management like full employment, output growth, and the reduction of domestic inflation through centralized wage bargaining were replaced

[16] Philip Lynch, *The Politics of Nationhood: Sovereignty, Britishness and Conservative Politics* (London: Macmillan Press, 1999), 105.
[17] Bale, *The Conservatives since 1945*, 204, 206.
[18] Mike Dunn and Sandy Smith, "Economic Policy and Privatisation," in *Public Policy under Thatcher*, ed. Stephen P. Savage and Lynton Robins (New York: St. Martin's Press, 1990), 28.

by a new medium term financial strategy. Going forward, the focus was on controlling the supply of money in the economy alongside a reduction of the Public Sector Borrowing Requirement.[19] This reflected the view that the government could no longer affect real economic variables rather than financial variables such as inflation.

Early in the first Thatcher government's mandate came the second OPEC oil shock to hit world markets in the wake of the Iranian Revolution. The increased price of oil created inflationary pressures and a major recession in Britain, inducing a rise in unemployment to nearly two million in 1980. Nonetheless, Prime Minister Thatcher was unwilling to return to the Edward Heath U-turn days. The political left, by contrast, had to face an undeterred monetarist project amidst serious ideological divides on issues like unilateral disarmament, the EEC, nationalization and so on. These divisions ultimately saw the right of the party split from the Labour Party to form the Social Democratic party in 1981, which eventually aligned itself with the Liberals in 1982. The SDP-Liberal alliance was so successful that it came within a few percent of overtaking Labour in the popular vote in the 1983 general election, which only boosted the Conservatives. Leading into that general election, Thatcher won additional support via nationalist sentiment garnered from the Falklands War victory against Argentina.

Of the major flagship policies, those concerning industrial relations are arguably the most important to the Thatcher era. Prime Minister Thatcher had openly regarded the unions and especially the miners as the 'enemy within'; they were the cause of economic decline.[20] For this reason, the government took the lessons learned from the 1971 Industrial Relations Act seriously and used legislation to make it harder for trade unions to mobilize opposition. To be sure, there

[19] Blake, *The Conservative Party from Peel to Thatcher*, 344.
[20] John Kingdom, "Citizen or State Consumer? A Fistful of Charters," in *The Citizen's Charter*, ed. J. A. Chandler (Aldershot: Dartmouth, 1996), 15.

was no shortage of social protest. Early in 1980 a steel worker's strike lasted three months. In 1981, following the release of a government budget, a prolonged civil service strike took place while riots in inner city areas like Brixton were happening. The main question at the time was whether the government's course of action would prove disastrous, especially considering that unemployment had increased to over three million by 1982. It is telling that the Conservatives were able to challenge post-war thinking about British politics, i.e. that high unemployment would not result in negative electoral outcomes. In fact, the acceleration of social change in the early 1980s only worked against the Labour Party as the labour movement struggled to avoid the depoliticization of unions and industrial relations.

The Employment Act of 1980, followed by legislation in 1982 and 1984 had the cumulative impact of restricting unions by outlawing secondary strikes, making unions liable for damage claims caused by industrial actions, and by strengthening employer rights against closed shops.[21] The Conservatives presented industrial policy as the conferring of rights and liberties on individual trade unionists which made it difficult for union leadership to deny members new opportunities like the right to vote prior to a strike call, or for the election of union officials. Yet, the introduction of union ballots was not simply a matter of fulfilling democratic principles within unions.[22] Prime Minister Thatcher eschewed incomes policy asserting that wages would be determined by the market, and rejected the 'culture of dependency' that the post-war state had previously created.

One of the other flagship policies of the 1980s was the privatization of public companies and services, especially after 1983. The Conservatives were attracted to the idea of reducing public expenditure by transferring state-owned firms and industries to the private sector as a method to

[21] Derbyshire and Derbyshire, *Politics in Britain*, 88.
[22] Peter Dorey, "One Step at a Time: The Conservative Government's Approach to the Reform of Industrial Relations Since 1979," *Political Quarterly* 64, 1 (1993): 30.

incentivize formerly nationalized entities to seek efficiencies, as subsidies were no longer available to them. It removed their responsibility for wage negotiations and conflicts that would arise between unions and the state. Subsequently, the government received revenue by selling shares, supplementing the loss of revenues that came from cutting income tax rates. Other than the de-nationalization of publicly owned assets, there was the subcontracting of government financed services like refuse collection and hospital cleaning.[23]

Notwithstanding the political issues above, from the middle of the 1980s until her resignation, Margaret Thatcher was preoccupied with the European Economic Community and the poll-tax. In terms of the former, Tory policy was skeptical of British entry despite the support the party gave to it during the 1970s. There was no indication that the party would sign away the ability of Britain to veto common policies, but this is what happened in 1985 when Prime Minister Thatcher agreed to the Single European Act (SEA) and qualified majority voting on a range of issues related to the free movement of goods, services, capital and people.[24] The Prime Minister believed the SEA was in Britain's best interests, not realizing at the time how contested it would become in the decade that followed. The other political issue was the restructuring of the rate system at the local level for the funding of local services (explained more in the local scale section below). Upwards of 70% of the population disliked what became known as the poll-tax and it led to damaging campaigns (within the party and in the public) against Thatcher, culminating in her resignation in 1990 and John Major taking over party leadership.

John Major continued the new right agenda by cutting trade union privileges, further pursuing privatization. The most important policy areas that Prime Minister Major had to address were inter-related: macroeconomic policy and European integration. Macroeconomic policy was

[23] Heppell, *The Tories*, 81.
[24] Bale, *The Conservatives since 1945*, 271.

experiencing radical change in the 1990s because of the Exchange Rate Mechanism (ERM). Membership in the ERM tied British exchange rates into a European average with fixed exchange and interest rates to defend currency. Monetary policy was therefore no longer made in London, but in Germany by the Bundesbank. This loss of control was felt in 1992 when the ERM locked Britain into a high exchange rate forcing payment of the higher rates caused by German reunification. As a result, the domestic cost of goods increased, and the British rate of unemployment overtook the European average.[25]

Britain in the early 1990s was the poorest of the G7 group of advanced industrial nations. The problem is that when monetarism was taking root in the early 1980s the boost to Sterling and the money supply came from North Sea oil, high interest rates, a squeeze on public spending and borrowing and an unemployment rate that reduced expectations on wages and price rises. What was less discussed at a policy level were the changes happening to the imperial orientation of British capitalism, specifically how the City was solely focused on servicing global capitalism. A large jump in capital export post-1979 was not in direct investment for example, but in financial institutions. This reflected the lack of a commitment to reindustrialization (discussed in the regional section below). As a result, public borrowing and interlocked exchange mechanisms became intermeshed with complex financial arrangements that were aligned internationally. It forced governments to guarantee global interests, and negatively fed into the structure of the domestic economy.[26]

With the economy impacted by the institutional transformation in financial services, there was a drastic change in the relations between the market and the state, resulting from altered

[25] Stephen Wilks, "Economic Policy," in *Developments in British Politics*, ed. Patrick Dunleavy et al. (Basingstoke: Macmillan, 1993), 224-225, 228.
[26] Martin Spence, "Imperialism and Decline: Britain in the 1980s," *Capital & Class* 9, 1 (1985): 123.

regulatory arrangements implemented by the Conservatives. The Bank of England was the major promoter of regulatory change in the 1980s, and London's status allowed the Bank to play a leading role in the international community of central bankers. As Michael Moran argues, the so-called financial services revolution was not a functional change between the needs of key international actors, but more of a new relationship between the state and financial markets in a capitalist world.[27] The state was actively involved in the diffusion of new international agreements and privileged particular forms of labour, most of which were spatially concentrated. The largest financial centres accounted for nearly 60% of financial service employment by the end of the 1980s, and the most important was London followed by the conurbations of Birmingham, Manchester and Edinburgh.

An adjacent process was the corporate restructuring of international finance, brought about by government-inspired regulatory shifts, intensifying the concentration of finance in the South and East of the country. Professional, technical and senior management personnel required to develop and administer the new services were placed in and around the heart of London. Rationalization subsequently took place in Northern markets characterized by slow growth in incomes. From post-war Bretton Woods to the dismantling of regulation in Britain, the Conservatives oversaw the removal of foreign exchange controls in 1979 and restrictions on consumer credit in 1982, the introduction of Mortgage Interest Relief at Source, reform to housing finance in 1983, the Composite Rate Tax extended to banks in 1984, and changes in pension legislation and personal taxation to draw insurance companies into mainstream personal investment markets. This provided freedom for financial institutions to operate within the domestic and global markets. Moreover, the flagship of deregulation was the Financial Services Act of 1986

[27] Michael Moran, "The State and the Financial Services Revolution: A Comparative Analysis," *West European Politics*, 17, 3 (1994): 162.

that in combination with previous legislation swept away direct controls, liberalizing finance.[28] As noted above, the destabilizing effects of the Act became clear in the 1990s when Britain could not adjust to the ERM.

The culmination of deregulation of the City of London only served to overheat the British economy. The outcome was 'Black Wednesday' and the forced withdrawal of Britain from the ERM; speculation against Sterling came as a result along with devaluation of the pound. The estimated cost to the economy ran between three and four billion pounds, along with the domestic impact of controlled spending and constraints on social services like the NHS. Both politically and in public attitudes, Britain's always latent Euroscepticism was aggravated by these developments. More recent events such as Brexit harken back to the mid-1990s and even to the referendum on entry in 1975. Nonetheless, despite experiences like Black Wednesday, the Maastricht agreement of 1992 was a step towards integration.

In all, there were strong continuities between Margaret Thatcher and John Major, particularly regarding structural trends, policy and ideology. This makes it useful to think of post—1979 Conservatism more holistically.[29] Meanwhile, the re-imagining of the Labour Party while in opposition helped it articulate a new persona for a new age. This would aid them by 1997 when the party returned to government, but not without the enduring legacy of Thatcherism conditioning the discursive foundation of policy-making going into the new millennium. The next chapter delves into the complex reality that came about under the new Labour Party. A new consensus was not simply replaced by an old one. There are differences in partisan alignments that are best

[28] J. N. Marshall et al., "Regulatory Change, Corporate Restructuring and the Spatial Development of the British Financial Sector," *Regional Studies* 26, 5 (1991): 454-457.
[29] Stuart McAnulla, "The Post-Thatcher Era," in *Postwar British Politics in Perspective*, David Marsh et al. (Malden: Polity Press, 1999), 190.

observed in the politics of scale, even if the dominant new right paradigm replaced post-war social democracy.

The Regional Level from 1970-1995: Subnational Spatial-Sectoral Variations, Regional Policies, and the Scalar Politics of Devolution

There is a common idea that the politics of devolution picked up in the 1970s because Scottish and Welsh nationalists were dissatisfied with state intervention in the regions. However, there are competing interpretations about what state intervention represents. Moreover, the role of class politics tends to be ignored as an influential factor behind the mobilization of devolutionists and secessionists. This section indicates how class relations and politics informed regional contests and the politics of scale. It describes the spatial and sectoral aspects of industrial organization and de-industrialization in the 1970s and early 1980s. This is followed by an examination of regional policies and apparatuses from the 1970s to the mid-1990s. Lastly, the role of industrial politics on the prospects for devolution are described from the 1970s to the mid-1990s.

There were conflicting tensions and dilemmas associated with regional and local scale policies. This speaks to the competition between policy paradigms, and how political-economic pressures were filtered through the prevailing ideological climate. Uneven geographical and spatial divisions of labour were perpetuated by British and global capitalism, and presented opportunities for the growth of regional and nationalist political movements.[30] Devolutionary governance emerged from the interplay between elite and ordinary actors, parties and movements, some of which actively opposed political forms of devolution while favouring administrative

[30] John Carney, "Regions in Crisis: Accumulation, Regional Problems and Crisis Formation," in *Regions in Crisis: New Perspectives in European Regional Theory*, ed. John Carney, Ray Hudson and Jim Lewis (New York: St. Martin's Press, 1980), 28.

components.[31] Political parties, primarily Labour, tried in power to offset the costs of de-industrialization by offering up new institutions to address rising social problems. However, the paradox was that state actors contributed to economic restructuring as well as the negative effects associated with it. The push from below for democratizing regional institutions built upon the momentum of industrial struggles and workers facing unemployment. Workers in coal mines, steel mills, shipyards and branch-plant industries influenced the adoption of devolution in labour organizations like the STUC as well as in the business community via the SCDI. Devolution was framed in a broader ideological struggle taking place in a period of transition from social democracy to neoliberalism, and competing narratives approached devolution as a means for economic development and/or for purposes of social justice.

According to Bob Rowthorn, there was an almost continuous fall in the number of people employed in agriculture from 1946-1983, going from an already low 1.8 million in 1946 to under 1 million in 1983. Over the same period employment in the service sector rose dramatically from under 10 million to over 14 million.[32] Moreover, from 1952-1981 employment in manufacturing (including the nationalized industries of coal mining and shipbuilding) declined in the country, accounting for 80% of the total loss of jobs in Britain.[33] De-industrialization in the Keynesian era was defined as the failure of a country or region to secure a rate of growth of output and net exports to sustain full employment. Prominence tends to be given to the manufacturing sector because of the reliance on manufacturing activities as a source of net exports and employment. The pace of de-industrialization and its consequences differed between regions in large part because of the

[31] Phillips, *The Industrial Politics of Devolution*, 2.
[32] Bob Rowthorn, "De-industrialisation in Britain," in The Geography of De-industrialisation, ed. Ron Martin and Bob Rowthorn (London: Macmillan, 1986), 2
[33] Ray Hudson, "Producing an Industrial Wasteland: Capital, Labour and the State in North-East England," in The Geography of De-industrialisation, ed. Ron Martin and Bob Rowthorn (London: Macmillan, 1986), 181.

inherited regional characteristics going back to the Victorian era. The regions suffering above average rates of de-industrialization were Northern Ireland, West Midlands, Scotland, Wales, and Yorkshire and Humberside. Those experiencing below average rates of de-industrialization were East Anglia, the South West, the South East and the East Midlands. This was reinforced by the steady flow of net migration of technical, professional and skilled people to Southern and Eastern areas of Britain.[34]

Another factor contributing to geographical inequality and de-industrialization was the attempt to modernize production, premised on financial restructuring and technological updates to private manufacturing, as well as the rationalization of heavy basic sectors.[35] This was also reflective of the changes being made to service industries as producer services completely dominated private sector growth in service employment. Simultaneously, new jobs were created and filled by women in the tertiary sector, consisting of part-time employment and focused on semi or unskilled labour. These jobs paid a lower wage than the male dominated full-time unionized jobs in the secondary sector. In fact, there was an inability to attract new manufacturing firms in areas that were traditionally male dominated, and this magnified the gender dimensions of employment. Women's employment increased by nearly two million from 1951-1971, while men's employment declined by roughly three hundred thousand. This only increased from 1971-1981, as women obtained an additional three hundred thousand jobs, whereas men lost over three million. Overall, Felicity Henwood and Sally Wyatt point out that these numbers are both a

[34] John Rhodes, "Regional Dimensions of Industrial Decline," in The Geography of De-industrialisation, ed. Ron Martin and Bob Rowthorn (London: Macmillan, 1986), 138-139, 149-151, 167.
[35] Doreen Massey, *Spatial Divisions of Labour*, 231-232.

reflection of the increasing opportunities in the services industries, as well as the absolute decline in the number of men in paid work.[36]

Ultimately, the types of so-called 'new' manufacturing investment leading into the 1970s proved vulnerable to closure. The lack of investment in manufacturing was heavily connected to the state's macroeconomic monetary and fiscal policies; capital and the British state often responded to crises in the economy by cutting industrial capacity, investment and employment. Moreover, there were problems associated with the ownership and control of enterprises in key sectors that lie outside peripheral regions. For example, Scotland developed a branch plant and subsidiary economy that gradually eroded local decisions concerning the Scottish economy. The large American component in the Scottish manufacturing sector tended to feed global fluctuations into the region quickly, to the point that a recession in the United States at the turn of the 1970s generated a concomitant recession in the Scottish secondary sector, because exports from Scottish branches and subsidiaries to American parent companies fell off.[37]

In the 1970s there was an erosion in industrial capacity and employment because of disinvestment by private capital, and particularly when international competition intensified in association with the first OPEC oil shock. The branch plants set up to produce commodities experienced reduced levels of capacity in response to falling demand or they closed altogether. By 1975-1976, employment decline went beyond traditional industries and began to include those associated with clothing, textiles and electrical engineering, and a relocation of jobs to areas with cheaper labour. The level of employment fell by a million between 1973 and 1981. The situation

[36] Felicity Henwood and Sally Wyatt, "Women's Work, Technology Change and Shifts in Employment," in *The Geography of De-industrialisation*, ed. Ron Martin and Bob Rowthorn (London: Macmillan, 1986), 123.
[37] Concurrently, the North East of England provided an environment that was attractive to firms looking for de-skilled labour. This was all part and parcel of the supply chain of corporate production and restructuring that was taking place globally, and not just nationally. By 1971, 40% of manufacturing in the North East consisted of subsidiary operations. Hudson, "Producing an Industrial Wasteland, 171, 196; Firn, "External Control and Regional Development, 405, 411.

with the IMF between 1975-1976 only made things worse as there were conditions attached to the loan agreement to restructure industry and cut public expenditure.

Numerous scholars argue that the accelerated break-up of workforces led to the re-creation of labour reserves. Changes to the productive processes of capitalism were not simply a result of some neutral desire for technical advance. A form of spatial division of labour was associated with sectoral specialization, meaning the organization of production structured the patterns of regional differentiation, decline and unemployment.[38] This speaks against the idea that the development and enhancement of regional administration in the post-war period was a consequence of the expansion of the welfare state. In contrast, I join those who argue that regional planning is a specific form of spatial and institutional intervention in the economy: regional policy has the ideological role of legitimating the position of government at the national level by demonstrating concern for peripheral regions.[39] A complementary argument is that state intervention has always benefited private capital.[40] The point of enticing enterprises by offering incentives plays the role of inducing firms to locate in specific Development Areas. Even where intervention was presented in terms of a social welfare rationale there were ideological motivations behind the actions of state actors; the presentation of state aid as a form of welfare plays down the local impact of the extension of capitalism. The relocation of industry was not wholesale, but rather a portion of the

[38] Hudson, "Producing an Industrial Wasteland, 193-195;" Doreen Massey, "In What Sense a Regional Problem," *Regional Studies* 13 (1979): 234-235*;* Mick Dunford and Diane Perrons, "The Restructuring of the Post-War British Space Economy," in The Geography of De-industrialisation, ed. Ron Martin and Bob Rowthorn (London: Macmillan, 1986), 99.

[39] Ray Hudson, "Nationalized Industry Policies and Regional Policies: The Role of the State in Capitalist Societies in the Deindustrialization and Reindustrialization of Regions," *Environment and Planning D Society and Space*, 4 (1980): 24.

[40] Gareth Rees, "Uneven Development, State Intervention and the Generation of Inequality: The Case of Industrial South Wales," in *Poverty and Social Inequality in Wales*, ed. Gareth Rees and Teresa L. Rees (London: Croom Helm, 1980), 202.

supply chain that only fed cheap labour into the productive process. Meanwhile, managers and decision-makers remained in the core of the economic heartland of Britain.

There was little integration of industrial development into the broader economic structure of Britain, creating class differentiation between core and periphery as well as between growth enclaves and the marginalized areas within the periphery. In Wales for example, there was in-migration of relatively affluent individuals in middle management from England, affecting its own indigenous middle class. Political nationalism arose as a reaction in order to improve local situations.[41] Between 1972 and 1979 spatial policy changed in form and became less important in relation to national economic agendas. This subordination began with an increased sectoral emphasis behind the Conservative's Industry and Finance Act and then continued into Labour's industrial strategy. The proportion of state financial aid to industry awarded on regional grounds decreased substantially.[42]

Throughout the postwar period asymmetrical deconcentrated and decentralized institutions were used to influence regional economic development in ad hoc ways, transferring certain powers from the centre to the regions. The following characterization draws on Brian Hogwood (1982) and James Mitchell (2009) to provide an explanation of some of the core operational differences between policies and institutions in Britain during the period under consideration. In the 1960s deconcentration operated top-down rather than horizontally, and this changed somewhat in the 1970s when regional offices came to incorporate some discretion over selective assistance to areas in their boundaries. For example, regional offices of the Department of Trade and Industry in the North West, Yorkshire and Humberside regions of England (as well as in Scotland and Wales)

[41] Glyn Williams, "Industrialization, Inequality and Deprivation in Rural Wales," in *Poverty and Social Inequality in Wales*, ed. Gareth Rees and Teresa L. Rees (London: Croom Helm, 1980), 174-175, 180-181.
[42] Massey, *Spatial Divisions of Labour,* 249-250

were given authority to approve assistance in individual cases. Regional offices in various regions with assisted areas had some autonomy though this was limited by the fact that they were not given set budgets to steer industry within and between regions. This was most pronounced in England because it had no agencies corresponding to those in Scotland and Wales. England had a system of administering regional and industrial policy that differed from other parts of the UK after 1979, but there was no uniform system of administering regional and industrial policy.

By contrast, Scotland and Wales already had asymmetrical forms of decentralization. The Scottish Office controlled physical, land-use planning functions. Moreover, the Secretary of State for Scotland had the responsibility of drawing up regional plans. In the 1970s, the Scottish Office had an economic and statistics unit, a Development Department, a Home and Health Department, Agriculture and Fisheries, as well as an Education Department. In 1973, a Scottish Economic Planning Department was set up to take over regional development from other jurisdictions within the Scottish Office. On the other hand, the existence of the Welsh Office complicated territorial management. An idea for a Council for Wales was discussed in Cabinet in the late 1960s and a committee was also set up to examine the prospect of devolution to Wales. The Scottish Office feared the precedent set by establishing a Council for Wales even though it was an organ of local government and would merely complement the Welsh Office. There were simultaneous concerns coming from England.[43]

The ad hoc nature of deconcentration and decentralization by the mid-1970s consisted of the transfer of selective regional assistance from the national level to the regions. The Scottish and Welsh Offices had the responsibility of overseeing industrial investment, industrial promotion,

[43] Brian W. Hogwood, "The Regional Dimension of Industrial Policy," in *The Territorial Dimension in United Kingdom Politics*, ed. Peter Madgwick and Richard Rose (London: Macmillan Press, 1982), 39-40, 42, 44; Mitchell, *Devolution in the UK*, 28, 57. 59, 92.

factory construction and management. The power to administer this selective assistance was delegated by the national Treasury to the Scottish and Welsh offices. These arrangements evolved in the 1970s and 1980s and were neither clearly nor neatly defined but consisted of degrees of autonomy. Overall, despite any new apparatuses added to pre-existing ones, they would not be accountable to the devolved assemblies being discussed at the time (described in detail in the next section). The partisans designing the prospective Scottish and Welsh legislative bodies ensured that industrial development and finance would remain at Westminster. Indeed, the management of regional economic policy would be shaped in Whitehall without reference to new devolved Assemblies if they were created. The perspective that regional democracy should be equipped with wider powers was thus not compatible with the formulation and implementation of a coherent national plan. Ultimately, decentralization in Scotland and Wales did not equate to more autonomy. Other variables like political economy were important factors in institutional design.[44]

The threat of the SNP was not the only reason why devolution was put on the agenda. This dissertation in fact places devolution within a broader context of class relations. As Phillips (2009) has shown, workers' expectations were raised by post-war economic growth; given their increased numerical strength in unions, they were not prepared to tolerate unemployment. The desire for enhanced regional economic policies shifted to political devolution where actors at different scales, including UK governments, employers and trade unionists, all sought it as a mechanism to ameliorate economic and social problems associated with unemployment.[45]

[44] Brian C. Smith, "Measuring Decentralisation," in *New Approaches to the Study of Central-Local Government Relationships*, ed. G. W. Jones (Westmead: Gower Publishing, 1980), 149.
[45] Phillips, *The Industrial Politics of Devolution*, 184.

1970-1974

The following will draw from Jim Phillips' seminal study entitled *Industrial Politics of Devolution: Scotland in the 1960s and 1970s*. By 1970, self-government impacted Scottish and British politics for the rest of the decade. When the Conservatives returned to office in 1970 they brought a different approach to regional questions and this was relevant to the mobilization of various actors in support of devolution. The Labour Party ignored regional problems from 1964-1970 and the Conservatives used this failure to promote a free market-oriented approach to economic policy and industrial relations. The irony is that the Conservative Party ended up alienating workers *and* employers with this approach. Regional capitalists realized that Prime Minister Heath favoured multi-national investment and would not subsidize lame duck enterprises. This shifted their attitudes toward devolution, as well as the manufacturing sector. The difference was that organized labour pushed for legislative rather than administrative devolution, whereas the business community viewed the partisan composition of such a legislature as being hostile to capitalism.

Edward Heath's attempt to reform industrial relations while withdrawing public subsidies led to mass mobilization. When the Industrial Relations Bill was passed, 200,000 workers went on strike across Clydeside for a full day. The government ended up reversing its position, but it never took the necessary steps to reform the shipyards industry. The movement from below was increasingly meshing class politics with Home Rule. For example, a Scottish assembly was convened in 1972 by the STUC in Edinburgh and encompassed a broad social and political base, including representatives from four City, twenty-one County and one hundred and twenty-three District Councils, as well as representatives from the CBI in Scotland. The assembly was a landmark even if its cross-class alliance was fragile. For the most part, the workers were central to

devolutionary politics because of the unease that people felt about the local and national economy. The left organized a culture of mutual support across industries to criticize the remote administration and political power in London.[46]

Oil added another dimension to devolution in Scotland when the SNP argued that royalties should be used to prop up Scottish entrepreneurial potential and improve social welfare. In 1972 the campaign *It's Scotland's Oil* coincided with the Israeli-Arab War and the quadrupling of oil prices, boosting the popularity of devolution to new heights.[47] In addition, as was mentioned in the last chapter, the Royal Commission on the Constitution set up in the 1960s finally published its recommendations in 1973. The proposal with the most backing consisted of legislative devolution to Scotland and Wales with powers transferred to the regions to enact legislation, while reserving power at Westminster to legislate for the regions on any matter. Their unicameral assemblies would be elected by a form of proportional representation, the single transferable vote. Ultimately, the Conservative government declined to implement the scheme, and the Scottish Conservative conference abandoned any prospect of it the same year the reports were released.[48] As Mitchell (2009) mentions, the timing of the report proved important because shortly thereafter Labour lost a by-election to the SNP. With the future of the country at stake, devolution became the most important constitutional issue since the Republic of Ireland seceded from the UK. The severity of the situation was not initially appreciated, as just days prior to the release of the reports the Labour Party issued a booklet opposing devolution. Despite contradicting itself, Labour made a quick turnaround to adopt a scheme in support of the Kilbrandon Commission.[49]

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[46] Phillips, *The Industrial Politics of Devolution*, 62, 64, 80, 95, 104, 124.
[47] Stephen Kendrick and David McCrone, "Politics in a Cold Climate: The Conservative Decline in Scotland," *Political Studies* XXXVII (1989): 589-603.
[48] Mitchell, *Devolution in the UK*, 113-114.
[49] Mitchell, *Devolution in the UK*, 116-117; Lynch, *The Politics of Nationhood*, 129-130.

1974-1979

The politicization of devolution turned enough heads nationally to legitimize the fundamental aim of self-government. In 1974, a White Paper was released by the Labour government called *Democracy and Devolution: Proposals for Scotland and Wales*, and the next day an election was called. The SNP was popular enough to win eleven seats and to come in second to Labour in thirty-five of the forty-one seats Labour won. This clearly did not go unnoticed as Labour released another White Paper in 1975 called *Our Changing Democracy: Devolution to Scotland and Wales*. It proposed the creation of assemblies for Scotland and Wales, elected by simply majority rather than some variation of proportional representation. In Scotland, the assembly would have law-making powers on matters like local government, health, social services, education, housing, physical planning, the environment and roads. The executive would be drawn from the assembly and headed by a chief executive. In Wales, the assembly would be given responsibility for executive functions carried out by the Secretary of State for Wales rather than have its own legislative authority. Overall, Westminster and the government of the day retained overriding authority over both assemblies.[50]

Devolution made a leap forward in 1976 starting with *Devolution to Scotland and Wales: Supplementary Statement* that was to be supplemental to the initial Scotland and Wales Bill of 1976. It moved into committee stage where the government sought a guillotine (aka a timetable) motion, but internal party defections and abstentions in the Labour Party denied this, and subsequently the bill was dropped in 1977. Devolution debates were hostile enough for MPs to break away to form a separate Scottish Labour Party in 1976. By 1977, Prime Minister Callaghan was on the verge of facing a motion of no-confidence as the government's majority was weakened

[50] McKay and Cox, *The Politics of Urban Change*, 361.

by by-election losses and defections. He then negotiated with the Liberals to form a Lib-Lab Pact, which managed to buy the government some time and life.[51] Two separate bills concerning devolution were then reintroduced in 1978: the Scotland Act and the Wales Act. They both went to a second reading and were carried by Liberal Party support as well as Labour MPs realizing the life of government was on the line.[52] Many amendments were made to these bills at the committee stage, such as the introduction of two simultaneous referendums on the matter. If this was not enough of a blow to the devolutionists given the uncertain outcomes of referendums, a Labour backbencher introduced an amendment requiring that 40% of all eligible voters actually cast a Yes vote for the referendums to pass. In the end, the bills received royal assent in 1978.

It was a momentous achievement for those who fought for devolution, but the politics of devolution was very clear in the specifics of their respective institutional designs. Interestingly, the Secretaries of State were chosen to remain as a part of Westminster. In addition, along with new members who would be separately elected to the new assemblies, the existing one hundred and eight MPs elected in Scotland and Wales would remain in Westminster as well. Here we can clearly see the strategic nature of the relationship the Labour Party had with the regions as it needed the support of MPs from Scotland and Wales. This was an additional blow to England given that Scotland and Wales were already over-represented in the national parliament. However, the trade-offs were also substantial for the Celtic regions. To be sure, economic and financial powers were going to remain centralized along with the civil service. Moreover, the centre would have the reserve power to legislate over devolved competencies and jurisdictions. The reservation powers retained importance because the centre had financial provisions that would limit devolution. Tax

[51] Chris Cook, *A Short History of the Liberal Party: The Road Back to Power* (Basingstoke: Palgrave Macmillan, 2010), 163-164.
[52] John Bochel, David Denver and Allan Macartney, "The Background to the Referendum," in *The Referendum Experience: Scotland 1979*, ed. John Bochel et al. (Aberdeen: Aberdeen University Press, 1981), 2.

powers would be rejected beyond the ability to levy a surcharge onto local taxation. This meant that the national Treasury controlled spending powers.[53]

The prospects of devolution were complicated by the divisiveness between the contending sides. The devolution referenda ultimately reflected this when both failed to produce the necessary numbers and results. The details are vital here. In Scotland, those who showed up voted in favour of devolution by a margin of 51.6% to 48.4%. Yet, only 32.9% of the electorate voted, thus missing the 40% mark. In contrast, only 11.8% of the eligible electors (20.3% of those who cast a ballot) voted in favour of devolution in Wales.

In the end, the referendum process itself merits some reflection. Prior to the devolution referenda there were only two other major referenda in modern British history, the first regarding Northern Ireland and whether it should remain part of the UK in 1973, and the other in 1975 regarding the EEC. British politicians viewed direct democracy as an abrogation of parliamentary supremacy. The surrounding political tactics showed the lengths partisans would go to in order to deny devolution. Labour had promised to legislate on devolution which arguably meant it had a mandate, whereas the other side of the argument is that a major constitutional change required public consultation. Opponents were able to jump on the opportunity and use the referenda as chance to defeat devolution. Ultimately, Labour lacked the political will to support the referenda. For example, it was up to private funding to fill publicity and information gaps, and efforts for these campaigns were minor at the national level in comparison to the EEC referendum that Prime Minister Wilson had supported in 1975.[54]

According to James Kellas, the arguments brought to bear on the outcome revolved around majorities and democracy; analogies were drawn between the 33% of the electorate voting in

[53] Keating, "Regionalism, Devolution and the State," 167; Mitchell, *Devolution in the UK,* 122.
[54] Bochel, David Denver and Allan Macartney, "The Background to the Referendum," 3-6.

Scotland and the comparable mandates achieved by the government in different British elections. Meanwhile, there were others indicating that the low turnout in Wales put to rest any public desire for devolution.[55] In the long run, it is somewhat unfair to place the blame on only the Labour government for the outcome. Opponents of the government's policy regarding devolution were influential in having a referendum qualification attached to the legislation to secure their support and have the bill achieve royal assent in the first place. There is no doubt that the Labour Party's lack of unity and support negatively affect the outcomes, but the Conservatives almost entirely campaigned on the No side, meaning any chance for devolution fell on parties like the SNP, Plaid Cymru, the Liberals and Labour. The No side actively argued that devolution would hinder capitalist enterprise as well as local government powers and functions. The Yes side faced a broader difficulty on the left in having to attenuate divisions regarding devolution and the prospects for a national labour movement.[56] After the referenda experiences, the SNP voted with the Conservatives to bring the government down. Only after defeat in 1979 did the Labour Party decisively move towards a clearer commitment to Home Rule.

1979-1995

The spatial and sectoral organization of capitalism from 1979 to the mid-1990s reflected the transition to a neoliberal market, and this influenced political and class alliances nationally, regionally, and locally. From the mid-1970s, a new phase of uneven economic development appeared in Britain, profoundly impacting the geography of socio-economic inequality.[57] The concern was that there were contrasts in both sectors and in unemployment *within* the regions, not

[55] James Kellas, "On To An Assembly," in *The Referendum Experience: Scotland 1979*, ed. John Bochel et al. (Aberdeen: Aberdeen University Press, 1981), 147-148.
[56] Ian Hume, "The Welsh Experience," in *The Referendum Experience: Scotland 1979*, ed. John Bochel et al. (Aberdeen: Aberdeen University Press, 1981), 159, 161.
[57] Ron Martin and Peter Townroe, "Changing Trends and Pressures in Regional Development," in *Regional Development in the 1990s: The British Isles in Transition*, ed. Peter Townroe and Ron Martin (London: Jessica Kingsley Ltd, 1992), 14.

only between them. The qualitative dimensions of uneven spatial development went beyond an overreliance on traditional industry, encompassing externally controlled branch-plant factories, low innovation potential, poor capacity for firms to develop, an insignificant business services sector, and a small proportion of professional and managerial employment. The new geography of depression that superimposed itself on the traditional North-South pattern produced two new spatial problems. The first was the urban-rural shift, consisting of the decline of manufacturing employment in the conurbations and the emergence of small towns and rural areas as sites of employment growth. The conurbations irrespective of the North-South dichotomy, experienced unemployment problems almost as intractable as those of the traditional assisted areas. The second spatial problem concerned the emergence of pervasive industrial decline in two regions: the West Midlands and the North West, which were Britain's major manufacturing regions.[58]

Local labour markets displayed intersections of social composition including blue-collar proletarian localities, white-collar proletarian localities, service-class localities, socially heterogeneous localities, class-divided localities and underclass localities.[59] One important dimension of the shift in diverse local labour markets was the reorganization of work across a range of industries. These included a reduction of core workforces, an increased emphasis on sub-contracting, growing importance of technical and managerial grades, and the tendency to by-pass trade unions. Another dimension was the decline in blue-collar working-class occupations and rapid replacement by a growing service class. In the Northwest of England for example, old industrial towns suffered the brunt of de-industrialization with manufacturing employment falling 47% from 1979 to 1993. The dependence on international markets had a severe effect on local

[58] Kevin Morgan, "Regional Regeneration in Britain: the Territorial Imperative and the Conservative State," *Political Studies* 33 (1985): 561.
[59] Philip Cooke, "The Changing Urban and Regional System in the United Kingdom," *Regional Studies* 20, 3 (1986): 246.

areas dependent on manufacturing industries as exports needed to increase to maintain employment. Yet, the capacity to sustain export expansion was missing. Both national policies and the role of capital investment by manufacturers contributed to this. By 1983, British private investment going overseas was double the value of gross fixed investment in manufacturing in Britain, and twice as much coming into Britain.[60]

Job creation was skewed to the more prosperous regions rather than those experiencing manufacturing decline, and this reflected corporate office restructuring and the financial services revolution in the South. The argument was that service jobs would ameliorate the regional impact of deindustrialization, yet in Britain, the phenomenon generated a spatially uneven distribution of growth. Spurred on by government policies designed to create an open international market for financial services, foreign institutions chose to expand in London. Three times as many jobs were created in the financial sector of the capital from 1981 to 1987 from the previous decade. The growth in London also encouraged the spatial decentralization of back office and head office administration including the movement of managerial staff to the greater South East and areas like East Anglia.[61]

The regions remained heavily reliant on external capital well into the 1990s. By 1996, foreign owned businesses accounted for 33% of all manufacturing jobs in Wales; in the previous year, manufacturing output grew by over 40% which was more than double the UK rate. One of the changes involved localizing branch plants with foreign investments shifting how global-local interactions and development in the region was taking place. By the end of the1990s, it was clear

[60] Cooke, "The Changing Urban and Regional System in the United Kingdom," 246, 250; Colin Leys, "Thatcherism and British Manufacturing: a Question of Hegemony," *New Left Review* (1985), 13.
[61] J. N. Marshall, "The Growth of Service Activities and the Evolution of Spatial Disparities," in *Regional Development in the 1990s: The British Isles in Transition*, ed. Peter Townroe and Ron Martin (London: Jessica Kingsley Ltd, 1992), 204-206.

that traditional regional policy and institutional apparatuses were ill equipped to strike a better balance between foreign and indigenous enterprises, which meant that the bottom-up movements seeking locally attuned infrastructure could elevate the need for empowered regional institutions to design and implement policies for regional economic needs.[62]

Regional policy coincided with new right interpretations of economic management. Regional policy historically sought to reduce unemployment rates in peripheral regions by offering subsidies to induce mobile capital to relocate. It was always geared to capital incentives. Yet Prime Minister Thatcher eschewed pre-1979 regional policy and dismantled important mechanisms promoting regional economic development. One of the most visible features, namely the Regional Economic Planning Councils, were abolished in 1979, and spending on regional policy was reduced.[63] This suggested that the government did not care if pre-war special areas still made up 45% of the British working population, serving as a reminder that the enduring geography of structural unemployment was influenced by national scale partisans.[64] The landscape of regional policy changed in 1983 with the introduction of the White Paper *Regional Industrial Development*, indicating that regional industrial policy did not have a self-evident economic case. Grant availability would be reduced as well as the grants provided for firms locating in certain areas. The downgrading of regional policy was justified by the idea that investment decisions should be made by businesses, not the government.[65] This set of phased cuts to the regional budget was followed

[62] Philip Cooke and Kevin Morgan, *The Associational Economy: Firms, Regions, and Innovation* (Oxford: Oxford University Press, 1998), 147, 160-161.
[63] Brian W. Hogwood, "Regional Administration in Britain since 1979: Trends and Explanations," *Regional & Federal Studies* 5, 3 (1995): 268.
[64] Morgan, "Regional Regeneration in Britain," 561.
[65] Rob Atkinson and Carol Lupton, "Towards an Enterprise Culture? Industrial and Training Policy under the Conservatives," in *Public Policy under Thatcher*, ed. Stephen P. Savage and Lynton Robins (New York: St. Martin's Press, 1990), 51.

by two more from 1987-1988 and then again in 1993. The government used the control of public expenditure as a strategy to enable market forces to determine which firms would survive.

Ron Martin and Peter Townroe explain that major shifts in regional (and industrial) policy were connected to the privatization of public sector industries and utilities mostly after 1983. The government continuously sought to remove sources of representation in the regions and focused on local authorities creating a climate conducive to enterprise. An example of this approach was the Enterprise Zones that were used to liberate private enterprise from regulation, including planning, rate relief, capital allocations, and exemption from development land tax. While regional policy and industrial policy were unconcerned with shaping national and regional economic growth through a specified development approach, there was a concomitant shift towards urban assistance that made up half of the government aid going to depressed regions. This was part of the trend towards central government localism in area assistance: urban development corporations, urban-based enterprise zones, and urban task force areas were all locally based. With the slimming down of regional policy, local government initiatives proliferated in the promotion and the restructuring of local economies by having cities compete for capital.[66] On the one hand, the government undermined local authorities by transferring powers to alternative agencies, and on the other, the vacuum created by the lack of regional policy created a need for local intervention. Still, local economic restructuring lacked regional governance and coordination.

On the administrative side, the Welsh and Scottish Offices and their satellite agencies reflected the political order of the 1980s. The Scottish Development Agency was actually supported by the Treasury, which was surprising given its hostility to regional industrial policy and state intervention in the economy. The reason was the SDA never operated as an instrument

[66] Martin and Townroe, "Changing Trends and Pressures in Regional Development," 20-21.

of public ownership or industrial planning, and so the bulk of the resources and direction came from the national level. By the end of the 1980s its mandate continued to be the regeneration of the Scottish economy. It eventually turned into Scottish Enterprise and was used to coordinate Local Enterprise Companies in the 1990s. Like the Scottish Office, the Welsh Office had no authority to resist national policy initiatives, but it could tailor them to local specifics. The Welsh Office was influenced by politics from 1979-1997. Though the Conservatives were the minority party in Wales they were able to extend their influence there by appointing the boards of dozens of organizations that operated on behalf of the Welsh Office. The party with the most votes and seats in Wales – Labour – had no role in setting priorities for the Welsh Office. The Welsh Development Agency by contrast, had an economic regional governance capacity that had no parallel in England. The difference was that strategies could be fashioned in Wales between organized interests like the Welsh TUC, the CBI and local authorities. This became an issue from 1993-1995 when leading Thatcherite John Redwood tried to overturn existing priorities of the Welsh Office with a new right-wing agenda. As a result, there was public outcry to make it democratically elected.[67]

The most innovative economic development in the 1990s came from experiments at the local and regional levels from the belief that stronger regional governance capacity could encourage robust forms of regional development. The capacity to design and deliver policies attuned to the needs of a regional economy is important to a country's regional policy repertoire, but this depends on the degree to which political power is devolved to the level of the region. Until 1993 there was outright denial of regional government or regional councils, but in 1994 the existing

[67] Chris Moore, "Scotland and the SDA," in *The Regions and the New Europe: Patterns in Core and Periphery Development*, ed. Martin Rhodes (Manchester: Manchester University Press, 1995), 233-234; Cooke and Morgan, *The Associational Economy*, 144, 146.

regional offices of the DTI, the Training, Education and Enterprise Division of the Department of Employment and the Departments of the Environment and Transport were integrated into a single budget, headed by a senior regional director. The Tories still declined to see regional economic planning as important, though symbolically the appearance of coordination alongside the existence of Government Offices for the Regions enhanced the claim of a regional plan.[68]

Between the rise and fall of Thatcher as the Prime Minister, an English regional imperative was growing. Its institutional network lacked finance and control mechanisms and suffered from poor evaluation of policy instruments. For example, there were sixty-four organizations active in the field of economic development in Lancashire and over one hundred in Kent. The confusion around governmental responsibilities coincided with a plethora of non-governmental organizations whose remit included regional economic development, and these existed with organizations that were more localized. Fragmentation in England was comparatively high, but it was not simply due to developments from within the region, because many changes came from national level institutional restructuring after 1979.[69]

Historically, the Conservatives managed to maintain impressive electoral support in the peripheries despite the extension of the franchise to all adults. Their strength resided in an ideological bloc consisting of unionism and imperial identity, as well as support from skilled labour. The end of empire and its material rewards altered these attachments, and from the late 1960s onward, a gradual cleavage was embedded in electoral support with the Conservatives gaining strength in the South Eastern core, while Labour was concentrated in Scotland, Wales and

[68] Cooke and Morgan, *The Associational Economy*, 142; Hogwood, "Regional Administration in Britain since 1979," 272, 275-276.
[69] Phil Murphy and Richard Carbon, "Regional Government: An Economic Imperative," in *The State and the Nations: The Politics of Devolution*, ed. Stephen Tindale (London: Institute for Public Policy Research, 1996), 189; Adam Tickell, Jamie Peck and Peter Dicken, "The Fragmented Region: Business, the State and Economic Development in North West England," in *The Regions and the New Europe: Patterns in Core and Periphery Development*, ed. Martin Rhodes (Manchester: Manchester University Press, 1995), 250, 267.

the North West of England. The socioeconomic structure of the periphery and particularly Scotland in the 1980s, consisted of a higher per capita ratio of the working class than elsewhere in the country. People were more likely to live in public housing and rely on the welfare state, be employed in heavy industry, and there was a higher proportion of its middle class employed in the public sector. The observable ideological attachments were also different: towards the left in Scotland and Wales versus the populist/anti-state right leaning orientation that sustained Prime Minister Thatcher in England.[70]

Despite the notable drop in Conservative electoral support in Scotland, Prime Minister Thatcher insisted that these areas had no right to legislative devolution, and moreover, English Conservative MPs actively criticized the Scottish Office and transfer payments from England to Scotland. Other instances such as the poll tax fueled nationalist sentiment. By the end of Margaret Thatcher's tenure, a movement was building across political parties for a Constitutional 'Claim of Right' for Scotland. Nonetheless, the resolute opposition to legislative devolution carried forward into John Major's leadership, and after the 1992 general election there was an even stronger unionist defence. In fact, ranks within the Conservatives believed that their stance on devolution helped them win the election.[71]

Territorial politics still influenced the Conservative's statecraft strategy, as the 1993 White Paper *Scotland in the Union: A Partnership for Good* proposed limited changes to the apparatus of administrative devolution, including an increased responsibility for training, industrial support, and European Social Fund spending. There would also be a greater role for the Scottish Grand Committee. This direction did shift course from the Thatcher era by at least recognizing the

[70] Kendrick and McCrone, "Politics in a Cold Climate," 595, 602.
[71] James Mitchell, "The Evolution of Devolution: Labour's Home Rule Strategy in Opposition," *Government and* Opposition 33, 4 (1998): 491.

importance of Scottish distinctiveness.[72] Still, the government preferred administrative reforms over changes to the constitutional balance of power between regional administration and Westminster. In 1994, calls for indirectly elected regional assemblies in England were rejected by the Conservatives. Instead, as was mentioned above, Government Offices for the Regions were created to bring together the regional offices, not as a regional layer of government, but out of concern with the distribution of central resources. When it came to Wales, there was a history of policy maneuverability compared to Scotland. However, territorial management in Wales came to mirror certain changes in Scotland as the Conservatives sought to enact limited reforms to the apparatus of administrative devolution.

The SNP and Plaid Cyrmu had to quickly adapt after the demoralizing referendum experiences. Both parties had undergone transformations from loose movements seeking independence to organized mass parties with broad policy objectives. In the 1980s, they needed to regenerate self-government as a top political issue by changing their public image, starting with their attitudes towards Europe. Initially, the SNP and Plaid Cymru rejected a centralized European Economic Community and campaigned against entry in the 1975 referendum. In the 1980s, both parties were committed to independence within Europe. The augmented pro-European plans for full national status within the EC played into conversations about a more decentralized Europe with a more powerful Committee of the Regions. In addition, there was little initial inclination to collaborate on devolution because it sidelined discussion about independence. However, the loss of devolution on the national political agenda forced regional alliances to reassess their constitutional projects.

[72] Lynch, *The Politics of Nationhood*, 108-109.

Plaid Cymru would end up embracing the limited form of devolution promoted by the Labour Party as a step towards future objectives. The same would go for the SNP when it joined the cross-party campaign for a Scottish Assembly. To distinguish themselves from the Labour Party they adopted a more left-leaning agenda; Plaid Cymru was committed to socialism and community politics built on decentralist traditions, and the SNP focused a lot on the poll tax.[73] In 1988, a Constitutional Steering Committee informed by a Campaign for a Scottish Assembly called for a Scottish Constitutional Convention to draw up proposals to revisit Scotland's governance structure. When it came time for the convention, the Labour Party entered it with a contingent focused on devolution rather than independence. This prompted the SNP to withdraw from the process, subsequently aiding Labour's regional image. The convention led to two reports produced in 1990 and 1995 and focused on a legislative scheme of devolution and a proportional Alternative Member electoral system. Missing was the relationship of the new Scottish Parliament to local government, the West Lothian Question,[74] and the future relations between Edinburgh and London.[75] While the national government seemed to be in a comfortable position having increased its vote share throughout the 1980s and 1990s, Home Rule regained prominence.

One reason for this was the impact that European integration was having at the subnational level in Britain, especially in the distribution of structural funds and in the role of subsidiarity to distribute EC resources. In 1988, the decision was made to administer the new structural fund programmes as partnerships between central and local government, the European Commission and other actors. This was viewed as a challenge to the existing balance of domestic intergovernmental

[73] Laura McAllister, *Plaid Cymru: The Emergence of a Political Party* (Bridgend: Seren, 2001), 169.
[74] The West Lothian Question or the English Question, revolved around the continued representation of the Celtic regions within Westminster after devolution. A question repeatedly brought up in parliamentary debates was why MPs from Northern Ireland, Scotland and Wales were going to be allowed to vote on English matters in the national parliament, when English MPs had no opportunity to vote in the devolved administrations.
[75] Bogdanor, *Devolution in the United Kingdom*, 198.

relations as some saw the potential for the mobilization of subnational interests linked to structural funds. Prior to 1988, EC regional policy actors in Britain were central and local governments. The central government secured important positions within regional and sub-regional committees in order to manage the European Regional Development Fund, which meant that the centre controlled its domestic implementation by using partisan appointment to territorial ministries. European integration was necessary for the creation of new networks, but it did not shift the balance of power between central-subnational scales.[76] Additionally, subsidiarity was swept into official EC parlance. It re-emerged in the Draft Treaty on the European Union adopted by the European Parliament in 1984. It was agreed that member states should utilize subsidiarity to inform the construction of a European Union. However, arguments over the term's meaning produced two applied definitions in the Maastricht Treaty. There was a procedural division of policy-making responsibilities and a substantive principle to inform the structuring of public life by having decisions taken as close to citizens as possible. The emergence of subsidiarity did not sit well with the parliamentary Conservative Party given the encouragement of decentralization. In fact, John Major rejected the substantive definition of the principle in favour of a procedural one.[77]

Devolution appeared to be the left's project, more markedly after 1979 because of the accentuated geographical and social conflict taking place between different parts of the country in response to Conservative policy. The regional divides on the issue were not eliminated, as an English Labour MP was unable to introduce a Devolution Bill in parliament in 1985 because seven Labour MPs from the North of England voted Conservative, feeling that English regions would be

[76] Ian Bache, Stephen George and R. A. W. Rhodes, "The European Union, Cohesion Policy and Subnational Authorities in the United Kingdom," in *Cohesion Policy and European Integration: Building Multi-Level Governance*, ed. Liesbet Hooghe (Oxford: Oxford University Press, 1996), 297, 301, 317.
[77] Andrew Scott, John Peterson and David Millar, "Subsidiarity: A 'Europe of the Regions' v. the British Constitution?" *Journal of Common Market Studies* 32, 1 (1994): 49-51, 54.

disadvantaged.[78] Despite disagreements over the West Lothian question and English regionalism, Labour remained committed to a Scottish Assembly. The same urgency, however, was not applied to Wales and even less to England. A watershed moment for devolution came from the electoral loss in 1987. The reason was that Labour won fifty seats in Scotland compared to the Conservatives' ten. The media heralded this as a 'Scottish mandate'. Nearly ten years after the 1979 referendums devolution re-emerged to protect Scotland and Wales from Thatcherism. Labour's policy on the constitution underwent dramatic change when it joined the Scottish Labour conference and the National Union of Public Employees' (NUPE) in support of a Constitutional Convention to design a Home Rule scheme. The party's leadership agreed and got involved with the Convention alongside the newly merged Liberal Democratic party, trade unions, churches and local authorities.

Labour's defeat in 1983 is often considered the defining moment in the party's contemporary history, but the pre-1983 period is important as well. Labour's stance was adopted in response to Prime Minister Thatcher but also because of the failures of Labour's 1974-1979 government. Labour's post-1979 economic policy reaffirmed a state-centric economic alternative to manage the market economy using a framework that regulated and then harnessed capital.[79] The left of the party would bear the brunt of Labour's landslide defeat in 1983 and the wounds would run deep until Tony Blair became the leader of the Labour Party in 1994. The rebranding as New Labour indicated the desire to distance itself from the leftist approach between 1979 and 1983, and the miners' strike of 1984-1985. Any changes made to the party thereafter must be situated in

[78] Jack Geekie and Roger Levy, "Devolution and the Tartanisation of The Labour Party," *Parliamentary Affairs* 42, 3 (1989): 407.
[79] Richard Heffernan, *New Labour and Thatcherism: Political Change in Britain* (Basingstoke: Macmillan, 2000), 66.

terms of a long process of reform in which the party slowly accommodated itself to the new and distinctly post-corporatist capital-labour relation.

After a third consecutive electoral defeat, Labour abandoned its commitment to planned action by government in concert with industry. Though a change in direction was established under Neil Kinnock, Labour's transformation was consolidated during Tony Blair's tenure. He shifted from a class-based to a brokerage party by rethinking the party's traditional conception of the distribution of voter interests.[80] According to Colin Hay, the social, political and economic context in which New Labour found itself was central to the transformation process. Its political economy was based on a diagnosis of Britain's economic woes and the measures likely to restore high growth. Tony Blair was committed to enhancing the market, and reducing excessive taxation, borrowing and spending, and this reflected currents in economic discourse.[81] With this being said, it would be problematic to frame the reorganization of the Labour Party in the neoliberal era as a sign of a bi-partisan consensus. The party was a catalyst for the democratization of the British regions leading up to and after its electoral victory in 1997 and will be examined in detail in the next chapter.

The Local Level from 1970-1995: Central-Local Partisan Politics and Urban Institutional Reform

The politics of urban development is often left out of discussions of the political economy of scale and devolution. Yet, partisanship in local government restructuring was clear in the design of new municipal rules and forms of decision-making in the early 1970s. Moreover, political

[80] Colin Hay, *The Political Economy of New Labour: Labouring Under False Pretences?* (Manchester: Manchester University Press, 1999), 95, 97, 108.
[81] Hay, *The Political Economy of New Labour*, 22, 108, 110, 121, 126-127.

partisanship and the conflict between scales was divisive in the 1980s; the left and the right contested each other based on the control of their respective political scale, i.e. the Conservatives nationally and Labour locally. The conflicts concerning centralization and decentralization became extreme between the visions of Margaret Thatcher and those of socialist Labour-controlled municipal councils. Thus, the local level was extremely important to the politics of scale.

How decentralization policies and institutions were used to rejig political and local scales connects to debates concerning economic development and democratization. Local governments were involved in how urban and rural areas fed into the development and the decline of manufacturing sectors. This included the policies associated with physical land planning, the building of housing as well as job and labour (re)location. Debates over regional and local democracy were at odds because of corresponding economic policy directives coming from the centre, complicated by the various deconcentrated and decentralized layers and functions that comprised intergovernmental relations. This section examines: the role of decentralization at the local scale in the Scottish and Welsh Offices and the relationship of regional policy and institutions to local government; how economic development and urban development related to local policies and administrations; and the partisan redesign of local government.

1970-1979

The structuring of the local level to suit or represent partisan interests reflects economic and ideological cleavages around certain sectors and issues, like the building or the selling of council housing. The class mix of different localities has impacted electoral outcomes especially where local conflicts influenced the electorate's alignment towards national politics. At the local level, party organizations provided a channel to social bases to access local decision makers, which is relevant because inner-city working classes supported the Labour Party as a means to control the

housing market, and the land planning that impacts it.[82] In contrast, the Conservatives were organized at the local level around the regulation of local housing markets via the manipulation of planning powers. In suburban Tory strongholds, local authorities aligned with the right and guarded against threats to property values by denying council housing construction.

A tense dynamic arising from the function versus the area problem of local government described in Chapter Two carried forward from the late 1800s until 1974, because aside from London and a few borough changes in the 1960s, local government remained largely untouched. Until the 1970s there was little coordination between services, and this created a complex level of intergovernmental integration and the fragmentation of administration in Britain. There was no single relationship between central and local government as each national Ministry had peculiar relationships with local authorities. With separate inspectors and controllers of central departments in the localities or regions, the assemblage of powers wielded by these representatives of Whitehall was less visible than it would be if it were concentrated in the hands of a single official. Several statutory powers possessed by ministers related to the borrowing of money, the audit of accounts, the approval of by-laws, the appointment and dismissal of officers, and the prescribing of conditions to garner grants-in-aid. However, a unique feature of British local authority was that it did not have to submit its budget for approval. Nor could a local council be suspended or dissolved by the national government or its local agent. British local authorities were an instrument of democracy because they possessed control over administrative policies.[83]

Eventually this set of relations gave rise to changes in the policy-making structure of local authorities. Increasingly, the direction was toward a corporate-management model of operations.

[82] Patrick Dunleavy, "The Urban Basis of Political Alignment: Social Class, Domestic Property Ownership, and State Intervention in Consumption Processes," *British Journal of Political Science* 9, 4 (1979): 432-433.
[83] William A. Robson, "Labour and Local Government," *The Political Quarterly* 24, 1 (1953): 43-44, 54.

Part of this included the creation of public corporations that took responsibilities away from local councils while leaving others in place. While aggregate metrics of national government spending increased as the welfare state expanded, the services being provided to residents were from multiple overlapping institutional departments and scales in the British polity. An overarching issue was whether locally determined services should be financed by local sources of income, and what the level of discretion of autonomy should consist of.[84]

Territorial decentralization and national government deconcentration to local field services overlap with each other to make up an important facet of the British political system. Territorial asymmetry – consisting of functional departments and administratively devolved institutions - was interposed within central-local relations. Differences among regions including their network of institutions affected the extent to which authority over decision-making could ever become politically and economically devolved at the regional level. This was compounded by the fact that there was elite resistance from central and local actors to alter regional power structures by encouraging institutional reform. Regionalism in Scotland and Wales was more pronounced than it was in England, but this did not mean England was irrelevant to developments. The English felt devolution worked against their interests and mobilized their connections to Westminster, Whitehall and the Treasury in order to rework the system of public expenditure in force at the time. The Treasury devised the Barnett formula (described in detail below) to protect major recurrent expenditures from what was considered pork barrel politics taking place between Westminster and

[84] N. Boaden, M. Goldsmith, W. Hampton and P. Stringer, *Public Participation in Local Services* (Burnt Mill: Longman House, 1982), 5.

the Scottish and Welsh Offices. The recasting of financial relations in Britain was political in the sense that it concerned the territorial allocation of benefits.[85]

According to James G. Kellas and Peter Madgwick, devolution provided the context to develop a block grant for Scottish and Welsh expenditures. Until 1978, public expenditure under the control of the Secretaries of State for Scotland and Wales was allocated by 'needs' determined by the British government. In the 1970s, there was roughly 20% more public expenditure per head in six main programmes in Scotland compared to England, with Wales closer to the English average. Accompanying the prospect of devolution was an idea to allocate funds to Scotland and Wales in block format with reference to comparable expenditures in England. This was a mix between Treasury control and decentralization, demonstrating that regional offices worked within a central-local government relationship weighted towards England.[86]

This is relevant to local government because of the regional administrative connection to municipal operations. As it concerns England, again, territorial decentralization and the politics that surrounded it at the local level was bound to the politicization of regional planning. Along with the failed bid for devolution at the end of the 1970s, English Economic Planning Councils were disbanded in 1979, leaving England wholly without any regional planning institutional apparatus. The Councils were created in the 1960s to advise the Economic Planning Boards (groupings of senior representatives of Government Departments in the regions). The problem was that English regions were often artificially designed for formal political purposes. Prior to 1974, there was a Standing Conference of Local Planning Authorities that represented local planning authorities and rivaled regional economic planning councils. Local authorities had statutory

[85] James G. Kellas and Peter Madgwick, "Territorial Ministries: The Scottish and Welsh Offices," in *The Territorial Dimension in United Kingdom Politics*, ed. Peter Madgwick and Richard Rose (London: Macmillan Press, 1982), 20-21.
[86] Kellas and Madgwick, "Territorial Ministries: The Scottish and Welsh Offices," 23-24, 26-27.

development control and plan-making powers, but their plans were supposed to conform to a regional strategy prepared by these non-elected EPCs. Yet, regional strategies lacked integrated planning mechanisms and shared mandates.[87]

The situation was different between territorial institutions and local governments in Scotland and Wales. The Secretaries of State for both nations constituted a major connection between centrally determined policy and local government autonomy. Their influences on local government was substantial, however. Given the historic nature of local government in the British constitution, local authorities still were able to appeal directly to the centre. This indicates some ambivalence regarding the status of regional offices and their position within central-local relations. The major difference from England was in the allocation of capital finance, especially towards local government. In Scotland, there was no division of capital expenditure into relevant sectors as there was in England and Wales. The Secretary of Scotland held more direct control of the capital expenditure of local authorities than in England.[88]

The contexts surrounding local economies informed interventions in urban and regional labour markets. An important effect of the spatial reordering of economic activity can be seen in the urban-rural shift; cities declined as small towns and rural areas became the dominant spaces of manufacturing industries and jobs, increasing nearly 80% from 1959-1975. By contrast, London lost 40% of its manufacturing jobs in the same period. The relative decline of cities as centres of industrial production is almost an inevitable consequence of the process of economic change; the post-war market economy aided the development of large cities and coincided with the movement

[87] Diana C. Pearce, "The Yorkshire and Humberside Economic Planning Council 1965-1979," in British Regionalism 1900-2000, ed. Patricia L. Garside and Michael Hebbert (London: Mansell Publishing, 1989), 129, 131, 134.
[88] Edward Page, "Why Should Central-Local Relations in Scotland be Different from Those in England," in *New Approaches to the Study of Central-Local Government Relationships*, ed. G. W. Jones (Westmead: Gower Publishing, 1980), 87.

of people to new and expanding towns away from cities when industrial bases eroded.[89] The decline of the industrial city was influenced by political intervention and associated ideologies linked to the market system. The Conservatives in the early 1970s embarked on rationalizing the industrial base of regions by relaxing controls on where firms could be located. They initially supported the idea that the private sector should rationalize itself to become more competitive, and the government would choose growth centres in the regions on a selective basis. This strategy was abandoned when trends in industrial change combined with rising unemployment. Fearing the long-term consequences of chronic regional unemployment interventionist strategies were revisited, but the difference between the Conservatives and Labour was that the former favoured tax-incentive aid to profitable firms while Labour appropriated indiscriminate intervention via investment grants. Labour took steps to more comprehensive planning in 1964 and then again in 1975, but by 1976 its national planning strategy was defeated by international influences on the domestic economy. In sum, neither party adopted a coordinated strategy of employment, investment and physical planning at the subnational level.[90]

As McKay and Cox argue, responsibility for the failure to coordinate local physical and national economic planning did not only fall on the central government. Local authorities were important to the political economy of scale and often rejected alternative policies in favour of protecting functional and areal interests. Also, bureaucratic resistance to integrated planning at the national level was substantial. By 1977, industrial and regional policies were under review in the 1977 White Paper *Policy for Inner Cities*, blaming the deprivation and dereliction on the erosion of the cities' economic base. Things would shift a bit under the Thatcher government's Urban Programme by paying attention more to inner cities and having funds made available to a hierarchy

[89] Rees and Lambert, *Cities in Crisis*, 50-51.
[90] McKay and Cox, *The Politics of Urban Change*, 214, 218, 226-227.

of urban local authorities. These were 'Partnership Authorities' to finance schemes designed to revive inner areas. Yet the benefits were offset by the concomitant withdrawal of grants from the same authorities as part of the squeeze on local government expenditure.[91]

Debates concerning the future of the urban planning process informed several proposals to reform local government. The most important were two constitutional inquiries set up in 1966 – Redcliffe-Maud and Wheatley – to examine the possible development of city-regions, namely the city or conurbation plus its sphere of influence as the basis for local government reform. The Redcliffe-Maud Commission reported four main critiques of local governance in England and Wales. First, many small authorities lacked the population and resources to provide staff, equipment and institutions needed to implement complex services. Second, the areas of local government did not fit the facts of social life as town and country were now socially and economically interdependent but fragmented administratively. Suburbs were not governed by the towns from which they emerged; conurbations became a single economic unit but were splintered into various authorities; and urban districts were divorced from rural districts. Third, the communities people lived in did not correspond to local authority areas, and most citizens did not know which authority provided their services. Fourth, the division of local government into competing authorities meant central governments could impose their jurisdiction or remove certain municipal functions more effectively.[92]

The Commission proposed all-purpose unitary authorities, and as this concerned the coordination of land-use and policy matters, it advocated for indirectly elected provincial councils to serve as the top tier of local government. The unitary authority promoted an integrated approach

[91] McKay and Cox, *The Politics of Urban Change*, 228.
[92] G. W. Jones, "The Local Government Act 1972 and the Redcliffe-Maud Commission," *The Political Quarterly* 44, 2 (1973): 155-156.

to the provision of services to the electorate and could potentially check the centre vis-à-vis a single local authority association. A single local authority association would thus replace the four that represented county boroughs, counties, urban districts, and rural districts at the time, all of which were at odds with each other and made sure that the national government could divide their interests.[93] By contrast the Wheatley Commission was responsible for examining Scotland's local government system. The context for regional planning had been altered from the 1940s as there was a sustained outflow of people from the Glasgow conurbation and a regional city developed. Driven by a strong conception of regional planning as a vital necessity in Scottish local government, the Wheatley Commission recommended directly elected regional authorities with extensive responsibilities, contrasting the less radical proposals of Redcliffe-Maud.[94]

The irony is that the Local Government Act implemented in 1972 bore little resemblance to the recommendations proposed for municipal government in England and Wales. Ideologically, the Labour Party saw the proposals in Redcliffe-Maud as an opportunity for an urban takeover of the counties, whereas entrenched county councils opposed being swept away in regional reform. The Conservatives, by contrast, did not agree with the measures proposed by the Royal Commission to create regional-unitary local governments in certain areas because it would undermine their power bases in traditionally dominated counties. But, in the absence of any provincial or regional level in local government, crucial decisions on the regional framework or strategy of land use were left to central departments. Of the new legislative reforms, the new forty-five two-tier counties that replaced county boroughs were some of the most politicized because they were dominated by the Labour Party. One idea floated inside the Labour Party as a response

[93] G. W. Jones, "Intergovernmental Relations in Britain," *The Annals of the American Academy* 416, 1 (1974): 186-187.
[94] Urlan Wannop, "The Planning Case for Regions and the Evolution of Strathclyde," in British Regionalism 1900-2000, ed. Patricia L. Garside and Michael Hebbert (London: Mansell Publishing, 1989), 148.

was to establish regional councils, but this was denied by competing interests on the left, particularly because trade unions preferred corporatist networks at the regional level.[95] Ultimately, the new system was consciously designed by the Conservatives to frustrate planning and this reflected their idea that local government should consist of administrative fragmentation versus planned coordination. Institutional fragmentation directly contributed to the loss of urban powers also because rural weighting was still in place, meaning there were urban dwellers finding their votes counting for less than those in some rural areas. Thus, the new system had negative implications for local democracy.[96]

From the point of view of planning, the 1972 changes did not aim to take into account that a whole area needed to be planned as a unit around the biggest conurbations in the whole of the economic planning region.[97] The 1972 Act underlined the need for some intermediate level of regional planning between the reformed local government and Whitehall, but it left local governments to come together on an ad hoc basis for city-region planning and take place in a cooperative planning process. Overall, Redcliffe-Maud sought a structure of provincial units for England, but nothing came of this, and the actual reform of local government failed to recognize the realities of contemporary urban geography by instituting powerful planning bureaucracies without reorganizing traditional county boundaries.[98]

This was different from the Wheatley Report on Scottish local government, which sought a two-tier system of large regional authorities and small local authorities for Scotland. The Conservatives' 1973 Scotland Local Government Act mostly followed these recommendations. The reorganization of local government in Scotland reduced four hundred administrative units to

[95] Keating, "Regionalism, Devolution and the State," 169.
[96] Jones, "The Local Government Act 1972," 163, 165.
[97] Rees and Lambert, *Cities in Crisis*, 115, 117-118.
[98] Hall, Urban and Regional Planning, 181.

sixty-five, including nine regional councils, fifty-three district councils and three island councils. Scotland's local government system diverged from those of England and Wales in several respects in the 1970s. The act introduced a regional structure of local government into Scotland; the setup for this began with regional planning in the 1960s in Scotland. Thus, certain proposals for Scotland had survived while in England they were frustrated.[99] The context surrounding Scotland's local government reforms related to the Strathclyde Regional Council that was introduced as a result of the Wheatley Commission. Yet, having reported in 1969, Wheatley was behind events as the region was altered by circumstances in the 1970s when the creation of Strathclyde took place in 1975. The conception of the Regional Council in 1975 was being modified by the creation of the Scottish Development Agency six months after the Council took office. Overall, the Agency's investment in urban renewal and local economic development in the region was influential despite its limited budget.[100]

The reorganization of local government in Wales in 1974 introduced a two-tier system of counties and districts. The land-use planning system in Wales comprised: legislation and central government Planning Policy Guidance; structure plans with direction provided at the county council level; and local plans with local policies at the district level. Following the establishment of the Welsh Office as a separate government department in 1964, an attempt was made to create a planning policy framework that looked at future social and economic development needs in Wales. The blueprint was *Wales: The Way Ahead* in 1967 seeking a clear regional economic plan. The debates surrounding the economic development and future of Wales were facilitated by a parallel political discourse about how a national plan would develop. Plaid Cymru was brought to

[99] Jeremy Rowan-Robinson, "The Organization and Effectiveness of the Scottish Planning System," in *Nationality and Planning in Scotland and Wales*, ed. Roderick Macdonald and Huw Thomas (Cardiff: University of Wales Press, 1997), 34-41.
[100] Wannop, "The Planning Case for Regions and the Evolution of Strathclyde," 148-149.

the House of Commons in 1966 and signaled the importance of the future growth of Wales. The political programme espoused by the party centered on principles of decentralizing political authority and the preservation of Welsh culture, together with issues concerning economic growth. The lack of an effective all-Wales tier of planning policy precipitated strong territorial political mobilization to counteract the perceived extension of metropolitan institutions and policies. A debate within Welsh political circles focused on housing, the Welsh language and economic development, the core areas of official planning around which territorial opposition emerged. Planning was mostly led by agencies other than the Welsh Office throughout the 1970s, yet it did not completely retreat with respect to agenda-setting. The Welsh Development Agency, the Land Authority for Wales and the Development Board for Rural Wales alongside central government initiatives like Inner Urban Areas Act 1978, and the Welsh Office all created attempted to renew urban and rural areas.[101]

1979-1995

The local scale was vital to the Conservatives' quest to realign the British state with new right ideological imperatives. In fact, the extent of the national government's offensive on municipal councils indicates that local democracy in Britain is a locus of power.[102] Between 1979 and the early 1990s there were nearly fifty separate parliamentary acts designed to marginalize the role of local government.[103] Local policy and expenditure were targeted by a new financial framework imposed by the central government pursuing efficiencies in capital expenditure and rationalizing annual revenue grants for local allocation. With the turn to the IMF in 1976 there was

[101] Mark Tewdwr-Jones, "Land-Use Planning in Wales: The Conflict between State Centrality and Territorial Nationalism," in *Nationality and Planning in Scotland and Wales*, ed. Roderick Macdonald and Huw Thomas (Cardiff: University of Wales Press, 1997), 57-60.
[102] Saunders, "Rethinking Local Politics," 24.
[103] Desmond King, "Government Beyond Whitehall: Local Government and Urban Politics," in *Developments in British Politics*, ed. Patrick Dunleavy et al. (Basingstoke: Macmillan, 1993), 194.

a stipulation in exchange for a loan that the government would reduce public expenditure, which included capital spending at the local level. Capital spending was down 33% by 1978, and aggregate exchequer grants to local authorities fell 5% by the end of the decade. In addition to reducing the growth of local expenditure, the national government was questioning the quality of council services. This set the tone for the Conservatives' manifesto leading into the 1979 election. Nonetheless, the approach used in the mid-late 1970s compared to the first two terms of Prime Minister Thatcher was a very different. By 1985, funds provided by the centre in the form of block grants to local authorities was reduced from 61 to 49% of the total.[104]

Under the previous Labour government Rate Support Grants to municipal authorities were cut to discourage local spending, but cuts could only be made in the level of the grant because there was no power to restrict the expenditure of individual authorities or their rate levels. Thus, despite operating in the legislative and financial context structured by Parliament, local electoral mandates and taxation gave councils a degree of independence. The incoming Conservatives were keen to address this because the local scale could ostensibly undermine the national scale's fiscal strategy. The central government proceeded to produce a shift in the balance of central-local relations by subjecting local authorities to expenditure cuts and controls, notably in housing and in the privatization of service delivery. Early on, a court ruling forced a council to comply with the 'right to buy' council housing dwellings provisions of the 1980 Housing Act. The act granted council tenants the statutory right to buy their place of residence for a discounted rate, which removed local authorities' discretion.[105]

[104] Tony Travers, "The Threat to the Autonomy of Elected Local Government," *The New Centralism: Britain Out of Step in Europe?* Ed. Colin Crouch and David Marquand (Oxford: Basil Blackwell Ltd., 1989), 5-6,8.
[105] Martin Boddy, "Central-Local Government Relations: Theory and Practice," *Political Geography Quarterly* 2, 3 (1983): 119.

Another major step to increase central influence was the new block grant system (initially proposed by Labour in its 1979 Green Paper). This allowed the national government to taper off grants from any authority that spent over a standard level of expenditure. During 1981-1982 the government announced that it would superimpose on the block grant a system of expenditure targets and grant penalties that would remove funds from any authority that exceeded a spending target. The problem was that local authorities used capital expenditure to acquire assets like buildings, land, plant and machinery; also, revenue expenditure was used to meet the costs of providing goods and services such as public-sector wages.[106]

Initially, the changes to better control capital had little effect on municipal autonomy. Local councils defied central estimates by spending more after increasing the level of local rates. Taking the lead were Labour-controlled inner-city councils like the GLC and Sheffield metropolitan county councils. As a result, many Conservative MPs supported greater control over left-dominated metropolitan county councils. From 1981 to 1984, the national government was seeking an alternative to domestic rates; this came in the form of the Rate Capping Bill of 1983-1984 and the Conservatives promised to use legislative fiat to cap the rates of high spending councils and simultaneously abolish metropolitan counties and the GLC. After the government won a sizeable majority in the general election of 1983 it was able to implement the GLC-Metropolitan Counties Abolition Bill in 1984. This transferred functions to district bodies and created new non-elected Joint Boards to run area-wide services. In other words, certain services were removed from elected municipal governments and given to partisan-appointed and nominated boards, reducing local buffers against the centre. The government's Paying Bill in 1985 added to this by abolishing local elections for metropolitan county councils prior to the local elections later that year. The goal was

[106] Travers, "The Threat to the Autonomy of Elected Local Government," 9-10.

to transfer the GLC from Labour control to Conservative control by eliminating local ballots. By 1986, a whole tier of local government responsible for several local authority functions in the biggest conurbations was abolished.[107]

The damage caused by all of this activity contributed to the resignation of Margaret Thatcher. Four major pieces of local government legislation passed through parliament during the 1987-1988 sessions that attempted to radically alter the scope of what local authorities could provide. The Local Government Act, 1988 reduced public-sector employment and put public services out to competitive tender. In addition, a community charge, aka the 'poll tax', was implemented in the Local Government Finance Act. The new system meant that all expenditure above centrally determined measures would fall on a community charge. Prior to the poll tax, revenue raising was restricted to the rate derived from property-owners and businesses, whereas the community charge aimed to foster a direct relationship of accountability between all citizens of voting age and their local authority by levying an equal tax on each voter, allowing each authority to set its own rate. This changed the basis of local taxation in Britain by shifting from a property-based to an individual one, ending its progressive element and increasing the burden of responsibility on people who were deemed eligible to pay the local levies irrespective of their income. The outcome was calamitous, particularly in Scotland where it was implemented a year prior to England and Wales.[108]

In 1991, the reform of local government in Scotland was announced by the Secretary of State seeking to introduce single-tier authorities and was the first structural change made to local government since 1975. The Labour Party thought local government reform in Scotland should

[107] Derbyshire and Derbyshire, *Politics in Britain*, 117-119, 150.
[108] Travers, "The Threat to the Autonomy of Elected Local Government," 15-16; King, "Government Beyond Whitehall," 198.

have been part of a wider constitutional change involving the creation of a Scottish parliament. Instead, the Conservatives introduced new powers to cap the tax rates levied by elected councils, further limiting the autonomy of local authorities, bringing those powers into line with England and Wales.[109]

With respect to the formal system of local government, the Conservatives changed its character by privatizing council housing and land while also expanding the number of services provided by the private sector. Local government was envisaged as enabling citizens as customers of government services, with local authorities acting as purchasers rather than providers. Related to this was a series of authorities that were established independently of local government, holding significant powers over the same jurisdiction. These included self-governing hospital trusts and in metropolitan areas joint boards for policy, fire and transport with members appointed by the government or nominated by public and private sector acts. Such agencies were complemented by government programmes to increase public-private partnerships in urban policy. Many saw this undermining of local autonomy as blurring the lines of accountability for the provision of services.[110] When the citizen-consumer model progressed into the 1990s new regulatory authorities were used to monitor public sector utilities in the name of consumer interest. Service delivery standards became defined in John Major's Citizens' Charter initiative, but it was coloured by an ideological bias favouring the private sector ethos. It conferred rights, duties and obligations to people as economic agents, but there was little public engagement beyond market research exercises.

[109] Alan Alexander and Kevin Orr, "The Reform of Scottish Local Government," *Public Money & Management* 14, 1 (1994): 33, 36.
[110] King, 204, 208.

Local authorities were an important base from which to challenge central government initiatives between the 1970s and 1990s, and especially during Margaret Thatcher's terms in office. Many locally-based Labour councils were radicalized in the early 1980s and this generated divisions within the party over political manifestos and policy direction. Municipal labourism in the postwar period consisted of real improvements to the material conditions of working class life but it displayed a heavy-handed paternalism.[111] The willingness to maintain conventional relations with Parliament shifted in the 1970s when local mandates were increasingly defended. An early form of resistance came in 1972 against the Housing Finance Act from the council at Clay Cross; viewing itself in the tradition of protests earlier in the century, they sought to carry out socialist policies. Local campaigns against cuts to the standard and provision of local authority services became more pronounced into the 1970s amidst the property boom and pressure for commercial redevelopment coupled with continued housing shortages and inner-city decay. Various developments within the Labour Party from the late 1960s onward built on the momentum garnered by political and social movements seeking local socialism. It was seen at the time as an alternative to standard Labour Party policy at the national level and utilized the experiences within the Community Development Projects set up by the central government in the late 1960s to find strategies to combat urban poverty. Community action within local government was a method to challenge national government objectives like fulfilling economies of scale. When the challenge to local democracy hit a crisis point under the policies of Prime Minister Thatcher, local councils and especially those controlled by the Labour Party developed decentralized responses to central-local restructuring.[112]

[111] John Gyford, *The Politics of Local Socialism* (Hemel Hempstead: George Allen & Unwin, 1985), 10, 12.
[112] Gyford, *The Politics of Local Socialism*, 3, 34, 41.

According to Ian Holliday, a new urban left movement sprang up to resist the Conservatives' local government reforms in the 1980s, which drew inspiration from the new left's community politics of the late 1960s.[113] The 'urban' part meant that it was focused on city politics, and what made it 'new,' was that it viewed the proper place of local government as being a part of a network of community groups collectively exercising political control over local issues. Many of the new urban left activists that ran for municipal government were committed to the decentralization of local services. Thus, the new urban left was focused on extra-parliamentary struggle against the centre. In 1981, the left won the GLC; meanwhile the Inner London Education authority and Merseyside County Council remained in Labour's hands. In the 1982 local elections, the left won Camden, Greenwich, Hackney, Haringey, Islington and Southwark. In 1983 and 1984, the left took Liverpool and Manchester.[114] Equally radical at the urban level was the suburban right, which held a restricted view of the local state and a commitment to private-sector principles in the conduct of local authority business. In contrast to the new urban left, the new suburban right articulated a limited view of the political. The left extended politics beyond legislatures and historical trade union constituencies to encompass sections of the population that never participated in politics, meanwhile the right placed strict controls on both the political domain and on the management of it. Whereas the new urban left developed local economic strategies and social forms of

[113] The origins of the New Left in Britain came into being in 1956-7 under the shock of the Hungarian uprising and the Suez crisis, which respectively led to a rejection of Stalinism and Western imperialism. Though organized labour was strong in Britain, it had faced significant setbacks during the Cold War period, and as a result of changing domestic and international conditions, a gradual process of labour movement transformation took place outside of the Labour Party: the creation of the New Left Review in 1957 reflected a new, young intelligentsia committed to issues facing the post-war generation; there was the Campaign for Nuclear Disarmament and the push to withdraw from NATO in 1958; and lastly, a new generation of political activism was observed in the events of May 1968. University student revolts, the civil rights struggle in the US, strikes and factory occupations in France, Germany and Italy, and the protests against the Vietnam War, showcased a fresh wave of emancipatory and democratic radicalism in the late 1960s. Lin Chun, *The British New Left*, (Edinburgh: Edinburgh University Press, 1993), 1-2, 8, 13, 87, 98.

[114] In addition, the Liberal-SDP alliance doubled its share of seats from 10 to 20%, leaving it in control of five Western counties in the 1985 local elections, and shared power with Labour in sixty county and district councils.

participatory democracy, the new suburban right took up efficiency and effectiveness as deliverables and deregulated certain sectors.[115]

Examples from the left included: in Walsall, thirty-two neighbourhood offices were created as a means to build participation and reduce local government remoteness; Hackney Council's Decentralisation Working Group also sought decentralization through thirty Neighbourhood Centres, one per ward, where Council services were coordinated, and services managed by a neighbourhood committee; lastly, the closest to a real socialist experiment in British local government took place in Islington, when the government sought to integrate manual and white collar workers in a single-status workforce. Islington's decentralization programme of community development consisted of twenty-four offices composed of residents and representatives of service users participating in local decision-making, and the transfer of one thousand staff. Each Neighbourhood Office held core functions of housing, management and repairs, social services, environmental health and community development and Council allotted control over local budgets, the ability to influence Council policy and decisions, and the encouragement of a partnership with Council staff at the local level. By and large, local authorities were hesitant about using finances to support non-statutory organizations, but what differentiated the community development approaches in the 1980s from the 1970s was that alternative means of engagement were in some cases brought into the mainstream practices of local government. Examples on the right included: in Wandsworth, local council sought asset sales, efficiency management of remaining resources and capital investment in residual services. The new suburban right promoted individual responsibility and a 'privatized' understanding of the political. Principles for council management as in Kent revolved around decentralizing operational management responsibility to service

[115] Ian Holliday, "The New Suburban Right in British Local Government – Conservative Views of the Local," *Local Government Studies* (1991): 45, 47-48.

departments and the use of commercial discipline to manage central support services. Ultimately, decentralization can mean different things: associated with the new right it involved the market provision of public need, whereas the left protected community-led interests by democratizing local government services with sub-municipal forms of political decision-making.[116]

Coalitions of Interest and the Political Economy of Scale from 1970-1995

This chapter analyzed partisan relations from 1970-1995 and explained the central-subnational struggles part of the changing political and economic landscape of the British state during that period. The spatial differentiation of capitalism mobilized local and territorial interest coalitions for and against institutional reforms concerning economic growth and decline. Capitalist development mobilized popular social bases to defend a defined territory. Efforts to address deindustrialization also assisted the creation of territorial coalitions to defend regional interests. Thus, the construction of political alliances to establish a post-WWII social democratic state only lasted in so far as they could solve economic and political problems. Alliances changed as modernizing strategies behind national and regional policies failed. Regional institutions and local government were adjusted to align with competing ideological imperatives. Setting priorities at the subnational level by national governments led to increasing concerns about the democratic deficits at the heart of the governance system in Britain. This sparks a larger discussion about the connection between citizenship and democracy within a capitalist system, specifically how decision-making and participation is crafted in political and economic life. For example, many

[116] Coling Fudge, 'Decentralisation: Socialism goes Local?', in Martin Boddy and Colin Fudge eds., Local Socialism? Labour Councils and New Left Alternatives, Hong Kong: Macmillan Publishers Ltd., 1984), 194, 208; Holliday, "The New Suburban Right in British Local Government," 48.

argue that Margaret Thatcher's policies reduced the substantive elements of citizenship in Britain. This demonstrates how the politics of scale is connected to the institutional bases of representation, and public inclusion in decision-making, and how the provision of public goods must be analyzed from a democratic point of view.

The conflict between capitalism and democracy is observable not only throughout the immediate postwar period (as it was discussed in chapter two). Rather, the various social protest movements that actively sought to address issues at a scale closer to the people became even more pronounced in the 1970s when economic development failed to achieve fundamental democratic rights for citizens who paid taxes and worked for a living in peripheral regions. That being the case, it was when the new right and its main proponent, Margaret Thatcher, had taken over domestic national politics that substantive modern citizenship was being altered. Social, political as well as civil elements did not comfortably fit her vision of competitive individualism.[117] For many, what followed in the Thatcher years was an erosion of associational and trade union rights. Social rights were also eroded by means of an extensive programme of cuts in the welfare state affecting housing, education, health care and social services. Claims made about the adverse effects associated with Thatcherism are qualified and quantified by an increase in inequality induced by fiscal policies and unemployment. The replacement of Thatcher by Major was just as important to debates about rights in an age of neoliberalism, particularly when the Citizens' Charter was heralded as a signaling a break with the past citizen-state relationship.

While there are strong arguments supporting a sustained period of enhanced citizenship and democratization in the postwar era because of the expansion of the welfare state, the so-called universalization of political rights and freedoms did not extend into certain realms of the state. Left

[117] Kingdom, "Citizen or State Consumer?," 15.

out of these discussions are the subnational scales of the state, and the forms of decision-making participation that were embedded in the provision of state services and economic development. Therefore, the politics of scale is relevant to a discussion about the tensions between capitalism and democracy at it allows us to delve into various phenomena including, but not limited to, the national level, such as regional administration and local government. Nuance is needed to appreciate the differences and confluences between the post-war welfare and post-welfare state when it concerns a discussion about democracy, capitalism and the state. To what extent were the political rights associated with democracy in the age of social democracy more democratic than the neoliberal age? This is relevant because what arose in the neoliberal era according to the Conservative Party was an enhancement of citizen participation in market choices, and a shift towards property-owning democracy. One way to differentiate between the Keynesian and neoliberal era is to highlight the shifting forms of public inclusion at the local level. On the one hand, the remoteness of governments from citizens during the postwar period is what sparked limited experiments with participation in the 1960s. Exploring local and central politics as part of an ongoing politics of scale offers the opportunity to account for interdependence in the formulation and implementation of services.

Neil Boaden et al. explain that towards the end of the 1960s there was an over saturation of a narrow elite of bureaucratic officials and party politicians locally and nationally. Party politics came to dominate local politics and subsequently, politicians had to contend with the rising tide of popular mobilization. Networks of influence part and parcel of the administrative central-subnational structures of policy-making reflected the close relationship between local investment and economic development. The decision-making processes of the era insulated political institutions from ordinary citizens. The search for efficiency in service delivery and the concern

for economic management thus produced a level of professionalism that viewed participation as an affront to technical expertise. However, by the late 1960s there were doubts about the ability of experts to solve ongoing problems like the North-South and urban-rural divides. Given this, there was some support for participation in urban planning and community development, but it wavered between statutory support, legislative amendment and a lack of commitment. Surrounding tenuous experimentation with the public's inclusion at a strategic level were the networks of influence informing the extent to which the public could override private economic interests. This was confounded by the problem that public participation was limited to a peculiar realm of the planning process geared more to experts than lay people, which only served to alienate large segments of the population rather than insert them into policy-making processes.

The early 1970s saw experiments with participatory planning come to an end in the 1972 Town and Country Planning Amendment. It gave the public in England the right to be consulted and involved in local plan-making but abolished their right to be heard at inquiries into structure plans. There was little interest in seeing the public involved in decisions that concerned land planning by private developers. This was only made more apparent when cuts made by the central government fell heavily on local authorities in 1973. It was a bit different in Scotland and Wales where the Local Government Act introduced by the Conservatives introduced community councils, both inspired by the Minority Report of Derek Senior that drew influence from communal experiences elsewhere in Europe. By 1974 the Department of the Environment came to support neighbourhood management in several local authority areas. One example was Stockport, which covered the whole of the local authority area and included provision for a system of community councils. In 1974, Harold Wilson supported the idea of neighbourhood councils and issued a Consultation Paper that suggested making statutory status available to neighbourhood

organizations in areas where local support was forthcoming. The councils would have formal rights of consultation with local authorities over certain planning matters and could attract other participatory responsibilities. Despite ministerial support, the paper was not well received by local authorities and they opposed another layer of elected councils.[118]

By the 1980s and 1990s, citizenship shifted in the direction of allowing citizens to voice their opinions about the services they received from public and private providers. Yet, in response to the new right's interpretation of a service-user oriented system of public participation, radical forms of political participation and formal inclusion in political processes occurred at the local level. In the 1970s, community and parish participation formed to expand bases of public participation but were not often on the side of local councils, but in the 1980s they were actively promoted to oppose national politics. Therefore, citizens were transformed into state customers in an increasingly marketized public sector. This was a very clear change that marked the neoliberal era.

But the type of democracy that existed prior to neoliberalism was less committed to public engagement than to public management. We can appreciate this claim after having explained the way administrative and political institutions were used to pursue ideological and partisan objectives concerning economic development. The ongoing struggle to enhance the bases of inclusion and representation at regional and local levels challenges the idea that the postwar period was wholeheartedly democratic. Regional political parties and social movements, local councils, and class-based mobilization brought to bear the limited means of decision-making opportunities available to them, and fought tooth and nail for reforms that were only implemented in 1997.

[118] Boaden et al. *Public Participation in Local Services*, 9, 11, 31, 43, 67.

What clearly did change between eras was the extent to which the new right was willing to manipulate national and subnational democratic functions. One of their primary strategies was by means of partisan appointment and side-stepping elected authorities to have national economic agendas reflected regionally and locally. Quangos or quasi-autonomous non-governmental organizations are crucial to understanding the move from traditional bureaucratic forms of policy implementation to new forms of quasi-government, blurring the lines between the public and the private sphere. Post-1979, quangos were specifically used to undermine Labour-controlled local authorities. Public administration needs to be insulated from party politics, and yet the exercise of independent powers by unelected bodies is contrary to the basic principles of democratic accountability. The four main types observed under Margaret Thatcher included: advisory bodies; tribunals; Boards of Visitors; and executive boards. From 1979 to 1996 their spending increased by over 300%, from 6 to 21.4 billion. Quangos increasingly surfaced to oppose directly elected regional assemblies, particularly in England with the implementation of nine Regional Development Agencies in the place of regional assemblies.[119]

These ad hoc boards were schemes used by the national government to take over certain local duties and were part of other schemes including centrally-controlled decentralization to reform the politics of scale. To be sure, both the left and right supported decentralization practices by competing underlying logics. Initially, decentralization hit the private sector before it reached the public sector in Britain. This was in fact closely aligned with the transformation of capitalist systems of production towards the automated and decentralized factory, which had new ways of

[119] Matthew V. Flinders and Hugh McConnel, "Diversity and Complexity: The Quango-Continuum" in *Quangos, Accountability and Reform: The Politics of Quasi-Government*, ed. Matthew V. Flinders and Martin J. Smith (Basingstoke: Macmillan Press, 1999), 21; Matthew Flinders, "Setting the Scene: Quangos in Context," in *Quangos, Accountability and Reform: The Politics of Quasi-Government*, ed. Matthew V. Flinders and Martin J. Smith (Basingstoke: Macmillan Press, 1999), 5.

controlling the labour process. Managerialist cost-cutting and rationalization included practices that pushed leaner structures through decentered cost and innovation centres. Thus, it was not only urban social movements aiming to transform the state, economy and civil society. Ultimately, through an observation of various applications of decentralization between 1970 and 1995, we observed the extent to which the democratic state and the layers within it are the result of political projects. Decentralization policies were used to change the relationship between those providing services to meet strategic objectives.[120]

When decentralization was applied by the national government the goal was the concentration of power in key class and political actors' hands. This is the case when the Conservatives tried to limit local authorities in local planning, deregulating the permission needed by developers to proceed without government planning permission. The private sector was offered opportunities to adopt new institutional instruments that were led by Conservative appointees meant to outflank left councils. By the 1990s, the momentum for constitutional reform - specifically devolution and by association to regional administration, local government – had regained its place as a major item for political implementation. What remains for examination in the next chapter is the extent of regionalization undertaken by Britain at the end of the 1990s and in the new millennium. The political economy of scale in the twenty-first century will be analyzed in terms of partisan central-subnational relations and political reform, and how the blending of the new neoliberal ethos with democratic enhancement is reflected in current governance structures.

[120] Paul Hoggett, "A Farwell to Mass Production? Decentralisation as an Emergent Private and Public Sector Paradigm," in *Decentralisation and Democracy: Localising Public Services,* ed. Paul Hoggett and Robin Hambleton (Bristol: SAUS Studies, 1987), 218, 220,

Chapter 4: Devolution as a Scale Commitment from 1995-2016

Introduction

This chapter examines the period from 1995 to the present, during which time political devolution as a form of decentralization becomes a scale commitment across the British state. Devolution ultimately becomes supported and implemented across the political spectrum nationally, albeit for different ideological purposes and at different stages of the period. The key questions we seek to answer here are: what political-economic motives produced the contemporary commitment to devolution, and why is this occurring now? This chapter connects to the historical and analytical method applied in this dissertation by explaining the mechanisms of change shaping institutional structures and policy approaches over time and space, specifically, how decentralization reflects political choices, strategies and struggles in the new millennium.[1] It does this within a broader discussion of neoclassical economic growth theory versus a social democratic approach to economic development.

As was argued in Chapter 1, research suggests that decentralization redesigns the constitutional and democratic order to make it more inclusive and accountable to the public, is a response to meet the functional needs of a changing economic and social system, accommodates national and cultural diversity, and/or occurs because of the rational self-interest of political actors. But as Gordon MacLeod argues, analyses of decentralization and devolution have conflated seemingly non-exploitative horizontal relations of networking and reciprocity with the subnational

[1] This has been a call to action concerning the motives behind the dramatic changes happening to the spatial and territorial character of the state. See Erik Swyngedouw, "Reconstructing Citizenship, the Re-scaling of the State and the New Authoritarianism: Closing the Belgian Mines," *Urban Studies* 33, 8 (1996): 1500.

level, obscuring a more complex structuring of social relations across and between spatial scales of governance.[2] The latter point has been stressed by certain British-based scholars including MacLeod, who wish to account for the social impact that decentralized political and economic planning institutions have on society. This chapter adds to these discussions by focusing on a thick political economy approach, bringing together related but often interspersed streams of empirical research concerning national, regional and local levels of the state into an integrated view of the political economy of scale. It places the political economy of devolution analysis within a broader discussion of what Wolfgang Streeck calls the political economy of democratic capitalism's two conflicting principles: one according to marginal productivity, or the free play of market forces and the other based on social need, influenced by democratic politics.[3] Thus, the chapter nuances narratives about economic modernization and devolution coinciding with growth, innovation and public participation.

The section breakdown is as follows: Section 1 explains a policy repositioning of the Labour Party, including its national macroeconomic agenda pre- and post-financial crisis, and the dilemma between social democracy and neoliberalism on the left. This is followed by a brief explanation of the coalition government's austerity agenda to combat the economic recession. Section 2 describes the constitutional package of devolution to Scotland and Wales, and the economic regionalization of government policy in English regions. This is followed by the structural weaknesses of new regional political decision-making mechanisms, and contemporary issues with the North-South divide. There is also a brief analysis of the coalition government's impact on the Scottish independence referendum, further devolution reforms to Scotland and Wales, and the prospect of

[2] Gordon MacLeod, "Beyond Soft institutionalism: Accumulation, Regulation, and their Geographical Fixes," *Environment and Planning A* 33 (2001): 1153.
[3] Wolfgang Streeck, "The Crises of Democratic Capitalism," *New Left Review* 71 (2011): 7.

further constitutional change in the wake of Brexit. Section 3 examines the New Labour localism agenda, including devolution to London, and the rise of monitoring agencies for performance. The discussion of the politics of local scale also includes the rise of city-regionalism as a mechanism for business growth and public-private decision-making. Lastly, the coalition's localism agenda via devolution deals to cities is discussed and related to its austerity agenda post-financial crisis. Finally, section 4 focuses on New Labour's democratization agenda and the tensions between efficiency and democratic renewal in the modernization project.

The National Level from 1995-2016: New Labour's Adapted Macroeconomics for the New Millennium

British national scale politics since 1997 witnessed several important events and turning points. The Labour Party's landslide general election victory in 1997 represented the most seats the party won in its history, and the highest proportion of seats won in the post-war era by any statewide party. This came at the cost of the Conservatives' worst showing since 1906. Tony Blair would retain the position of prime minister in two subsequent elections in 2001 and 2005, but would ultimately resign in 2007. At that point, Gordon Brown would briefly lead the country until a Conservative-Liberal Democrat coalition government was elected in 2010 with the Conservative's David Cameron as the Prime Minister. This was another significant moment because Liberals returned to cabinet for the first time since the early 1900s. There is little doubt that the 2008 global economic crisis - which was the worst recession experienced since the great depression of the 1930s – contributed to the fall of Labour as they bore the brunt of the blame for its impact.

The national level has been implicated in competing narratives, many of which speak to the rise of network governance, decentralization, cross-border trade agreements, and global financialization. On the one hand, it has been argued that the traditional view of British government has been increasingly challenged by an emphasis on the fragmentation of traditional governmental authority, with research pointing to the shift towards a range of actors horizontally and vertically operating outside of the central state. The counter to this claim is that the central state has retained its prominent position in the new millennium; particularly under the leadership of the New Labour Party, executive dominance became more accentuated despite devolution and the incoming democratic modernization agenda.[4] Nonetheless, it is important to state that political power did not simply remain hermetically sealed at Westminster, unencumbered, nor did legislative decision-making get diluted to regional and local scales without reserve powers remaining at the centre.

Considering that Labour's high economic growth modernization agenda was particularly relevant to devolution, it spawned a host of contentious debates, especially on the left. Discussions about Labour tend to be grouped in four schools of thought according to Philip Allmendinger and Mark Tewdwr-Jones: mainstream continuity – Labour is continuing with the core concerns of social democracy; social democracy in new times – there are both continuities and significant differences in Labour; a distinct break from the past - labour has accepted the neo-liberal hegemony of Thatcherism; the Labour project is sui generis – Labour amounts to a form of pragmatism that has mixed ideological positions together.[5] Some of the more assertive arguments pursue the idea that New Labour fully abandoned social democracy, whereas others actually see

[4] For an outline of these perspectives see Patrick Diamond, "Beyond the Westminster Model: The Labour Party and the Machinery of the British Parliamentary State," *Renewal* 19, 1 (2011): 65-66.
[5] Philip Allmendinger and Mark Tewdwr-Jones, "Territory, Identity and Spatial Planning," in *Territory, Identity and Spatial Planning: Spatial Governance in a Fragmented Nation*, ed. Mark Tewdwr-Jones and Philip Allmendinger (Abingdon: Routledge, 2006), 5.

Labour's attempt closer to a social democratic version of a market economy described in terms of stakeholderism.[6] Ultimately, the perspective taken here is that Labour's approach is sui generis.

Assessing the modernization of Labour requires an explanation of the party's diagnosis of the economic challenges Britain faced and the best way for it to restore high growth. Hay offers four comprehensive issues of causality for Labour's change: 1) The relationship between structure and agency, context and conduct; contextualizing political conduct while considering mechanisms by which context is shaped and reshaped. 2) The relationship between the ideational and the material, i.e. between the ideas held about the world and the world itself. 3) The relative significance of political, economic and cultural factors, meaning the analysis should not restrict itself to exclusively political and economic variables to the point that politics is bereft of context. 4) The relative significance of domestic and international factors, focusing on internal predicaments and trajectories in a comparative context.[7] The following section will address several of these factors during the period from 1997 to 2010.

1997-2010

Upon entering office in 1997, Labour was focused on the long-term economic performance of the economy because the quarter century leading up to the new millennium showed that Britain relative to the G7 was performing poorly in terms of its resilience to external shocks, higher inflation, unemployment and incomes. In addition, it had been just shy of twenty years since the Labour Party had governed Britain at the national level. The party endured four consecutive and difficult losses (1979, 1983, 1987 and 1992) to the Conservatives, three of which were against

[6] Colin Hay, "The Political Economy of New Labour: A Preliminary Assessment," (Paper presented at the conference on *Cool Britannia: Britain After Eight Years of Labour Government*, Universitè de Montrèal, May 4-6, 2005); Dan Corry, "Labour and the Economy, 1997-2010: More than a Faustian Pact," *Political Quarterly* (2011).
[7] Colin Hay, *The Political Economy of New Labour: Labouring Under False Pretences?* (Manchester: Manchester University Press, 1999), 32, 36-38.

Margaret Thatcher. As highlighted in Chapter 3, the shadow cast by the economic agenda of the Conservatives was large enough to decidedly influence a new trajectory for Labour's strategic electioneering and policy objectives.

In considering the context leading up to the 1997 election, it is relevant to note that its platform policies - tax increases in the budget, a commitment to restoring earnings-linked public pensions, a commitment to a general entitlement to social security, and a resistance to the individuation of benefits - were not enough to secure a victory in the 1992 election. Even in the 1987 general election, where Labour placed government-led economic regeneration at the heart of its program, and continued to believe in the need to tightly regulate the market by state intervention, it did not prove a popular enough agenda to suit the public mood.[8] Internally, the party struggled to pursue a radical programme of economic policies (namely the Alternative Economic Strategy), and the continued losses at the polls gradually encouraged a retreat from its more ambitious schemes of social and economic reform. Multiple working papers and a policy review leading into the 1990s had taken note of political trends and ultimately signaled a shift in course.

For certain commentators 'old' Labour gave way to the 'new' moniker because of what was perceived as the impasse of social democratic politics (cf. Leo Panitch) i.e. the inability to meet the expectations of its traditional supporters and trade union militants. Meanwhile, others posit that the shift relates to the structural dependence of the state on capital, with a left-leaning Labour Party having to convince financial capital of the probity of its economic policies (cf. Adam Przeworski and Immanuel Wallerstein).[9] This dissertation has provided the historical evidence to

[8] For a more detailed explanation of the challenges that New Labour encountered, see Hay, *The Political Economy of New Labour,* 120-121.
[9] Peter Burnham, "New Labour and the Politics of Depoliticisation," *British Journal of Politics and International Relations* 3, 2 (2001): 128.

suggest that both points of view are true. However, we can go further than this to suggest that from the examination of decentralization in relation to capitalist development and economic governance, there has been an ongoing struggle among the elements within the above two positions. Labour's immediate postwar policies connected to the politics of scale offers a fifty-year window into how and why the Third Way became prominent leading up to the 1997 election.

This suggests a commitment to the maintenance of economic probity alongside social democratic objectives as Labour's dilemma. When the Conservatives returned to power some five years after Labour won its first ever majority government in 1945, it was not long before internal party discussions took place about removing the socialist Clause 4 of Labour's charter, taking aim at the commitment to the common ownership of economic production. This fact seems to be forgotten on the left: the dropping of Clause 4 by New Labour in the late 1990s sparked moral outrage. There are various examples of the tenuous connection between democracy and capitalism that continuously reappear once Labour nationally regains political power.

Stating the above helps to contextualize the current period and the notion that the Labour Party has completely turned its back on its social democratic roots. This is not to say that there have not been departures from past practice, because there were, and they started with a rejection of renationalization in 1997. Moreover, the fiscal squeeze under the Conservatives had to be addressed when Labour was elected by placing a restraint on public spending. Also, Gordon Brown as the new Chancellor of the Exchequer introduced a five-year deficit reduction plan to meet current spending from taxation over the economic cycle. No changes were made to the basic or top rates of income tax and the corporation tax was cut from 33 to 31%. Tax revenue was raised in other ways: a tax on profits made by privatized utilities, the removal or reduction of tax

allowances, including tax relief on mortgage interest payments, and indirect taxes applied to road fuel and tobacco.[10]

There were very visible changes to the framework of macroeconomic policy formulation, including the development of a Monetary Policy Committee at the Bank of England with interest-rate setting to meet government-mandated inflation targets. With the exit of the Conservative government from the exchange-rate mechanism in the 1990s, power was shifting from the Treasury to the Bank. The Labour government brought in the Code for Fiscal Responsibility vis-à-vis the Treasury in 1998, indicating that a key feature of its approach was based on considerations of creating a stable economic environment. The code coincided with the introduction of the Bank of England Act 1998, leading to the independence of monetary targets from government discretion.[11] On the fiscal side, new rules were introduced, including an increase in the scope of public-private partnerships and the Private Finance Initiative. In the lead-up to the 1997 election Labour promised that if it won it would match the spending aggregates the Conservatives had promised in the event they were re-elected. Labour also would match the inflation target and borrow only for investment over the course of an economic cycle. Indeed, the New Labour election manifesto promised not to increase standard or higher rates of income tax during the coming term of Parliament.[12]

This initial neoliberal set of policies is tempered somewhat by the fact that from 2001 to 2010 the government did increase public and social spending to 47% of GDP, departing from the post-war trend of just under 40%. Fiscal tightening led to a surplus where a doubling of the share

[10] Christopher Hood and Rozana Himaz, *A Century of Fiscal Squeeze Politics: 100 Years of Austerity, Politics, and Bureaucracy in Britain,* (Oxford: Oxford University Press, 2017), 172-174.
[11] David Cobham, Christopher Adam and Ken Mayhew, "The Economic Record of the 1997-2010 Labour Government: An Assessment," *Oxford Review of Economic Policy* 29, 1 (2013): 7.
[12] Malcolm Sawyer, "Fiscal Policy Under New Labour," *Cambridge Journal of Economics* 31, 6 (2007): 888.

of GDP to be spent on public investment included an increase in health by 4.7% per annum over the 1999-2002 period and education by 5.1%. Overall, the 2000 Budget Statement pledged to increase public spending by 2.5% a year in real terms for 3 years from 2001 and to double net public investment as a share of national income to 1.8% in 2004. Clearly, the approach after its first two years in office was different from the past as there was a downward trend in public investment and an unwillingness to raise taxes to pay for current spending. By 2000/01 British debt was down to 31.3% of GDP compared to Belgium, Italy and Greece, all close to 100%.[13] Nonetheless, Labour's primary concern was to create conditions for real growth, even at the cost of generous welfare programmes. UK GDP growth from 1997 to 2010 was second only to the US within the G7. From 1997 to 2008, GDP per worker growth was as fast as in the US, which then reversed during the recession years reflecting more aggressive job shedding. Average annual growth in value added in the market economy in the UK was 3.2% from 1997 to 2007, slightly behind the US, but above the EU average, largely due to the total hours worked.[14]

The above summary requires significant qualification. The focus on national aggregates masks the rising levels of income inequality starting in the neoliberal era of Thatcher, accruing to the benefit of the top decile of earners all the way up to 2007 under New Labour. According to Jeremy Green this amounted to a 135% increase. Moreover, he states that in Britain, 60% of increased income went to the financial service sector despite it only constituting 5% of the entire workforce, and the rising share of the top 1% corresponded with a rising volume of FDI flows. Previous chapters noted the role of FDI in creating dependent branch plant economies during the

[13] Ben Clift and Jim Tomlinson, "Credible Keynesianism? New Labour Macroeconomic Policy and the Political Economy of Coarse Tuning," *British Journal of Political Science* 37 (2006): 64.
[14] Dan Corry, "UK Economic Performance Under New Labour 1997-2010: Facts, Lessons and Pointers," in *The British Growth Crisis: The Search for a New Model*, ed. Jeremy Green, Colin Hay, and Peter Taylor-Gooby (Basingstoke: Palgrave Macmillan, 2015), 42, 47, 51.

transition from older, primary industries like coal to manufacturing. Yet the volume of FDI intensified in the late 1990s and mid-to-late 2000s, reflecting the many mergers and acquisitions that occurred in that period. Indeed, cross-border mergers and acquisitions accounted for over 75% of all global FDI, which had a dramatic impact on the structure of British capitalism.[15]

The trade deficit in manufactures got much larger and there was some deterioration in the balance of payments, though offset by a substantial improvement in knowledge-based services like finance and business services including consulting, engineering, IT, and R&D. Whatever growth took place in knowledge services would be unable to offset the projected losses to be expected as a result of the decline in energy self-sufficiency. North Sea Oil was running down to the point that by 2025 the UK would only be 25% self-sufficient in energy. Ken Coutts et al. indicate that the decline in tradable goods affected the old industrial North of Britain more than the service based South, which exacerbated a long-run shortfall of jobs and a shift in the balance of population as interregional and international immigration responded to different employment opportunities. The North has been far more dependent on tradeable goods, which made it vulnerable to industrial crises, and with fewer financial services employed it gained much less from the expansion boom of the 1980s and 1990s. With respect to an employment gap, the male employment rate was 20% lower in the North.[16]

Attention was diverted from manufacturing by focusing on monetary targets important to the price of Sterling, and it came at the cost of tradeable goods industries. The Monetary Committee was neither able nor willing to deal with asset prices or the exchange rate without risking inflation targets, which concomitantly relates to wages, consumer prices and ultimately employment.

[15] Jeremy Green, "Anglo-American Financial Interdependence," in *The British Growth Crisis: The Search for a New Model*, ed. Jeremy Green, Colin Hay, and Peter Taylor-Gooby (Basingstoke: Palgrave Macmillan, 2015), 87, 89-90.
[16] Ken Coutts, Andrew Glyn and Bob Rowthorn, "Structural Change Under New Labour," *Cambridge Journal of Economics* 31 (2007): 851-856.

Indeed, manufacturing's share of overall economic output in the UK fell from 30% in 1980 to 15% in the mid-2000s, with more than two million jobs lost in the manufacturing sector during the 1980s, a million more in the 1990s and around 1.5 million during New Labour's time in government. The emphasis on a strong pound has an impact on international competitiveness, and it serves to support the City's orientation in international capital markets. In comparison to other European countries, British manufacturers rely more on retained profits and equity finance than on bank loans for investment because they are relatively unprofitable, while most OECD nations rely more on bank lending. The focus on financialization keeps the focus on equities in markets and property rather than investment in the production of tradeable goods. The growth of hedge funds (another consequence of the focus on equities), further exacerbates the short-term direction of the economy. This all contributes to the decline of manufacturing, negatively affecting the ability of the UK labour market to produce high quality and well-paid jobs, constitutive of the problems facing young people; higher skills profiles are rewarded over traditional vocational pathways. Indeed, sectoral transformation has seen a dramatic rise in low paid jobs which increased 17% from 2008 to 2012.[17]

The productivity divide was discussed throughout the second and third chapters where we saw how differences in industrial composition, productivity and spatial location are interwoven with political actors' conscious strategies to concentrate economic activities in urban agglomerations. What is relevant is that the urban-rural divide since the 1950s has been associated with a growth in productivity in all types of rural (not simply agricultural) business in the UK, but this trend has slowed and even reversed. What the urban-rural divides mean for class formation

[17] Craig Berry, "The Final Nail in the Coffin? Crisis, Manufacturing Decline and Why It Matters," in *The British Growth Crisis: The Search for a New Model*, ed. Jeremy Green, Colin Hay, and Peter Taylor-Gooby (Basingstoke: Palgrave Macmillan, 2015), 177, 180, 185.

and voting patterns is particularly relevant given that sectoral reorganization is spatially redefined over time, and moreover, it also becomes relevant during times of economic downturn, as is noted below.

Following World War II, there was the assumption that for capitalism to be compatible with democracy it would have to be subjected to political control to protect democracy from being restrained in the name of free markets. Yet as Streeck notes, the present defense of economic freedom hinges on ideas that capitalism requires the protection of markets and property rights against political interference, independent regulatory authorities, along with central banks protected against electoral pressures and international institutions that do not have to worry about re-election.[18] The tensions within New Labour's policies were noticeable in its competing political-economic priorities: a pro-cyclical focus can be problematic when demand falls and excess capacity emerges. Also, the use of monetary policy to fight inflation has negative externalities for the productive economy as it can feed the tendency in Britain to suffer an interest rate premium, suppressing investment and driving up Sterling, penalizing tradable exports. Lastly, a flexible labour market leads to high job turnover.[19]

Labour's heavy dependence on the economic growth generated by financial services, most notably financial markets, started to unravel in 2007. Interdependent Anglo-American financial interaction entailed the City positioning itself to draw in American financial power centered on banking in London and New York. The greater openness to capital flow put pressure on the UK to look to the quality of the business climate as a crucial condition for their competitive success. As a result, financial markets experienced waves of deregulation internationally and became more important instruments of coordination, as well as to court wealth. The close tie between finance

[18] Streeck, "The Crises of Democratic Capitalism," 7.
[19] Hay, "The Political Economy of New Labour: A Preliminary Assessment," 17.

capital and the banks was increasingly connected to stock exchanges where Britain and the US had the advantage.[20] But a dramatic inverted pyramid of household and bank debt built on narrow assets like American house prices started to fall at a rapid pace.

Following the detailed discussion of Robert Skidelsky, the housing boom that both the UK and the US experienced at the turn of the 2000s was built on securitization and it was through this that sub-prime mortgages entered the world banking system. The bundling of mortgages into different risks was sold to sub-prime borrowers. This took off after 2000 as as result of deregulation: the repeal in 1999 of America's Glass-Steagall Act of 1933 which forbade retail banks to engage in investment activities related to securities; the decision by the Clinton administration not to regulate credit-default swaps; and the 2004 decision by the US Securities and Exchange Commission to allow banks to increase liabilities to net worth from 10:1 to 30:1. Banks were caught with mortgage-backed debt. By the end of 2007, UK household debt reached 177% of disposable income, mortgage debt climbed to 132%, and from 1997 to 2006 house prices increased by 97%. Initially, the British bank Northern Rock - offering home loans of up to 125% of the value of the property and 60% of whose total lending was financed by short-term borrowing - applied for emergency support from the Bank of England which prompted the first run on a British bank, and some six months later in February 2008 the bank was nationalized at a cost of 100 million pounds. With the subsequent buying of the American Bear Stearns by JP Morgan Chase a few months after Northern Rock, governments around the world were rescuing banking systems from collapse. Adding to this, as these institutions panicked, they locked up liquidity.[21]

The role of finance in the British economy put the UK especially at risk as Britain's global banks carry liabilities that dwarf the nation's output. Debt servicing costs increased because of the

[20] David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), 90.
[21] Robert Skidelsky, *Keynes: The Return of the Master* (London: Penguin Books, 2009), 7-8

recession, social services spending soared, there were simultaneous plunging stock prices, falling GDP, rising unemployment, and a balance of payments deficit that increased as international trade slumped. This was a private sector crisis that became a public debt crisis, and the Labour government chose to spend, cut taxes and enact a fiscal stimulus package.[22] The devastation caused by the crisis included marked unemployment, loss of housing and personal savings. It was a reminder that capitalism is inherently crisis-ridden and that state intervention in the economy was imperative. The tide in favour of public spending in a time of crisis soon became a public debate between competing ideologies about economic credibility and the management of public finances. Under the Labour government British economic problems were understood in terms of a crisis of growth, and they were focused on restoring a growth model. This underlying logic would be used to fight a general election.

The 2010 general election produced a hung parliament, but shortly thereafter a Coalition government was agreed to between the Conservatives and the Liberal Democrats. The Conservatives understood the crisis as debt-driven and addressing the deficit and debt would go a long way to resolving the growth crisis. Consistent with this discourse, the Coalition constructed the credibility and debt sustainability constraints as its fiscal policy. The prioritization shifted away from fiscal stimulus in favour of fiscal consolidation towards recovery, and this repositioned austerity over public expenditure.[23] This indicates that the British government in the wake of the worst crisis in modern history would seek to reduce the deficit and alter the role of the government in providing public services. Indeed, the Coalition sought a private enterprise-led recovery and

[22] Hood and Himaz, *A Century of Fiscal Squeeze Politics*, 182.
[23] Ben Clift, "The UK Macroeconomic Policy Debate and the British Growth Crisis: Debt and Deficit Discourse in the Great Recession," in *The British Growth Crisis: The Search for a New Model*, ed. Jeremy Green, Colin Hay, and Peter Taylor-Gooby (Basingstoke: Palgrave Macmillan, 2015), 159.

introduced a host of cuts in public and social spending that were the largest since 1921-22.[24] Corporate tax was reduced from 25 to 24%, one of the lowest among developed countries, income tax thresholds were raised for taxpayers at the lower end of the income scale, while the top personal rate, which Labour had raised to 50%, was reduced to 45%. There were, additionally, plans for an extra spending squeeze on departments in non-protected areas, i.e. outside the NHS.[25] David Cameron's project used tropes like the Big Society, building from ideas about rolling forward society versus rolling back the frontiers of the state. But this is exactly what it did - withdraw state interference and resources – rearticulating the composition of economic development institutions and actors.[26] But by far, the post-2010 emphasis has leaned even more towards what some have called neoliberal urbanism,[27] with a localist agenda as the cornerstone of the national economic development repertoire (addressed below in the local scale section).

There are clear shortcomings in the financial deregulation arrangements introduced under New Labour. Considering that monetary policy was privileged over fiscal policy for macroeconomic stabilization, and that monetary policy was a responsibility of the Bank of England rather than the Treasury, it certainly can be said that the government was unable to influence the business cycle. On the other hand, the nature of global financialization and international pressures on the domestic economy need to be considered at the same time. Even within a more politicized monetary policy, directing the economic cycle is not as simple as asserting an active versus passive approach, as the 1970s reminds us. The extent to which the City is at the heart of the British growth

[24] Peter Taylor-Gooby, "Public Policy Futures: A Left Trilemma?" in *The British Growth Crisis: The Search for a New Model*, ed. Jeremy Green, Colin Hay, and Peter Taylor-Gooby (Basingstoke: Palgrave Macmillan, 2015), 127.
[25] Hood and Himaz, *A Century of Fiscal Squeeze Politics*, 191-192.
[26] Peter Kerr, Christopher Byrne and Emma Foster, "Theorising Cameronism," *Political Studies Review* 9 (2011): 198.
[27] Lee Pugalis and Gill Bentley, "Economic Development under the Coalition Government," *Local Economy* 28 (7-8): 665-678.

model makes it difficult to regulate given its reinforcement during the post-war period, and especially under the monetarist direction of the 1980s and 1990s.

As noted above, the record of New Labour reflects competing and contradictory tensions. The party erected national policies like a minimum wage, provided family credits, and the use of indirect tax revenues to redistribute resources and fund expenditure on public services. Nonetheless, the focus on a growth model that underplayed the importance of boosting the manufacturing sector proved a serious problem only recognized as such when it was too late; it took a severe economic crisis to trigger the notion of rebalancing the British economy. The paradox is that New Labour and then the Coalition government were simultaneously anxious to avoid a negative impact on London. The irony here is that this is a mere rediscovery of a long-standing problem, something highlighted throughout chapters two and three of this dissertation. Imbalance and inequality remain a primary concern among the devolved administrations as talent, investment and business in the South contributes to the broader UK economy whilst negatively affecting the periphery.

According to Ron Martin et al., the scale of spatial economic imbalance in the UK has been growing since the late-1970s, accelerated in the 1980s, and continued to increase in the 1990s and the first decade of the 2000s. Margaret Thatcher used the rationale of a supply-side focus in Northern regions by claiming they lacked entrepreneurship, innovation and skills. Her desire to see increasing returns and external economies of agglomeration balanced among an equilibrium of economic life failed to recognize trade-offs between spatial concentrations of economic activity versus the dispersal of activity. In other words, highly skilled and well-educated workers fill roles in the financial sector fueled by market-led processes, spatially sorting workers towards more productive higher wage city regions. The concomitant is that underperforming cities are simply

'too small or have restrictive planning rules that constrain economic development'.[28] Missing from this focus is that regions (as is explained in the next section) are intricately bound to institutional governance structures entrenched at Westminster and Whitehall, with uneven access to capital markets.

Taking into consideration that capital is purposefully territorialized to satisfy partisan interests, the trajectory of economic development tends to channel power unevenly across spaces and scales of the state.[29] Moreover, just as post-war Keynesian regulatory structures were part of a process and narrative of state planning, the advance of neoliberalism as a political project is associated with other forms of strategies of rescaling. The current qualitative reorganization of state capacities involves shifts in the structural form and strategic orientation of different ties and levels of the state and a complex reconstitution of state and market relations. The question is what kind of struggles are being waged and by whom, and how rescaling reflects and produces relative power.[30] Not only does this tie into the political economy of the national scale, but it also relates to new forms of devolved and fragmented policy architectures within an already asymmetrical governance framework, something we turn to below.

The Regional Level from 1995-2016: Devolution to the Regions and New Asymmetries of Power

Upon taking the leadership of the Labour Party, Tony Blair insisted on implementing referendums concerning devolution, with two key questions to be asked: if people wanted political

[28] Ron Martin, Andy Pike, Peter Tyler and Ben Gardiner, "Spatially Rebalancing the UK Economy: The New for a New Policy Model," *Regional Studies* 50, 2 (2015): 3-7.
[29] Kevin R. Cox, "Territory, Scale, and Why Capitalism Matters," *Territory, Politics, Governance* 1, 1 (2013): 56.
[30] Jamie Peck, "Political Economies of Scale: Fast Policy, Interscalar Relations, and Neoliberal Workfare," *Economic Geography* 78, 3 (2002): 339-340

devolution, and if the devolved legislature should have income tax-varying powers. This was partly intended to disarm English back-bench parliamentary criticism of devolution. The Scottish referendum was held in 1997 with a 60.2% turnout. It was decisive at 74.3% in favour of devolution and 63.5% in support of tax-varying powers. The proportion of the electorate voting in favour of devolution was therefore 44.7%. By contrast, the Welsh referendum had a narrow victory for devolution at 50.3% of the population in favour of devolution. With an overall turnout of 50.2%, the proportion of the electorate that voted in support of devolution was 25.3%. This result was achieved because of an alliance between Welsh-speaking Wales, the heartland of the North West and the industrial Wales of the valley, former coalfield areas.[31]

Devolution differs in Scotland, Wales and Northern Ireland, respectively. The Scotland Act 1998 was introduced in Westminster and it granted Scotland primary legislative powers in a range of policy areas. The Scottish Parliament is empowered to pass its own legislation and can increase the base rate of income tax. The devolution of powers includes: health service and public health; local government, housing and planning, and personal services; the environment (though subject to EU regulation); agriculture and fisheries, also regulated by the EU; public transport and roads; cultural matters; the courts and legal system; and criminal law and policing in Scotland. Overall, the Scottish Act rejected separatism and federalism, while safeguarding the unity of the state. Members are elected via an additional-member system similar to Germany's, meaning that fifty-six members are elected proportionally with seven in each regional constituency, and then seventy-two members are elected via single member parliamentary constituencies. There is a separate executive led by a First Minister, also comprising other ministers appointed by the First Minister. In addition, the Parliament has a fixed term of four years, and the Scottish Parliament as well as

[31] Bogdanor, *Devolution in the United Kingdom*, 199-200.

the executive have direct relations with the Crown rather than the Secretary of State acting as an intermediary.[32]

In contrast to Scotland, the Government of Wales Act 1998 conferred executive rather than primary legislative functions to a National Assembly for Wales. The secondary powers covered land-use planning, education, economic development, control over local government finance and the allocation of EU structural funds.[33] The National Assembly retains sixty members directly elected by the same system as in Scotland, forty in the single-member constituencies via FPTP and the remainder elected proportionally, each from the five regional European parliamentary constituencies in Wales. The Act required the Assembly to elect a First Secretary and establish committees reflecting party balance in the Assembly (which sits for fixed four-year terms). While the Welsh Assembly initially had no independent power to pass legislation or raise taxes, by 2006 Westminster followed recommendations to allow the Welsh Assembly the power to legislate certain policies. Further, as a result of the 2007 Assembly elections with Plaid Cymru becoming a coalition partner, it managed to extract from the Labour Party the opportunity to host a full law-making referendum in 2011 (and garner political authority along the lines of what exists in Scotland).[34] A large part of the new state apparatus emerged at the regional scale between central and local government, including the Scottish and Welsh Offices, quangos and government offices in the regions. Historical asymmetry impacts the current institutional designs on devolution. In Wales, the Welsh Office historically was more limited than the Scottish Office: there was no convention on devolution as in Scotland, there was less elite cohesion, which partly explains why

[32] Alan Trench ed., *Devolution and Power in the United Kingdom* (Great Britain: Manchester University Press, 2007), 54.
[33] Jonathan Bradbury, "Devolution in Wales: An Unfolding Process," in *Devolution, Regionalism and Regional Development: The UK Experience,* ed. Johnathan Bradbury (Abingdon: Routledge, 2008), 45-47.
[34] Moran, *Politics and Governance in the UK*, 182.

devolution was more gradual than robust. Nonetheless, institutional change was welcomed after the experience of the Conservatives appointment of partisan Secretaries of State to promote new right policies in Wales. In addition, subnational political actors considered an assembly vital to advance Welsh interests in a more competitive and Europeanized market economy.

Traditionally, the primary Britain-wide political party organizations overrode territorial interests, and this makes devolution interesting because it added a new territorial dimension into UK politics with the potential to denationalize parties in two new regional level party systems.[35] Yet, the two new systems were characterized by Labour dominance; for the first ten years of the new legislative body in Scotland, and in Wales for every election up to the present (including the most recent 2016 election). The nationalist parties like the SNP and Plaid Cyrmu have been the main opposition parties. However, in Wales there has been a remarkable rise of the Conservatives within the devolved system, eventually becoming the main opposition party to Labour in the 2011 election. In Scotland, the Conservatives were marginalized until the 2016 election when they became the main opposition party, and Labour gave way to the SNP, which as of 2007 has been the governing party. Moreover, the Liberal Democrats found a solid footing in the devolved legislatures by joining coalition governments. One problem faced in the new political settings is low voter turnout, as elections went from 60% turnout in Scotland and 50% in Wales in 1998 to 49% and 38% in 2003 respectively, lower than the historic low in UK general elections. Devolution has meant that party performance and voting behaviour varies, in the new context of multi-level electoral politics.

Amidst the successes of third parties, Martin Laffin et al. note a resilience of the Labour Party at the regional level. To succeed in Scotland and Wales, Labour must compete in subnational

[35] Martin Laffin, Eric Shaw and Gerald Taylor, "The Parties and Intergovernmental Relations," in *Devolution and Power in the United Kingdom*, ed. Alan Trench (Manchester: Manchester University Press, 2007), 198.

party systems that differ from the UK level, which generates different strategic pressures. A major factor influencing party politics is proportional representation, which ensures that Labour is not the sole political actor comprising government. Indeed, the Liberal Democrats are very important to the story of politics in the age of devolution; they have found a place within Scotland's and Wales' governing coalitions that would not have occurred without proportional representation. Some observers consider the national Labour Party indifferent to devolved administrations as they came to recognize the strategic realities facing Labour in Scotland and Wales, focusing their energy on winning state-wide general elections. There is, thus, a notable policy space for devolved governments to make their own policies divested from the central party and specifically the National Economic Council.[36]

To understand the policy performance of devolved legislatures, scholars like Paul Cairney have argued for a balanced approach, recognizing both differences in policy implementation and similarities to UK level executive-style governance. Devolution has given pressure groups strong incentives to engage with territorial governments, and they now play an important part in policy development, which makes for a distinctive policy style as the government makes policy in consultation with interest groups and local authorities. The Scottish government stands apart from Westminster, producing unique policy choices and outcomes. Where there are divergences from the national level it generates a more social democratic image. Indeed, flagship policies of the first Scottish government included the introduction of free personal care for older people, the reduction and abolition of higher education fees, free public transit for seniors, a pay increase for teachers and then the abolition of quasi-markets in health care. Yet, when comparisons are made with the national level, there is a mixed picture and qualifications are needed as policy styles are not simply

[36] Laffin, Shaw and Taylor, "The Parties and Intergovernmental Relations," 216-217.

a difference between more social democratic and consensual policy-making versus majoritarian and neoliberal implementation. The electoral system in Scotland has not produced a remarkably different type of consensus politics because Westminster's executive-legislative mould was adopted in Scotland. One of the reasons for this is that for the first eight years there was a marked form of majoritarian coalition government, and familiar, though different, forms of governance continued when the SNP formed a minority government in 2007. The distinctive policy agenda in Scotland is complicated by the reserve powers held by Westminster, and because of the national government's control of economic policy there has been a reluctance of certain groups to accept reorganized internal structure. For example, business and unions often maintained a continued focus on issues reserved to Westminster, as major banks and businesses still operate in a UK and international economy. Core decisions are made in London and thus everything from investment to employment law, pay bargaining, pensions and minimum wage are retained nationally. This has meant that devolved administrations must work hard to secure the support of business leaders and unions like the STUC as the Scottish economy is at the heart of the independence debate.[37]

In Wales, one interesting facet of the switch to a new electoral model is that the mixed-member proportional system altered candidate selection with more women pursued to balance the assembly. Efforts led to a gender-equal assembly, and after 2003, the first-ever majority female legislature in the UK.[38] Such a historic achievement adds to democratic advancements associated with devolution and proportional representation. Simultaneously, the reality is that there was much

[37] Paul Cairney, "The Territorialisation of Interest Representation in Scotland: Did Devolution Produce a New Form of Group-Government Relations?," *Territory, Politics, Governance* 2, 3 (2014): 303-321; Paul Cairney, "The New British Policy Style: From a British to a Scottish Political Tradition," *Political Studies Review* 9 (2011): 208-220.

[38] Comparative research suggests that countries that use proportional representation tend to have more diverse representation in their legislatures than countries that use plurality electoral systems. Overall, proportional systems facilitate greater party competition, and where diversity is a political issue actively being sought, it is used to enhance greater inclusion of under-represented populations in political institutions. Dennis Pilon, *The Politics of Voting: Reforming Canada's Electoral System* (Toronto: Edmund Montgomery, 2007), 58, 128.

confusion concerning the scope of Assembly members' secondary powers. Renewed debate over Wales' constitutional position came quickly in the new millennium. Pressure from Plaid Cymru and the Liberal Democrats forced Labour to agree to a formal constitutional review that it might not have done otherwise. The reopening of devolution was given impetus in 2000 with a Labour-Liberal Democrat coalition deal. A Royal Commission was led by Lord Richard, and the subsequent Richard Report informed the 2006 Government of Wales Act. The Act provided statutory confirmation to separate the executive from the Assembly and enhance the secondary powers of the Assembly. The Act also introduced the prospect of moving to primary powers and a revision of the MMP system. Ultimately, opinions about the model of devolution in Wales are mixed, and some observers stress that any hope for real autonomy was subverted by Labour's governance style and policies. Meanwhile, others have claimed that devolution showed promise because it denied one party rule.[39]

Historically, there was no equivalent tradition of administrative decentralization in England as in Scotland and Wales, but previous chapters have documented various forms of top-down deconcentration that were coordinated with bottom-up initiatives derived from individual regions and localities. Some commentary about devolution in England suggests that it lacks a regional identity, and because of this vacant regionalism there is no push from below to establish any subnational distinction from the national level. This is a short-sighted view because the historical geography of capitalism informs the identity of the North East and West of England, two regions impacted by the ongoing North-South divide. The creation and use of the terms North West and East were associated with coal mining, iron and steel production, shipbuilding, heavy engineering, and chemicals, the sectors these regions are known for. Thus, emerging spatial labour processes

[39] For a discussion of these positions see Bradbury, "Devolution in Wales: An Unfolding Process," 50, 57, 60-61.

embedded the dominant industries that rapidly assimilated residents into unionized industrial structures.[40] Moreover, the central state's English regional approach to economic development only allowed constrained forms of discretion. This was applied differently across party lines, as Labour viewed deconcentrated forms of economic decision-making across the standard regions as one method to address the structural inequalities of capitalist development, whereas the Conservatives were far more reluctant to maintain regional apparatuses that could potentially inhibit the market.

Class politics have been especially relevant to the Northern regions of England, and they do not simply conform to a post-industrial picture. Even in the 2000s the manufacturing sector of the North West and East accounted for 30% of their GDP, higher than the national rate of 24%.[41] During the 1990s a regional political consciousness began to emerge in parts of Northern England. This took place within the context of modifications to regional policy structures under the Conservatives, but also in response to greater European integration. The deepening of EU integration produced a shift in parts of England toward more regional organization in order to compete more successfully for structural funds.[42] In fact, the regional aid programme for poor regions in Europe made regional groups in England aware of their democratic shortcomings in comparison with most other regions in the EU that had had a measure of political devolution. By the 1990s, it was clear that some form of regional government was necessary to do business with the EU. Yet, English regional structures of governance beyond the capital were only made more coherent by the Conservatives when they created the Government Offices of the Regions. As

[40] Dave Byrne and Paul Benneworth, "Where and What is the North East of England," in *The Rise of the English Regions?* ed. Irene Hardill et al. (London: Routledge, 2006), 108-109.
[41] Christopher Wilson and Mark Baker, "The North West Cultural Coherence and Institutional Fragmentation," in *The Rise of the English Regions?* Ed. Irene Hardill, Paul Benneworth, Mark Baker and Leslie Budd (London: Routledge, 2006), 123.
[42] Steven Musson, Adam Tickell and Peter John, "A Decade of Decentralisation? Assessing the Role of the Government Offices for the English Regions," *Environment and Planning A* 37 (2005): 1398.

discussed in the previous chapter, these institutions administered and coordinated national policies subnationally, providing central government an enhanced presence in the regions. What shifted with respect to subnational economic development thinking in the 1990s was that the region became the focal point of the so-called post-Fordist political economy. Regional development was increasingly couched in terms of regional self-help, and redistribution was removed from the agenda going into the 2000s.

On the left, regional policy development was renewed by an economic rather than political impulse. As Paul Benneworth describes, in 1996 Labour Party proposals for Regional Development and Regional Skills Agencies were published, envisaging the regionalization of some of the powers delegated to non-departmental public bodies i.e. quangos, as an administrative precursor to full political devolution in England. Proposals for English devolution in the 1997 manifesto were even less explicit than a few years earlier. Economic considerations were primarily concerned with less successful regions closing the productivity gap with the South, and this led to certain efforts to regionalize spaces of economic development.[43] The efforts made by the Labour Party were three-pronged: first, the already existing Government Offices of the Regions were left in place to coordinate and monitor, acting as the main link between regions and central government, as well as working in partnership with municipal governments. Second, regional development agencies (RDAs) were created in each region in 1999 with representatives from local government, the business community, the voluntary sector and other social partners. The RDAs were appointed to coordinate regional economic development, regeneration initiatives and competitiveness by establishing regional economic strategies. They were given resources and

[43] Paul Benneworth, "The 'Rise' of the Region: The English Context to the Raging Academic Debate," in *The Rise of the English Regions?* Ed. Irene Hardill, Paul Benneworth, Mark Baker and Leslie Budd (London: Routledge, 2006), 47-48.

responsibilities including land and property development budgets.[44] Third, unelected English Regional Assemblies (ERAs) were simultaneously created alongside RDAs in 1999. These regional chambers comprised local authority councillors and representatives of regional business and community interests.

This loose trifecta of regional governance was supposed to increase the efficiency of government to improve economic prospects. Three specific reports produced by the Treasury outlined the new government's regional policy approach: *Productivity in the UK*, No. 3: *The Regional Dimension* (2001); *A Modern Regional Policy for the United Kingdom* (2003); and *Productivity in the UK*, No. 4: *The Local Dimension* (2003).[45] These documents provide a picture of how the government now understood the causes of regional disparities in economic growth and the targets for policy intervention. According to the reports, regional GDPs differ by productivity, and to improve performance there must be a focus on drivers, namely investment, innovation, enterprise and competition. This challenged older conceptions of the regional problem and it aligned with a new vision of regional policy. Old policy was run from Whitehall whereas the devolved approach is flexible and allows for regional and local institutions to deliver government objectives. Indeed, the regional institutions look to their own style while operating in a centralized framework

There were even further moves in Labour's second term towards regional government with the 2003 Regional Assemblies (Preparations) Act paving the way for referenda in three Northern regions. The ERAs could be transformed into elected democratic legislatures upon a successful popular vote. Only one took place, in the North East, ending with a resounding no vote of 78%. Not only did it remove the prospect of democratizing the regional tier in the North East, it put to

[44] Musson, Tickell and John, "A Decade of Decentralisation? 1398-1400.
[45] Stephen Fothergill, "A New Regional Policy for Britain," *Regional Studies* 39 (2005): 660.

rest any thought of a referendum in the other Northern regions. One reason for this dramatic lack of support was the fact that there had been restricted powers proposed. Another problem, described by Ian Deas, was that a more formal structure brought forward problems with brokering compromise among competing interests as there has been fractures in the business community over an elected assembly with budgetary and scrutiny powers. There is also the Labour Party's bias against elected regional government on the grounds that it threatened the party's city- and local authority-based view of subnational government. The prospect of an expanded remit beyond growth-oriented planning has created conflict, on the one hand, with the city-focused emphasis on urban renaissance and neighbourhood renewal agendas, and on the other hand with the geographical focus on efforts to develop clusters and new industrial spaces. This reflects contradictions in national policy as interregional competition is an aspect of Labour's agenda, producing conflict-ridden territorial politics.[46]

Returning to the idea that England lacks strong regional identities, New Labour's modus operandi contrasted with previous forms of regional decentralization, but the failure of the referendum in 2004 in the North East raises questions about why the region was challenged in England. Scholars like John Harrison would argue that it is a result of 'centrally orchestrated regionalism'. Changes to English regional governance triggered a new wave of interest in regional government; for example, the regional assemblies were supposed to exercise some form of 'democratic' accountability over the RDAs and foster regional civic cultures, enabling regional patterns to work better together by giving local authorities, business, unions and community groups a stake in regional governance. However, regional chambers of stakeholders were removed from

[46] Ian Deas, "Regional Strategy Building in North West England," in *Territory, Identity and Spatial Planning: Spatial Governance in a Fragmented Nation*, ed. Mark Tewdwr-Jones and Philip Allmendinger (Abingdon: Routledge, 2006), 100-101.

democratically elected MP criticism, and they were not given executive powers. Ultimately, they were excluded from key decisions about the allocation of resources and the design of policy but were still expected to deliver services against performance indicators. In this sense, the state was integral to enabling or restricting the devolutionary process, not only defining how it operates but simultaneously contributing to the indifference towards regional institutions.[47]

The regional modernization agenda was motivated by the idea that regions were integral to a fully functioning capitalist state. The fact remained that new regional institutions were entrenched in the contradictions of past waves of regional policy, and this is appreciated by recognizing the critical role of the state and asymmetries of power. For Harrison, the new regional policy assumed that regions could intervene in the economy, smooth over its contradictions and ensure economic growth. New Labour's economic regionalization of government policy privileged an economic versus democratic regionalism. It is true that the skeleton of regional democracy was laid out. However, the underlying concept was problematic, namely that all regions could generate wealth through new subnational institutions of governance without addressing structural weaknesses in the national economy. Regions managed to be important catalysts of indigenous growth clusters focused on small-scale projects, but they were never powerhouses. It is more than likely that the electorate voted 78% against regional democracy because the state refused to eliminate the asymmetrical powers attached to the new devolved administrations. Moreover, the state backtracked on statements regarding the ability to raise taxes, and it added regional institutions into the Comprehensive Spending Reviews and Public Service Agreements.[48]

[47] John Harrison, "Stating the Production of Scales: Centrally Orchestrated Regionalism, Regionally Orchestrated Centralism," *International Journal of Urban and Regional Research* 2008: 928; Musson, Tickell and John, "A Decade of Decentralisation? 1402.
[48] John Harrison, "The Political-Economy of Blair's "New Regional Policy"," *Geoforum* 37 (2006): 937-940.

Following the referendum in the North East in 2004, Labour in 2007 replaced regional chambers with local authority leaders' boards and government policy shifted towards city-regions and functional economic areas. The government began promoting local flexibilities in the context of performance incentives, integrating the regions more fully and providing them with greater discretion over expenditure. This drive continued along the lines of administrative decentralization versus political devolution. Several years after the initial regional agenda was implemented, increasing evidence questioned regionalism's economic dividend as seen by the inability to reduce disparities between regions. As a result, the new solution was to focus on city-regions as a more suitable territorial scale to promote economic development, leading to Multi-Area Agreements endorsed in the 2006 Local Government White Paper. The government then published a *Review of Sub-national Economic Development and Regeneration* seeking to declutter the subnational tier, and improve effectiveness and efficiency in order to deliver economic growth targets. It encouraged local authorities to promote economic development by pooling sub-regional resources, and ultimately abolished the ERAs in 2011.[49]

Two factors need to be noted before moving to the next section. First are the economic underpinnings of regional policy and how regions are left with the task of attenuating larger structural barriers within the national capitalist economy. New Labour assumed that more accountable and representative sub-national governance arrangements would serve to generate greater capacity for policy innovation in response to economic and social challenges. State and institutional restructuring was supposed to reinvigorate the economically underperforming regions

[49] Sarah Ayres, Matthew Flinders and Mark Sandford, "Territory, Power and Statecraft: Understanding English Devolution," Regional Studies (2017): 2-3; Sarah Ayres and Ian Stafford, "Managing Complexity and Uncertainty in Regional Governance Networks: A Critical Analysis of State Rescaling in England," *Regional Studies* 48, 1 (2014): 222.

of the country whilst allowing the UK's economic engine in the South to run smoothly.[50] In the new millennium, the way spatial disparities are supposed to be addressed is by expanding clusters (agglomeration) of innovation.

One aspect reiterated in this dissertation is that the parts of Britain cannot be considered in isolation from each other as they are connected by trade, investment, migration, and differently scaled sources of institutional decision-making. To be sure, sectoral variation is relevant considering that the private sector in London and the South East is resilient. According to Robert Rowthorn, on a per capita basis, employment in the private sector is 15 to 20% higher in the South than the North. If we include London, the number is around 40%. Higher employment creates less reliance on state aid, and by that measure, areas of higher employment are also less effected by the prospect of political cuts made to public expenditure. By way of contrast, Northern regions are heavily reliant on state grants to support public expenditure. Related to issues surrounding the loss of export-related industries in the North and the likelihood of the gap between the North and South continuing to widen are the industries that fill labour market gaps in the periphery. For example, in the wake of the collapse of industrial employment, the government has made the effort to attract call centres to the North, and by 2003 these employed 290,000, with an additional 160,000 working in these centres in ancillary occupations. This amounted to 3.7% of total employment in the North, but 22% of employment in financial and business services, and it accounted for 41% of the increase in employment in the North since 1971. These jobs are particularly vulnerable to offshoring.[51]

This situation fails to be appreciated by some in England; a narrative has been promulgated about the so-called 'Celtic advantage' because its institutional development over time has

[50] Stephen Hincks, Brian Webb and Cecilia Wong, "Fragility and Recovery: Housing, Localities and Uneven Spatial Development in the UK," *Regional Studies* 48, 11 (2014): 1844.
[51] Robert Rowthorn, "Combined and Uneven Development: Reflections on the North-South Divide," *Spatial Economic Analysis* 5, 4 (2010): 378-379.

presumably allowed it to reap the benefits of greater foreign investment. However, Scotland still suffers from the post-war branch plant effect when foreign companies restructure their operations. The spatial effects of economic development and working-class inequality carries forward into the era of devolution. To be sure, Wales, has become poorer, not richer since devolution, and has less than 80% of the UK average GDP per capita. In addition, class continues to be rarely spoken of but pivotal for devolved governance where in Scotland for example low income households are around one million people out of a population over five million.[52]

The second factor relates to the mechanisms of allocating public expenditure and how they perpetuate inter-territorial inequity. While spatial disparities are impacted by a combination of market exposure and economic cycles, as well as sectoral differentiation, they are also impacted by the constitutional and political imbalance arising from asymmetrical devolution. This was indeed the basis of the Sewell convention of Westminster that grants the national government the power to legislate for the devolved administrations. The convention does state that it would not normally legislate for regional matters without the consent of the devolved legislature. Moreover, none of the Scottish Parliament, the National Assembly for Wales or that of Northern Ireland can alter the terms of devolution, including the number of members of the legislatures, the electoral system used, or the nature of executive power and its relation to the legislature, which are outside devolved competence. This gives Westminster a veto over constitutional development.

Intergovernmental relations are therefore essential to governing the UK after devolution.[53] Concomitantly, local or devolved legislatures need revenue from the central government to finance

[52] Richard Harris and John Moffat, "The Sources of the Scotland-Rest of the UK Productivity Gap: Implications for Policy," *Regional Studies* 51, 9 (2017): 1298, 1307; Alex Law and Gerry Mooney, "'We've Never Had it So Good': The 'Problem' of the Working Class in Devolved Scotland," *Critical Social Policy* 26, 3 (2006): 532.
[53] Alan Trench, "The Framework of Devolution: The Formal Structure of Devolved Power," in *Devolution and Power in the United Kingdom*, ed. Alan Trench (Manchester: Manchester University Press, 2007), 54, 58.

their expenditure plans. Labour elected to oppose devolution's tax-raising powers because it argued that the government's approach to finance should be focused less on geography and political clout for the allocation of public resources. The party felt that it would be difficult for macroeconomic policies to be successful if they were confronted by recalcitrant local and regional authorities. The Welsh Assembly has no revenue-raising powers at all, while the Scottish Parliament has the power to vary the basic income tax rate, but the permissible range is limited. The government can thus increase taxes at its discretion but given that Scotland's Parliament is dependent on Westminster for financing, it has fewer options. One is to withhold finance from local government, as 40% of the block grant goes to finance local authority expenditure. If in fact the devolved bodies withhold finance from local authorities, the latter need to raise council taxes to maintain services. This makes devolution quite limited with respect to its financial arrangements; there was a discrepancy between political and fiscal decentralization, as the devolved legislatures lacked the power to raise and spend tax-generated revenue.[54]

The grant distribution framework is still the Barnett formula mentioned in the previous chapter. At the time of its creation, Scotland, Wales and Northern Ireland were receiving higher public spending per head than England, and over time the formula was intended to level public spending across the three territories. In Scotland, by the early 2000s there was little convergence, and in Wales disparities with England only worsened. Moreover, there are also biases built into the distribution of funds among the English regions, caused largely by the way resources are allocated to local authorities, with London receiving much more than any other English region. Thus, the formula is considered unfair by poorer English regions, Scotland, and especially Wales.[55]

[54] Bogdanor, *Devolution in the United Kingdom*, 239.
[55] Iain McLean and Alistair McMillan, "The Distribution of Public Expenditure across the UK Regions," *Fiscal Studies* 24, 1 (2003): 56, 61.

Recent years have seen increasing debate around how the devolved administrations should be funded, particularly the extent to which they should have greater tax raising powers. The Scotland Act 2012 introduced at Westminster will allow Scotland's parliament to vary income tax rates and retain a proportion of all income tax raised in Scotland. Further fiscal autonomy is likely in the future. At the same time, the Commission on Devolution in Wales in 2012 explored the case for the devolution of similar tax-raising powers to the Welsh assembly. Dissatisfaction with the block grant is that a region's funds are not based on its own spending needs, but rather on year-to-year changes in grant levels determined by spending levels in England. Concerns were reignited in two recent reports: The House of Lords Select Committee on the Barnett Formula 2009 and the Holtham Commission reports, aka the Independent Commission on Funding and Finance for Wales 2010. They recommended that the current formula be replaced by some form of expenditure assessment that would allocate grants based on estimates of relative spending needs.[56]

The grant formula became even more problematic with the onset of the global economic crisis in 2008. It raised overarching questions about the sustainability of economic growth models primarily focused on the driving forces of the national economy in the South of England. Yet, since taking national power in 2010 - first in coalition with the Liberal Democrats and then in 2015 as a majority government - the Conservatives have honed their dominant economic policy discourse on competitiveness and market efficiency. The austerity agenda during a major recession influenced regional designs on creating the Scottish Investment Bank and even gaining independence from the UK. The Scottish National Party sponsored an independence referendum in 2014 which did not win, and this was heavily connected to its ability to operate a traditionally high public expenditure economy with less factor endowments than England. Nonetheless, the

[56] Rob Ball, David Eiser and David King, "Assessing Relative Spending Needs of Devolved Government: The Case of Healthcare Spending in the UK," *Regional Studies* 49, 2 (2015): 324.

national government was forced to respond with The Scotland Bill 2015 that will give the Scottish parliament responsibility for 40% of revenues and 60% of expenditure in Scotland, which represents a considerable increase on the revenue side. The reality is that there remains considerable support for independence; 45% of the ballots cast in the 2014 Scottish referendum were for independence. A second independence referendum could be on the very near horizon given the push by the Conservatives for an exit from the EU. The 'Brexit' referendum has created friction about devolved responsibilities because many of the functions accorded to the regions during integration with Europe are being renegotiated as they are ceded back from the EU. The political back and forth between devolved administrations and the centre is that the regions are set on maintaining their control over devolved responsibilities; meanwhile the centre may try to take them on at the national level.

The Local Level from 1995-2016: Local Economic Development and Municipal Restructuring in the New Millennium

There are different perspectives on local government reform in the age of devolution. New Labour claimed it was above all about democratic renewal and the re-engagement of the public, while others are more critical, claiming the programme of modernization is only tangentially about democratically decentralizing central-local relations.[57] Rather, New Labour's approach institutionalized centralized mechanisms of monitoring local level performance alongside the creation of 'business-friendly' environments. To be sure, the Labour Party did propose a reversal of many restrictions imposed on local authorities during Margaret Thatcher and John Major years and a restoration of some of councils' lost powers. They also signed the European Charter of Local

[57] Guy Lodge and Rick Muir, "Localism under New Labour," *The Political Quarterly* 81, 1 (2011); Lawrence Pratchett, "Local Autonomy, Local Democracy, and the 'New Localism'," *Political Studies* 52 (2004): 358-375.

Self Government in 1997, indicating respect for local government as a valued part of the system of governance, something that the Conservatives denied.[58] Going even further, we can observe the championing of neighbourhood renewal, community strategies, and the use of civic forums to provoke alternative methods of public participation. However, two decades of emerging neoliberal public realm management in the UK that challenged an established division of roles was not simply reversed by Labour once in power. Mike Geddes claims that the political economy of new localism contains a harsh reality of institutional deregulation and intensifying inter-spatial competition to the point that a shift in the balance of power between capital and labour to the advantage of capital is present in new governance apparatuses.[59]

New processes of rescaling local and regional development were closely tied to devolution and new public management thinking. The creation of statutory spaces of urban and economic planning at subnational levels was accompanied by the parallel creation of public-private governance and constrained forms of discretion. The rationale has been to continue to promote new local governance that advocates the sharing of responsibilities between stakeholders including but also beyond, the public sector.

1997-2010

Themes concerning the local scale were particularly relevant to the New Labour government in 1997, specifically political management, the range and scope of local economic development activities, community engagement, and service delivery standards. The government published its modernization programme for local government in *Modern Local Government – In Touch with the*

[58] George Jones and John Stewart, "Central-Local Relations since the Layfield Report," in *Regulating Local Authorities: Emerging Patterns of Central Control*, ed. Paul Carmichael and Arthur Midwinter (Portland: Frank Cass, 2003), 19.
[59] Mike Geddes, "Partnership and the Limits to Local Governance in England: Institutionalist Analysis and Neoliberalism," *International Journal of Urban and Regional Research* 30, 1 (2006): 78.

People in 1998 indicating that the government wanted to place more responsibility on local authorities, but not in their present form.[60] One reason was linked to how the Conservatives used capital limits to threaten municipal council service priorities, and these financial pressures affected capacity. Despite years of resistance, local authorities mostly learned to adapt by being pragmatic. In fact, even when facing a loss of certain functions by contracting out through compulsory competitive tendering, local governments still had the resources and legitimacy to lead and give focus to policy-making and service delivery.[61] However, the geographical variations in economic circumstances impacted leadership concerning the direct provision of services. When New Labour entered office in 1997, they recognized the spatial dimension of economic policy to a greater degree than other post-war governments, stating that national assisted-area policies had failed to provide the organizational capacity required to address the impact of globalization on local communities.[62] New Labour addressed this problem by legislating into action various local policy networks to coalesce with the implementation of Regional Development Agencies and Regional Assemblies in England. This new regime would further challenge how local authorities mobilized and adapted to national imperatives. Ultimately, Labour would increase its funding of local government, but in a controlled way to limit local authority resistance.

The New Labour government had identified several possibilities for reform including opening public service areas to alternative providers and encouraging community interests to deliver a shared vision for local action. These principles were embedded in the Local Government Act 2000. Within the Act were Local Strategic Partnerships (LSPs). These were a non-executive

[60] Jones and Stewart, "Central-Local Relations since the Layfield Report," 19.
[61] Peter John, "The Great Survivor: The Persistence and Resilience of English Local Government," *Local Government Studies* 40, 5 (2014): 694-695.
[62] John Mawson, "Local Economic Development and the Sub-National Review: Old Wine in New Bottles?" *Local Government Studies* 35, 1 (2009): 44.

body consisting of stakeholders from the public, private and voluntary sectors to promote local economic, social and environmental priorities through a statutory community strategy. LSPs were also responsible for other aspects of New Labour's agenda including the *National Strategy for Neighbourhood Renewal* with the goals of lowering unemployment and crime, and providing better health, education, housing and physical environment. LSPs were further tasked with the rationalization of local partnerships to form a local umbrella institution to 'join-up' organizations. Indeed, 'joined-up' government was supposed to display an integrative capacity across functions and professions at a strategic and operational level. This was meant to provide a mechanism that would develop a capacity for collective local action.[63]

Birmingham provides an example of how a metropolitan local authority viewed partnerships as working with communities towards local governance and with providers to deliver services. A multi-agency called the City Strategic Partnership was developed to create a long-term community strategy. At the same time, a City Forum was proposed as a body to allow communities of interest to present views to Council and place issues on the public agenda. Birmingham has a tradition of decentralization that especially developed in the 1980s as discussed in Chapter 3, and this evolved into a city-wide network without the necessary political lines of control. By the end of the 1990s the *Local Involvement, Local Action* initiative provided decision-making powers to Ward Sub-Committees and granted them limited budgets. This was followed by a Birmingham Democracy Commission that framed how to utilize the principle of subsidiarity to encourage democratic participation. By 2001, Council produced *A New Partnership for Governance* that developed Ward Strategic Partnerships that were accountable bodies under the national Local Government Act 2000. Between the partnerships and forums across communities there were challenges of holding

[63] Helen Sullivan, "Is Enabling Enough? Tensions and Dilemmas in New Labour's Strategies for Joining-up Local Governance," *Public Policy and Administration* 20, 4 (2005): 10, 12.

representatives from various local agencies to account as traditional government moved to new governance partnerships. Moreover, concerns were also expressed with regard to modest increases in citizen engagement.[64]

Another area of reform concerned local economic and community development, which included various programmes: the Local Authority Business Growth Incentives Scheme in 2002 that provided local governments a proportion of the increase in local business rates; the Local Government Act in 2003 allowed local authorities to borrow for investment in capital works; there was further stimulation of local commercial development in 2004 by introducing Business Improvement Districts designed to bring together local businesses and councils to devise improvement schemes; and then in 2005, a Local Enterprise Growth Initiative for deprived areas with funding based on competitive bidding. Furthermore, concerns around inner city regeneration tied into development through the Neighbourhood Renewal Fund (NRF) and the New Deal for Communities (NDC). The NDC programme comprised thirty-nine neighbourhood-based projects that could draw on the NRF over a ten-year period. To address the lack of funding to non-NRF areas the government decided to create Local Area Agreements (LAA). The 2006 Local Government White Paper set out a process of negotiating central-local financial management and funding. Despite these changes, the new institutional structures did not alter the speed, scale, scope and coordination of local economic development.[65]

These new partnership arenas did have implications for locally based agencies and party politics. The partnerships opened the business of local authority and public service provision to scrutiny, but the LSPs were largely based on negotiation among sectoral local elites. Thus, the

[64] Howard Davis and Guy Daly, "From Community Government to Communitarian Partnership? Approaches to Devolution in Birmingham," *Local Government Studies* 30, 2 (2004): 187-192.
[65] Mawson, "Local Economic Development and the Sub-National Review," 45-46.

membership of LSPs and NDCs were not only reflective of traditional class interests, i.e. of that of capital and labour, but the inclusion of community interests did not eliminate their elitist character. The findings are that LSPs gave greater power and legitimacy to private capital and new public management principles in local policy-making. The reason is that there were few sanctions or pressures placed on businesses to participate in LSPs and business decisions factor largely in the success of local strategies.[66] Meanwhile, the NDC partnerships presented their own challenge to local authorities that parallels what LSPs did at a wider local level. Labour's understanding of participation was political and assumed that community activism could be stimulated and deployed in the service of specifically politically conceived aims. As Adam Dinham notes, community development does not start from an ontology of the political person within a community, meaning there are divergences between civic-political and community development aspirations. This was borne out in how new partnership roles were filled; professionals and established groups filled spaces alongside residents, thus impacting processes by making them less an organic community than a statutory political body for strategic planning, treading a thin line that risks becoming another layer of bureaucracy.[67]

The government also embarked on a broad level of reform couched in terms of institutional innovation and better public service delivery including the Best Value Regime and later the Audit Commission's Comprehensive Performance Assessment (CPA) process. Local governments had to prepare a local performance plan setting out targets to be inspected by appointees of the Audit Commission. In addition, Local Public Service Agreements (LPSAs) introduced in 2001 were extensions of the central government Treasury department. They set out an authority's

[66] Geddes, "Partnership and the Limits to Local Governance in England," 81, 83, 89.
[67] Adam Dinham, "Empowered or Over-powered? The Real Experiences of Local Participation in the UK's New Deal for Communities," *Community Development Journal* 40, 3 (2005): 304-306, 308.

commitment to deliver specific improvements in performance and to set the reward for doing so. LPSAs were connected to performance management regimes via labels like Best Value. These measures were less prescriptive than the compulsory competitive tendering introduced by the Conservatives, but they still tightened the centre's grip on local government. In 2001, the CPA took over the Best Value program and used it in two ways: one as a punitive component against those at the bottom rung of the performance table, and the other as a method to implement national priorities by rewarding the 'best' councils with access to a prudential borrowing regime.[68]

New Labour had added their stamp on localism by heavily focusing on asymmetrical devolution and political management. From 1997-2010, other major reforms included the introduction of a directly elected Mayor of London and the creation of the Greater London Assembly (GLA); the introduction of a separate executive body at the municipal level, whereby new council constitutions would require authorities to replace traditional committee-based decision-making structures with an executive in the form of a leader-and-cabinet or an elected mayor, with a distinction between executive and legislative roles; certain changes in electoral procedures; and territorial reorganization towards a unitary structure of local government. These processes would challenge the thesis that the politics of scale in the era of neoliberalism was simply a matter of consensus between the political left and right. Hence, the nuances attached to each of these processes of restructuring indicates that Labour was invested in certain types of political change the Conservatives would not have embarked on (at least not in the 1990s). This is certainly the case for London as the Conservatives took issue with a powerful Labour-controlled capital city. Previous chapters have noted the extent to which the Conservatives have altered the local scale as a foil against Labour.

[68] Martin Laffin, "Local Government Modernisation in England: A Critical Review of the LGMA Evaluation Studies," *Local Government Studies* 34, 1 (2008): 115.

That being the case, despite the 2000 Local Government Act's new political decision-making structures, it did not reshape how decisions were made as originally envisaged. New council constitutions did not modify member-officer relations; elected mayors were not widely adopted with only 3% of councils undergoing the change in the early 2000s.[69] In contrast, the other 97% adopted the leader-cabinet system with the separation of the executive. The larger changes were most notable in London with the creation of the GLA, which was truly novel, because it devolved power to an executive Mayor while giving the Assembly weak powers of scrutiny. The Mayor was required to produce strategic plans for economic development, transport and the environment, all integrated into a spatial development strategy. According to Peter Hall, it was the first attempt by the UK government to implement the European Spatial Development Perspective recommended for EU members to move towards regional spatial development. Local scale fragmentation was still visible in London as the region was partitioned between two RDAs, the GLA and the Office for London, making an effective strategy for the region difficult to coordinate.[70]

It is relevant to note the degree of influence the business sector obtained in the GLA via the London Development Agency. The agency was under the direction of the Mayor and responsible for economic development, but the board was business-led. Additionally, the London Chamber of Commerce and Industry promoted a London Business Board to the new GLA. Further, the London Branch of the Confederation of British Industries and London First agreed to join the board, and the City of London Corporation secured a position with respect to the newly devolved Mayor's office. As was noted above, there was also a host of community leadership stakeholder involvement in political spaces like the Civic Forum that sought resident inclusion in identifying

[69] Laffin, "Local Government Modernisation in England," 115.
[70] Peter Hall, "London: A Millennium-Long Battle, A Millennial True?" in *Territory, Identity and Spatial Planning: Spatial Governance in a Fragmented Nation*, ed. Mark Tewdwr-Jones and Philip Allmendinger (Abingdon: Routledge, 2006), 167, 179.

major issues facing Londoners, but the business lobby had far more influence on agenda-setting. This speaks to the extent to which the governance of London catered to business interests in a new era of decentralization.[71]

By the mid-2000s, while the regional level remained important to the government's strategic framework, implementation worked best at the city-region, sub-region and local levels, which meant that economies of scale in service delivery in economic development were better in the form of multi-area agreements. The traditional perspective of the regional problem was realigned with the idea that cities were the engines of regional growth. According to John Maswon, this was the backdrop to the Sub-National Review (SNR) in 2007 that assessed sub-national governance and provided a way to promote economic development. The SNR recommended bringing together the Regional Spatial Strategy and the Regional Economic Strategy, and in each region, creating a Single Regional Strategy prepared by the RDA and a Regional Forum of Council Leaders. In this sense, sub-regions were the key spatial level around which growth is concentrated, and the objective was to increase the extent to which economic development was managed at the sub-regional level. The SNR notably emphasized local government's leadership role in mobilizing resources, securing collaboration across local authority administrative boundaries, and coordinating business support. Nonetheless, historic tension in central-local relations remained because of local authorities' heavy reliance on grants provided by the national level. Moreover, the inter-agency coordination across city-regions included policy coordination between various institutional arrangements and these were remote from where private sector organizations made investment decisions.[72]

[71] Andy Thornley, Yyvonne Rydin, Kath Scanlon and Karen West, "Business Privilege and the Strategic Planning Agenda of the Greater London Authority," *Urban Studies* 42, 11 (2005): 1956-57, 1962-63.
[72] Mawson, "Local Economic Development and the Sub-National Review," 39-40, 49 57.

City-regions in the spatial governance of England revolved around political-economic debates concerning differences between economic and administrative boundaries, how subnational organizations and institutions could contribute to localized economic development, and the North-South divide. With the creation of Regional Development Agencies across England in addition to devolution in London, a major issue concerned investment decisions in the lagging regions, and how to spatially intervene and manage the physical location of industry. This was, of course, an old problem carried forward to a new era. The political clout of London was very clearly observable when New Labour committed £22 billion worth of funding to the greater South East. The blowback from this pushed Labour to open a Northern Way programme based on spatial growth that ran between Liverpool and Hull and Newcastle and Leeds with a £100 million investment. The Northern Way programme resonated with Northern leaders and economic stakeholders; the three Northern RDAs were motivated to outline what the North should do differently for faster economic growth and to bridge the productivity divide with the South of England. Thus, without a spatial-political response to uneven development, economic challenges would remain.

Regional mobilization also connected to the work being done at the local level in the Core Cities Group that consisted of eight regional cities (Birmingham, Bristol, Leeds, Liverpool, Manchester Newcastle, Nottingham and Sheffield), which worked towards formalizing a role that large cities would play in their regional and national economy. It became clear that the RDAs and the Core Cities Group were working at different scales, i.e. the region and the city, to overcome the same economic challenges. They chose to combine their efforts and re-launch the Northern Way program to create a competitive city-regional plan, indicating that city-regionalism was not only on the government agenda, but was also set to replace the region as the territorial basis for

subnational economic governance. As John Harrison argues, the construction of city and regional spaces involves a deliberate assembling of newly decentralized institutions to suit changing geographical logics of capitalism.[73]

City-regionalism is further connected to local scale questions concerning the extent to which planning is subordinated to inter-regional competition and economic development imperatives, as regions must make bids to garner investments. Indeed, the way cities and regions are constructed is constitutive of wider systems of multi-level governance. How the state strategically and selectively intervenes in rescaling the subnational level, is reflected in the way that regions and cities are marketed to multinational firms, and how land-use planning is used to secure industrial placement and jobs. The political element is that democratic decision-making must not be used to frustrate incentives to overseas firms, like the mobilization of regulatory parameters on prospective development sites. This was apparent for example when the Welsh WDA was able to bid on and win a commitment by LG, the Chinese electronics giant, to make a major investment in the region. The lack of regional coherence in England in comparison to Wales' WDA greatly assisted with the facilitation of Wales' application. Land-use planning for major FDI is a noteworthy part of the inward investment bidding process because all development is ultimately assessed by elected local planning authorities. Hence, companies like Samsung, Siemens and LG can be attracted at the expense of environmentally sensitive greenfield locations if permitted. Combined with tax incentives and simplified control arrangements, processes can be expedited to encourage development in one area versus another.[74] The layering of networked forms of governance embraced by the Third Way philosophy of New Labour was added to the already uneven

[73] John Harrison, "From Competitive Regions to Competitive City-Regions: A New Orthodoxy, but Some Old Mistakes," *Journal of Economic Geography* 7 (2007): 317, 325-27.
[74] Mark Tewdwr-Jones and Nicholas A. Phelps, "Levelling the Uneven Playing Field: Inward Investment, Interregional Rivalry and the Planning System," *Regional Studies* 34, 5 (2000): 430, 432.

institutional, economic and social legacies of local spaces, and it stimulated the development of entrepreneurial localities. Spatial planning has been a part of the reworking of the state at the local level and a tactic used to encourage economic growth in a subnational context.[75]

The local scale is also fascinating when considering the relationship of local governments to devolved assemblies in Scotland and Wales. Indeed, local authorities were among the key players in laying the groundwork for devolution, particularly in Scotland where the Convention of Scottish Local Authorities played a central role in the Scottish Constitutional Convention.[76] Post-devolution, Scottish local councils are important to the Scottish Parliament's executive regarding the delivery of devolution's promise to enhance democracy and political accountability. The contrast with England in an immediate sense is the small-scale nature of central-local relations where there is proximity and interpersonal relationships between members of the Convention of Scottish Local Authorities, Scottish civil servants and politicians. Prior to devolution, the Scottish Office established a commission to investigate the relationship between the incoming new Scottish Parliament and local government. The McIntosh Report recommended a joint agreement among the thirty-two councils and the Parliament, to have a standing joint conference to deliberate based on equality, and that legislation should provide councils with statutory power of general competence. The Scottish Parliament ultimately implemented most of the recommendations, and central-local relations were initially focused on community leadership and a renewal of local democracy. The Renewing Local Democracy Working Group produced thirty-six recommendations to improve democracy, including the implementation of a more proportional

[75] Phil Allmendinger and Graham Haughton, "Spatial Planning, Devolution, and New Planning Spaces," *Environment and Planning C: Government and Policy* 28 (2010): 807-808.
[76] Charlie Jeffery, Devolution and Local Government, *Publius*, 36, 1 (2006): 60.

electoral system. Most favoured was the Single Transferable Vote (STV),[77] but this was not well received by Labour councillors within Scottish local government as 78% of them were opposed to PR in local government. The outcome was that the Scottish Local Government Bill in 2001 ended up being silent on local electoral reform and it would take until 2004 for the Local Government (Scotland) Act and 2007 for the first election to be carried out under STV. Scotland went on to follow modernizing prescriptions based on the English and Welsh requirements in the Local Government Act 2000. Scotland went down a more conservative route as many councils rejected an executive model. There are in fact similarities between local government in Scotland and in England and Wales, especially in the New Labour era of performance assessments and 'joined-up' partnerships. Just as in England and Wales, Scottish councils are dependent on national grants. While definite priority was given to encouraging the participation and engagement of Scottish councils, central (Scottish Parliament)-local relations are not dissimilar to England and Wales and the UK government considering that the language used and applied addresses managerial change and financial reform.[78]

As Phillip Allmendinger suggests, devolution is often regarded as democratic evolution, but the outcomes may not necessarily or ordinarily amount to variance in policy between devolved

[77] STV is a form of proportional representation where voters number their preferences for political candidates (i.e. 1, 2, 3, 4). Ballot counting proceeds by an initial count of the first choices until a candidate exceeds the quota and is elected. At that point, surplus votes are redistributed to elect other candidates. See Pilon, *The Politics of Voting*, 185.

[78] Neil McGarvey, "Intergovernmental Relations in Scotland Post-Devolution," in *Regulating Local Authorities: Emerging Patterns of Central Control*, ed. Paul Carmichael and Arthur Midwinter (Portland: Frank Cass, 2003), 30-32, 34, 41-42. Some commentators suggest that devolution entails a silent crisis: "It is time we fully recognised the state of democracy in Scotland. Below the national level, Scotland is the least democratic country in the European Union […] Excepting the turnout indicator (which as noted is disproportionately high in Scotland because of the track record of holding local and national elections on the same day), Scotland comes bottom in every single indicator of local democracy. We have the fewest councils, the fewest councilors, the largest constituencies (even including somewhere as sparsely populated as Norway or Finland), the highest ratio between the population and councillors, the lowest proportion of the population engaged in local politics, the least competitive elections and (barring England and even with the distorting effect of dual elections) the lowest turnout." See Eberhard Bort, Robin McAlpine and Gordon Morgan, *The Silent Crisis Failure and Revival in Local Democracy in Scotland* (The Jimmy Reid Foundation, 2012), 9-10, 26.

administrations. He suggests that there are distinctions between institutional and organization change; the former concerns rules and norms and the latter administration and politics.[79] Devolution is especially important as an opportunity to study the extent of governance rather than government; not simply between how the centre shifts from the national to the regional level, but also the extent to which private, public, community and individual residents are included in policy-making. In the devolved regions the Labour Party was prominent for the first ten years, which is claimed to have impacted the pace of potential change. However, assessments indicate that in both Scotland and Wales, there was an increase in the degree of influence that local authorities were exercising collectively and individually. Central-local relations did experience tensions in the mid-2000s as local governments were claiming that the Scottish Parliament was hardening and acquiring powers familiar to those of Westminster. In Wales, local government appeared to have enhanced the quality of dialogue between the Welsh Local Government Association and the Welsh Assembly government. Nonetheless, the Welsh Assembly was concerned with public sector reform - from a point of view that respected partnership with local authorities – seeking alternative ways to deliver services; this meant that Wales was not immune from English influence.[80]

2010-2016

As the above indicates, the local level is vital to how the politics of scale connects to structural economic issues and partisan maneuvering. Scalar processes are recursive and involve a reorganization of local government to fit with new eras of modernization. The next phase of the political economy of scale began with a newly elected Conservative and Liberal-Democrat

[79] Philip Allmendinger, "Escaping Policy Gravity: The Scope for Distinctiveness in Scottish Spatial Planning," in *Territory, Identity and Spatial Planning: Spatial Governance in a Fragmented Nation*, ed. Mark Tewdwr-Jones and Philip Allmendinger (Abingdon: Routledge, 2006), 153.
[80] Martin Laffin, "Comparative Central-Local Relations: Regional Centralism, Governance and Intergovernmental Relations," *Public Policy and Administration* 22, 1 (2007): 75, 77-78, 81.

coalition. Interestingly, the Coalition government championed devolution and viewed local government as a key agent in the national level's agenda. The Coalition was focused on dismantling what it identified as the centralization of New Labour's power at Westminster. According to Nick Clark and Allan Cochrane, the Conservatives immediately set out to abolish Comprehensive Areas Assessments, Local Areas Agreements, Regional Strategies, Government Offices of the Regions, the Standards Board regime, and the Audit Commission. The goals were to increase the general powers of competence of local authorities by reducing statutory responsibilities and the regulatory guidance of Whitehall, and simultaneously encourage power beyond local government by allowing actors like private-sector firms to set their own terms and conditions of contracts.[81]

The Big Society emphasized alternative governance in neighbourhood and civil society management, with Business Improvement Districts (BIDs) as the most structured form of collaborative public realm management. While these partnerships with local authority were used during New Labour's tenure, in the decade since these were enabled more than one-hundred and eighty BIDs have been created. They are hotly contested, as some see them as a mechanism to tackle the decline of city centres and improve local service delivery without utilizing public funds while others argue they are the deployment of private wealth to establish privatizing agendas. The latter claim speaks to the fact that the population at large do not normally have a direct say in BIDs decisions.[82] The new localism of the Coalition government utilized economic incentives to encourage local authorities freeze council taxes, maintain business rates and introduce pro-business policies, which were largely aligned with the national government's austerity agenda.

[81] Nick Clarke and Allan Cochrane, "Geographies and Politics of Localism: The Localism of the United Kingdom's Coalition Government," *Political Geography* 34 (2013): 12.
[82] Claudio De Magalhães, "Business Improvement Districts in England and the (private?) Governance of Urban Spaces," *Environment and Planning C: Government and Policy* 32 (2014): 916-917.

The localism agenda was notable with the implementation of Local Enterprise Partnerships (LEPs) in 2010. By 2011, there were thirty-nine LEPs and the result was a highly differentiated local geography that challenged the reasoning behind the abolishment of Regional Development Agencies. They lacked statutory authority and promoted local growth in a context of uneven recovery post-recession; some 79% of private sector jobs created from 2010 to 2012 were in London and for every public sector job created in London, two were lost in other cities.[83]

The paradox between austerity and devolution is said to be something that can be resolved by reforms promoting a more efficient and 'smarter state'. This has been referred to as decentralized austerity by Vivian Lowndes and Alison Gardner because it shifts the responsibility to the local level while also cutting funds and services. It is also an interesting turn of events to see the Conservatives gain a majority government in 2015 and focus heavily on devolution deals, especially considering where the party stood on devolution in the late 1990s. The Conservatives, according to Lowndes and Gardner, have focused on a localism agenda as an economic growth strategy based on city agglomerations. Plans for sub-regional devolution were pioneered in Greater Manchester in 2014, which built on the creation of a Greater Manchester Combined Authority in 2011. The creation of the GMCA was a method to earn business rates revenue and oversight of funding, conditional on directly electing a mayor. The Conservatives in 2015 took this further with the Cities and Devolution Bill, when all local authorities were invited to submit a proposal to combine. This was followed by the Sheffield City Region Combined Authority and two others that cover the North East of England. For Lowndes and Gardner, this represents a method to distract from cuts while bringing local assemblages closer to the central government's interests. In one

[83] Danny MacKinnon, Andrew Cumbers and David Featherstone, "Local Development and Regional Economic Development in Britain," in *The British Growth Crisis: The Search for a New Model*, ed. Jeremy Green, Colin Hay, and Peter Taylor-Gooby (Basingstoke: Palgrave Macmillan, 2015), 211-212, 214-215.

way, the push by the Conservatives to have directly elected mayors is political because it challenges long-standing Labour power bases held in councils. Devolution deals also do not come with Assemblies as in London, and there is no new money granted for the combined authorities.[84] In the end, this comprehensive picture of devolution at the local and regional levels, combined with national macroeconomic objectives, must be brought into a discussion about democracy. In the last section of this chapter, I address the nuances, contradictions and conflicts among economic development, political modernization, and the public's participation in political and economic affairs.

Coalitions of Interest and the Political Economy of Scale from 1995-2016: Post-Democracy, Deliberative Democracy, and De-politicization in the Era of Devolution

A large portion of commentary on the twenty-first century regarding politics, economics and democracy is that everything has aligned with neoliberalism and this has become manifest in the public sector vis-à-vis new public management, and further trickled down to the public's level of individualization in public engagement. It is hard to fully disagree with this sentiment as the changes in the new millennium are palpable. These include the restructuring of capital-labour dynamics and the impact this has on inequality in society, as well as the way austerity, deficits and taxes inform the design of public services. But with that said, this dissertation has argued that democracy as a historical phenomenon must be understood in relation to economic development and the partisan contentions at inter-related scales of the state not one or another scale, but all of them. More specifically, capitalism is the tie that binds these contentions to different scales of the state. The political, social and economic contradictions that arise from spatially differentiated

[84] Vivien Lowndes and Alison Gardner, "Local Governance under the Conservatives: Super-Austerity, Devolution and the 'Smarter State' *Local Government Studies* 42, 3 (2016): 358-59, 362-64, 368.

economic development both influences and is simultaneously impacted by the scaled organization of the state. In other words, we have observed eras of capitalism, and in these eras, democracy has been tenuously interwoven within power relations. We too often look back to golden eras to denounce the present without realizing that previous epochs were also contradictory, but in different ways.

This chapter carries the above analysis further by focusing on a political experiment that allows us to contextualize subsidiarity. Britain devolved power in 1997, which offers the opportunity to observe any differences between the past and present epoch. More broadly, this chapter contributes to comparative democratic research because of its preference to categorize waves of democratization primarily in terms of the transition to newer, more expansive mechanisms of political decision-making.[85] In fact, the first wave of democratization by several accounts was the expansion of the franchise and consolidation of the aggregative form of democracy. The second wave of democratization was 'participatory' in that it was concerned with citizens more broadly-defined and how they resented top-down politics, as well as the incorporation of historically marginalized segments of the population, even within the context of universal suffrage. Popular forms of protest in the late 1960s, 1970s, 1980s and 1990s spawned bottom-up challenges to top-down paternalism, which was viewed as an explicitly different form of democratic participation. For certain democratic theorists, the present period entails a deliberative turn in democracy.[86] This consists of the broader trend of more openness and

[85] See for example, Russell Dalton, Susan Scarrow, and Bruce Cain, "New Forms of Democracy? Reform and Transformation of Democratic Institutions,"+ in *Democracy Transformed? Expanding Political Opportunities in Advanced Industrial Democracies*, ed. Brue E. Cain et al. (Oxford: Oxford University Press, 2003); Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Oklahoma: The University of Oklahoma Press, 1991)

[86] See for example John Dryzek, *Foundations and Frontiers of Deliberative Governance* (Oxford: Oxford University Press, 2010); Robert Goodin, *Innovating Democracy: Democratic Theory and Practice After the Deliberative Turn* (Oxford: Oxford University Press, 2008).

transparency in government, increased use of public hearings, new experiments in deliberative policy-making, especially in local and administrative law, and collaborative policy-making and decentralization of administrative structures.[87] The relevance of this assertion for our discussion is that many observers viewed devolution as democratizing democracy in Britain.

The real question is whether these developments amount to a paradigm change. Just as the economy has shifted to neoliberalism but not in the form of a simple consensus, so has democracy become more participatory and deliberative in certain ways, but not without the qualification that these practices vary according to sponsoring governments and agencies. Research concerning the latter is increasingly being couched within a systemic approach that seeks to understand an encompassing political system and how small-scale public forums can or are being scaled and the challenges they encounter.[88] Some would argue that the current era is a third transformation of democracy not only because of the deliberative turn, but because it amounts to post-parliamentary or post-representative politics. The idea of post-democracy is that the political issues of the past are becoming less or even non-political, and their depoliticization implies relocated arenas of democratic contestation. Some see depoliticization as the exact opposite of the popular mobilization of the participatory revolution of the 1960s because it takes the politics out of issues and utilizes neutral non-confrontational language to inform decision-making, revolving around pragmatism, efficiency and professionalization. In this sense, democracy is less about emancipation: new leadership styles subvert contentious politics and thus people, conforming to

[87] Mark E. Warren, "A Second Transformation of Democracy?," in *Democracy Transformed? Expanding Political Opportunities in Advanced Industrial Democracies*, ed. Brue E. Cain et al. (Oxford: Oxford University Press, 2003), 236-237.

[88] See for example Robert E. Goodin and John S. Dryzek, "Deliberative Impacts: The Macro-Political Uptake of Mini-Publics," *Politics and Society* 34, 2 (2006): 219-244; Jane Mansbridge et al., "A Systemic Approach to Deliberative Democracy," in *Deliberative Systems*, ed. John Parkinson (Cambridge: Cambridge University Press, 2012); Simon Niemeyer, Nicole Curato and André Bächtiger, "Assessing the Deliberative Capacity of Democratic Polities and the Factors that Contribute to it," (Paper Presented at Democracy: A Citizens' Perspective at Åbo, Finland, May 27-28, 2015).

the new political economy of neoliberalism.[89] Considering this contextualization, there are three facets concerning post-democracy and politics, as well as the third transformation of democracy, that need to be mentioned to close out the chapter.

1. Depoliticization is less apparent when factored into how politics works at different scales of the state, namely the devolved administrations. The atmosphere of politics at the regional level was still taking on a government versus opposition dynamic well into the 2000s despite the transition to a consensual style proportional representation system. This is interesting because one of the most influential taxonomies concerning formal democratic systems was developed by Arend Lijphart and one of the core stereotypes he notes is that Britain is less like its European counterparts. This was due to the electoral system utilized at the national level. In this perspective, the executive-legislative relationship firmly in the Westminster mould ensured that the majoritarian variation of democracy lacked a diffusion of power across sectors.[90] In contrast, the subnational level in Britain has produced interesting findings particularly because it operates under a new proportional model. In Scotland, scholars have noted how institutional innovations have both vast and limited effects on executive-legislative relations. In terms of the latter, the reason is that the first decade of the Scottish Parliament was marked by a form of majoritarian coalition government. The findings are similar in Wales as well. Minority coalition agreements were very workable, but government relations have also been read as a return to adversarial politics as parties like Plaid Cyrmu established themselves as official opposition and along a more traditional parliamentary arrangement.[91] At the same time, and contrary to the depoliticization thesis, leaders

[89] Ingolfur Blühdorn, "The Third Transformation of Democracy: On the Efficient Management of Late-Modern Complexity," in *Economic Efficiency – Democratic Empowerment*, ed. Ingolfur Blühdorn and Uwe Jun (Plymouth: Lexington Books, 2007), 300, 313-14.
[90] See Arend Lijphart, *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries* (New Haven: Yale University Press, 2012)
[91] Jonathan Hopkin and Jonathan Bradbury, "British Statewide Parties and Multilevel Politics," *Publius* 36, 1 (2006): 147; Cairney, "The New British Policy Style: 210-211, 216.

in the regions politicized various issues. While the argument could be made that the old class versus capital semantics appears to have ebbed in the neoliberal era, it has not disappeared, especially as concerns the politics surrounding austerity, the North-South divide, and the 2008 financial crisis. The class history of the regions was addressed at length in chapters two and three and their context has been relevant in the devolved era particularly because Labour in Scotland and Wales also had to distinguish itself from Labour nationally; in some instances, there were clear breaks with New Labour, as was seen with the rejection of using the private sector in delivery public services by Welsh Labour.

2. There is less of a third transformation of democracy within the context of devolution, but rather, expanded bases of public engagement in new institutions have simultaneously incorporated influential private sector networks. The movement towards an invigoration of the British political system consisted of several democratic objectives. One was the abolition of all but ninety-two hereditary peerages in 1999 by the Labour Party; the reform was to be part of a larger set of reforms including the introduction of the Human Rights Act in 1998 as part of the incorporation of the European Convention on Human Rights. This was a statement of the rights of the citizen and a limitation of the power of the executive to make the state more accountable. Another major reform introduced in Labour's 1997 election manifesto was to appoint a commission of inquiry into the electoral system and hold a referendum on the outcome. The report of the commission favoured a more proportional Alternative Vote plus system, but there was no referendum and the commitment was ignored in both the 2001 and 2005 party manifestos.[92]

[92] Lewis Baston, "Democratic Deficits – Democratic Renewal: Political Detachment, Constitutional Reform, and the Politics of Reengagement in the UK, in *Economic Efficiency – Democratic Empowerment*, ed. Ingolfur Blühdorn and Uwe Jun (Plymouth: Lexington Books, 2007), 108-09, 114.

The idea that politics was about becoming more open, transparent and accountable thus seemed to be underway, though many have highlighted that the denial of electoral reform was a clear sign that the type of democratic advancement Labour was interested in was more cynical than what was presented to the public. Nonetheless, these developments point to the contradictions and difficulties of democratic advancement within the context of neoliberalism. To better understand the extent of the third transformation of democracy, we must turn our attention to the democratization of the regions, because we really find some fascinating experimentation with civic engagement at the subnational level. The sections above implicitly spoke to the simultaneous expansion and failure of genuine democratization to all the regions, but what was left out was how the actual reforms sought the inclusion of the public.

Norman Bonney has provided an interesting snapshot of devolution and public engagement in Scotland. He mentions that the Consultative Steering Group for the Scottish Parliament's recommendations expressly emphasized participation by citizens in the making of parliamentary and hence executive policy. The first term of the Scottish Parliament maintained a close connection to organizations that were foundational to the Scottish campaign for devolution, and these were given special status in the new devolved administration through the Scottish Council of Voluntary Organizations Commitment. An effect of devolution has been to make consultations more public where they previously often happened behind closed doors in the Scottish Office. Indeed, new institutions for the making of legislation and policy have been forged, but there is a tendency for more organized and resourced interests to have a strong influence on proceedings in committees. In fact, the emphasis on participatory democracy generated what amounts to elite action to inform politics in Scotland. Bonney calls this the participatory democracy of organized interests.[93]

[93] Norman Bonney, "The Scottish Parliament and Participatory Democracy: Vision and Reality," *The Political Quarterly* (2003): 459-60, 463, 465.

In a similar examination of Wales, Elin Royles describes how the White Paper on devolution *A Voice for Wales,* published in 1997, indicated how devolution was equated with a more inclusive and participatory democracy in Britain. In Wales, the difference observed in the development of civil society's involvement in devolution was impacted by the internal focus of devolution within the Labour Party in Wales. With the lower turnout of support in the devolution referendum - arguably influenced because Labour's lack of initiating civil society inclusion in the campaign for democratization - it became very clear that the new Assembly would have to try and cultivate a strong sense of civic engagement. Devolution did impact how organizations engaged the Welsh Assembly: there was a commitment on behalf of the Assembly to public inclusion but also a statutory requirement in the Government of Wales Act to develop a Voluntary Sector Scheme to guarantee a role for voluntary associations in committees. This provided regular access to political channels, but the style of executive devolution impacted the engagement of civil society because the Assembly had to heavily focus on engaging Westminster as it did not have primary legislative powers. Moreover, civil society organizations required high level professionalization in order to influence the Assembly. Devolution transformed the use of engagement in the political process, but this had mixed consequences as many organizations depend on funding and the financial differences between civil society organizations means that there is inequality in how the public engages.[94]

3. The participatory and deliberative innovations that have taken off in the era of devolution have a complex connection to multilevel governance reforms.[95] On the one hand, the New Deal

[94] Elin Royles, *Revitalizing Democracy? Devolution and Civil Society in Wales* (Cardiff: University of Wales Press, 2007), 3-4, 6, 43, 50, 148-149.

[95] I acknowledge that participatory and deliberative democracy should not be conflated; as Jürg Steiner claims, 'deliberation does not mean any kind of talk'. Nonetheless, while appreciating their differences, I do feel as if these should be considered together when discussing the political economy of scale. See Jürg Steiner, "Concept Stretching: The Case of Deliberation" *European Political Science* 7 (2008): 186.

for Communities did present something unique in that it was part of New Labour's devolution package that led to community governance structures within English neighbourhoods, potentially leading to new norms of democratic legitimacy. Hence in certain contexts, community-based organizations have come to be viewed as legitimate representatives of their communities - speaking on behalf of people and spending money for them - challenging the idea that the council chamber is the only site for democratic decision-making. In some cases, the way this legitimacy was conferred was by having local community representatives elected by residents within the local communities where these organizations were located. Scholars have been examining the lengths to which legitimacy is issue- and place-specific, conditional and susceptible to challenge in the context of community governance. They find that the diffusion of some resources to local neighbourhood regeneration partnerships opens new input and output opportunity structures.[96]

On the other hand, the discourse and institutional mechanisms associated with 'stakeholder engagement' simultaneously challenges the broader extent to which community governance is inclusive and participatory. As we have seen, in the context of devolution both public and stakeholder engagement are claimed to be core features of new governance structures, and yet there is no one-size-fits-all approach. To be sure, an example of new participatory engagement structures in England included the several hundred organizations that Civic Forums drew stakeholder input from. One concern with these forums was that they were more concerned with fostering cross-sectoral debate, but ultimately, they did not play a large role in agenda-setting or the production of applied strategies rather than operate as a mechanism for the consultation of different public-private interests.[97]

[96] Steve Connelly, "Constructing Legitimacy in the New Community Governance," *Urban Studies* 48 5 (2011): 929-30, 932-33.,
[97] Thornley et al., "Business Privilege and the Strategic Planning Agenda of the Greater London Authority," 1961.

Another prominent approach was Economic and Social Partners (ESPs) and these were supposed to include representatives of diverse constituencies. One apparent problem with these organizations is that they contain a low proportion of women, black and other ethnic representatives. Like the Local Strategic Partnerships noted in the local scale section, there are concerns with the ESPs regarding styles of decision-making and how barriers prevented effective partner involvement. For the most part, ESPs were largely focused on umbrella organizations like the TUC and CBI. Additionally, civic groups have had to deal with the fact that local partnerships are limited by the influence of more organized and resourced regional governance networks.[98] As Vivien Lowndes and Helen Sullivan argue, any potential for synergy between partnerships and public participation depends upon the types of partnership, the level at which they operate, and the roles available to the public. Ultimately, partnerships have tended to operate at the local level in one of three ways: strategic, sectoral and neighbourhood, each of which has implications for citizen participation.[99] While research provides reason for optimism regarding opportunities provided to influence decision-making, particularly at the neighbourhood level, it also has found that the sub-national level of governance is not simply more readily open to civic influence, especially at the sectoral (and even less so at the strategic) level. There are persistent administrative, political and procedural barriers to the democratization of decision-making in the era of devolution, as new structures have not been introduced onto a blank slate.[100]

As previously mentioned, Labour's localism agenda which included ESPs and LSPs, also led to the creation of Local Area Agreements (LAAs). LAAs set out the priorities for a local area

[98] Lynne Humphrey and Keith Shaw, "Developing Inclusive Approaches to Regional Governance in the Post-Referendum North East," *Regional and Federal Studies* 16, 2 (2006): 202, 205, 210.
[99] Vivien Lowndes and Helen Sullivan, "Like a Horse and Carriage or a Fish on a Bicycle: How Well do Local Partnerships and Public Participation go Together?" *Local Government Studies* 30, 1 (2004): 59.
[100] Humphrey and Shaw, "Developing Inclusive Approaches to Regional Governance in the Post-Referendum North East," 198-99, 202.

agreed by central government, local authorities and service delivery bodies, with the overall aim to deliver better local services by improving partnerships, establishing clear targets, and using resources more efficiently. As Kezia Lavan points out, these were to be achieved through devolved decision-making; by 2005, there were sixty-six LAAs nationwide. Yet, LAAs were experiencing problems in achieving local areas' aspirations. As a response to the challenges they faced, the progressive circles that had been surfacing participatory budgeting[101] as a tool to supplement LAAs, began to get the attention of local authorities and the national government in England.[102]

Participatory budgeting is a very interesting phenomenon that deserves some attention here, especially because of its polycentrism and what this means for democratic innovation in the context of the UK. For many observers, it is one of the most accomplished and consolidated practices of participatory and deliberative democracy.[103] The process humbly went from being implemented in one city, Porto Alegre, Brazil, during the transition from authoritarian to democratic rule in 1989, to being a practiced in upwards of twenty-eight hundred cities globally in 2013.[104] There are various reasons why participatory budgeting has captured the 'radical imaginary' of activists and progressive left-leaning political parties around the world, not least because of the potential to fundamentally change prevailing socio-economic conditions.[105] In the

[101] At the most basic level, "Participatory budgeting allows the participation of non-elected citizens in the conception and/or allocation of pubic finances." Yves Sintomer, Carsten Herzberg, Anja Röcke, and Giovanni Allegretti, "Transnational Models of Citizen Participation: The Case of Participatory Budgeting," *Journal of Public Deliberation, 8, 2 (2012): 2*

[102] Kezia Lavan, *Towards a Local Area Agreement Participatory Budget Process* (The PB Unit, 2007), 2-4.

[103] Nelson Dias, "Twenty-Five Years of Participatory Budgets in the World: A New Social and Political Movement?," in *Hope for Democracy - 25 Years of Participatory Budgeting Worldwide* (Nelson Dias Organization, 2014).

[104] Yves Sintomer, Carsten Herzberg and Anja Röcke, "Transnational Models of Citizen Participation: The Case of Participatory Budgeting," in *Hope for Democracy - 25 Years of Participatory Budgeting Worldwide* (Nelson Dias Organization, 2014), 29.

[105] Terry Maley, "Participatory Budgeting and the Radical Imagination: In Europe but not in Canada?," *Affinities: A Journal of Radical Theory, Culture, and Action* 4, 2 (2010). Scholars have argued that Porto Alegre produced six key outcomes: it included the poor in decision-making, it broke down clientelist relations, redistributed urban infrastructure provision, built and democratized civil society, developed administrative capacities, and promoted radical democracy Rebecca Abers, Igor Brandão, Robin King, and Daniely Votto, *Porto Alegre: Participatory Budgeting and the Challenge of Sustaining Transformative Change* (World Resources Report, 2018).

early 2000s, the results of participatory budgeting were making international headlines, assisted by the attention brought to it by the World Social Forum.[106] The 2000s were ripe for the export of participatory budgeting to the Western world, especially because of the 'malaise' being talked about.[107] However, the introduction of participatory budgeting to European democracies, for the most part, amounts to a walking away from the model applied in Porto Alegre in the 1990s.[108] Even the Porto Alegre experience was eventually reduced to nothing by the mid-to-late 2000s, thanks to the lack of political support provided by a newly elected centre-right party in 2004, indicating that there are tensions associated with politicizing participation as a method to redistribute resources to working class and marginal populations.

Participatory budgeting in England was initially seen as a method to involve the local community and voluntary sector in the LAA through decision-making about local priorities. A participatory budget cycle for decision-making, consultation, planning and spending was therefore seen as something that could be adapted and applied. It was not a national programme, but rather, areas using their own resources would choose to implement forms of participatory budgeting to achieve certain ends. Thus, one of the differences with the application of participatory budgeting in the UK was that it went through the echelons of the state bureaucracy, rather than it being put

[106] For example, in 1996 over fourteen thousand people participated in two regional assemblies, an amazing turnout by any standard. In addition, by 1996, 98% of households had water and 85% had a sewage system as a result of the redistributive formula included in the budgeting process, whereas prior to participatory budgeting, only 49% of households had these basic services. Boaventura de Sousa Santos, "Participatory Budgeting in Porto Alegre: Toward a Redistributive Democracy," *Politics & Society 26 (1998)*: 461.

[107] A lot of literature has been produced in the new millennium about public apathy towards formal political institutions, voter and party membership decline. For a couple of examples, see Russell J. Dalton and Martin P. Wattenberg, (eds.), *Parties without Partisans: Political Change in Advanced Industrial Democracies* (Oxford: Oxford University Press, 2000); Oliver Heath, "Explaining Turnout Decline in Britain, 1964–2005: Party Identification and the Political Context," *Political Behaviour* 29, 4 (2007).

[108] For comparative research on participatory budgeting applications in Europe (and abroad), see for example, Yves Sintomer, Carsten Herzberg, and Anja Röcke, "Participatory Budgeting in Europe: Potentials and Challenges," *International Journal of Urban and Regional Research*, 32, 1 (2008); Ernesto Ganuza and Gianpalo Baiocchi, "The Power of Ambiguity: How Participatory Budgeting Travels the Globe," *Journal of Public Deliberation* 8, 2 (2012); Gianpalo Baiocchi and Ernesto Ganuza, "Participatory Budgeting as If Emancipation Mattered," *Politics & Society* 42, 1 (2014).

on the political agenda by a Left-wing party. Yet, by 2002, participatory budgeting reached the national level when the Office of the Deputy Prime Minister started to examine its potential, and by 2004, the PB Unit was created to explore how participatory budgeting might work across different pilot areas. By 2008, participatory budgeting was finally connected to national policy; New Labour issued a White Paper called *In Control: Real People, Real Power*, that would aim to roll out participatory budgeting in all local authorities by 2012 (though this never did happen with the change in government in 2010).

By 2008, participatory budgeting included thirty-four 'grant-making' pilots, whereby participatory decision-making was about awarding grants to community groups. Thus, participatory budgeting was mostly attached to community development and engagement rather than a politicized programme used to redistribute resources. Most of the projects were relatively small area-based arrangements that involved the allocation of limited discretionary funds to projects.[109] The benefit of these processes was that many of them involved a much greater number of people in decision-making than any other local neighbourhood renewal planning process.[110] In fact, prior to these processes resource allocation was primarily done by local councils. The participatory budgeting pilots varied in terms of the opportunities they provided for participation. In some cases, organizations were invited to bid on a proposed idea, and they would be responsible for implementing their project if it was selected. This is one of the larger critiques, namely that some of the processes were primarily comprised of professionals or representatives from the voluntary sector. Another critique is that some pilots provided limited opportunities for the public to discuss and ask questions about projects, which is a cornerstone of what participatory budgeting

[109] SQW, Cambridge Economic Associates, Geoff Fordham Associates, *Communities in the Driving Seat: A Study of Participatory Budgeting in England – Final Report* (Department for Communities and Local Government, 2011).
[110] Heather Blakey, "Participatory Budgeting in the UK: A Challenge to the System?," *Participatory Learning and Action* 58 (2008): 63.

is all about. This was not the case for all pilots; for example, Newcastle set up structures comprising a forty person resident-led group to develop their whole process.[111] In all cases, participatory budgeting offered limited agenda-setting; the source of funding set the parameters within which decisions could be taken, i.e. transport budgets could only be spent on local transport projects, meaning funding did not necessarily address the most pressing local priorities.[112]

As it has been described throughout this chapter, there are tensions in how democratic reform is connected to broader socio-economic objectives, and the extent to which newly decentralized practices are able to mobilize and empower people at the local scale. Observers have argued that the participatory budgeting model in the UK was aligned to Third Way politics, having to adapt to Labour's culture of performance targets and central control mechanisms, rather than transform state-society relations.[113] From a practitioner's perspective, Lavan notes:

> It has been suggested by some council officers interviewed that the way PB models were initially proposed to local authorities in the UK was 'naïve'. Those involved in the initial introduction of the idea into the country intended that 'models' based on research from Porto Alegre […] could be used to inform work in the UK. It was hoped that basic principles of redistribution, empowerment and direct democracy would be directly translated into a UK policy context of 'narrowing the gap', citizen engagement and neighbourhood working. Seven years later it is clear that this is not how PB is developing in the UK. It has been more of a case of an interaction of ideas seeking to find solutions to similar, but not identical social and political realities.[114]

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[111] Kezia Lavan, *Participatory Budgeting in the UK: An Evaluation from a Practioner Perspective* (PB Unit, 2007), 45.
[112] SQW et al., *Communities in the Driving Seat*, 12-13.
[113] Matthew Ryan, *Advancing Comparison of Democratic Innovations: A Medium-N Fuzzy-Set Qualitative Comparative Analysis of Participatory Budgeting* (PhD Dissertation, University of Southampton, 2014), 180.
[114] Lavan, *Participatory Budgeting in the UK,"* 23.

Thus, we might conclude that participatory budgeting was a technique for the distribution of scarce resources, rather than a radical overhaul of how people understand their place in the democratic system.[115]

The public sector funding environment changed significantly when the Conservative-led coalition government took over. Most of the discretionary funds the participatory budgeting processes were allocating no longer existed when the Coalition government took over. This was because the over-arching Local Area Agreements that participatory budgeting was connected to were abolished by the national level. The Coalition's Big Society prerogatives to have communities locally engaged in a way that achieves more with less, was feared by some staff of the PB Unit, i.e. that under certain political conditions the development of PB could proceed as something characterized by 'service users' making individualistic and consumerist 'choices'.[116]

Despite this context, participatory budgeting carried forward and was politically supported at the regional level. There have been a number of pilots in Wales,[117] and in Scotland, there were at least fifty-eight process that had taken place between 2009-2016. As is the case in England, the regional level's implementation of participatory budgeting was mostly associated with grant-making. Scotland is especially interesting because of the various formal reports and political support that has aimed to widen the use of participatory budgeting. For example, in 2011, the 'Christie Commission' on the Future Delivery of Public services outlined a comprehensive public service reform agenda that should aim to empower individuals and communities receiving public services by involving them in the design and delivery of the services they use.[118] Participatory

[115] Blakey, "Participatory Budgeting in the UK," 62-63.
[116] Lavan, *Participatory Budgeting in the UK,"* 74.
[117] See, Emyr Williams, Emily St. Denny and Dan Bristow, *Participatory Budgeting: An Evidence Review* (Public Policy Institute for Wales, 2017).
[118] Chris Harkins and James Egan, *The Role of Participatory Budgeting in Promoting Localism and Mobilising Community Assets:* But where next for Participatory Budgeting in Scotland? (Glasgow Centre for Population Health, 2012), 8.

budgeting was thus something that has only recently taken off, and much of the reason is that the Scottish Parliament is in support of it. The Community Empowerment (Scotland) Act 2015 led to the creation of the Community Choices Fund that supports participatory budgeting, is administered locally, and is focused on deprived areas. As with the cases in England, however, there have been similar opportunities and challenges in implementation and what the processes offer in terms of public dialogue and deliberation on projects.[119] Overall, perhaps the most important consideration of participatory budgeting applied in the UK (and North America for that matter) is that complex institutional arrangements are not developed enough and prepared to accept new inputs on the design and allocation of resources beyond a limited level. Without that institutionalized connection between party and political support, bureaucracies, and the public, the fertile conditions that could potentially transform democracy, cannot meaningfully develop over time.[120]

Increasingly, the public is approached by official institutions and political actors in the name of direct democracy. And the politicized use of referendums provides a telling example. The rhetoric of direct democracy is now commonly mobilized as a method to restructure scales of the state. But this is evidence of neither post-politics nor a third transformation of democracy. Referendums are an active mechanism used to promote the capitalist ambitions of partisans, and though referendums are presented as an instrument of broad-based popular participation, the way they are framed in Britain serves very narrow interests.

Two very recent referendums, namely the Scottish independence referendum and the Brexit referendum, drew upon nationalism to mobilize populist sentiment in favour of political ambitions,

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[119] C. Harkins, K. Moore, and O. Escobar, *Review of 1st Generation Participatory Budgeting in Scotland* (Edinburgh: What Works Scotland, 2016), 4.

[120] As Baiocchi and Ganuza comment, "one clear consequence of the transformation of Participatory Budgeting into a best practice has been the marginalization of social justice principles that inspired the initiative in the first place. Its principal justification now has to do with good governance and the universal participation, which fits well with the neutral and technical language of Participatory Budgeting." Baiocchi and Ganuza, "Participatory Budgeting as If Emancipation Mattered," 42.

but underlying both were questions related to the regional and national economies and how capitalism could be better supported and mobilized. In Scotland, there were questions about the ability of the government to facilitate a transition from the reliance on grants provided by the Barnett formula and whether this would negatively impact fiscal probity. The Brexit referendum was also linked to in questions about the national level's attachment to a supranational capitalist trade regime that partisans viewed as too controlling of British interests. One difference between the referendum in 2016 versus 1975 was that the 'Leave' side campaigners were able to sell the case that the euro zone was mired in debt, stagnation and unemployment.[121] In 2016, sovereignty was a core issue as Leave voters were more likely to buy the mantra of 'take back control of Britain's borders'. At the same time, there was the promulgation of disempowerment, namely that Britain was unable to stem visible changes to communities caused by the influx of immigration. The result of the 2016 referendum was thus influenced by social class, race, generation and geography.

The Leave vote won its strongest support in specific areas: communities that tend to be more economically disadvantaged than average, where levels of education are low, and the local population is heavily white.[122] Geography is telling in that Scotland and Northern Ireland voted Remain, whereas Wales and all of England outside of London voted Leave. Additional factors are relevant to this picture: turnout was high in areas that tend to vote for the UK Independence Party (UKIP) and the Conservatives, and these supporters have different generational values than younger people towards immigration, national identity and EU membership. The point is that Brexit was not just an exercise in popular sovereignty. To be clear, the UK Independence Party

[121] Robert Saunders, "A Tale of Two Referendums: 1975 and 2016," *The Political Quarterly* 87, 3 (2016): 319.
[122] Matthew J. Goodwin and Oliver Heath," The 2016 Referendum, Brexit and the Left Behind: An Aggregate-level Analysis of the Result," *The Political Quarterly* 87, 3 (2016): 324.

was rebranded from the Anti-Federalist League in 1993 and began calling for an 'in/out' referendum on the UK's EU membership over twenty years ago. This single-issue Eurosceptic political party solely focused on European integration, honing its anti-EU message over time, and was able to draw support from Conservative politicians, as well as increasingly disaffected populations impacted by the growing inequality generated by British and global capitalism.[123]

The public was the ultimate arbiter of state scaling options in both recent referendums (as they were in the 1970s), and in the case of the Brexit referendum over thirty-three million votes were cast, one of the largest exercises in democratic decision-making in British history. One lingering question concerns the design of referendum processes: do referendums reflect contemporary deliberative democratic norms? This is relevant considering that most deliberative democratic forums tend to involve smaller samples of residents who spend time learning about an issue, and then collectively deliberating on how to address said issue, whereas direct democratic referendums are more focused on the individual act of voting to decide the outcome of an issue. What is concerning is how referendum processes are often about partisan maneuvering and manipulation. While the complexities of direct democratic referendums were already pointed out in Chapter 3, the more recent contexts of referendums fall within the era of the so-called turn to deliberative democratization. The connection between direct and deliberative democracy depends on the types of processes entrenched in the use of referendums, and the ways politicians and their political parties as well as the media attempt to manipulate them. Just a couple of examples of manipulation include the implementation of extraordinary process qualifications for determining outcomes, or the denial of public funding for 'Yes/No' campaigns leaving education to private

[123] Anand Menon and Brigid Fowler, "Hard or Soft? The Politics of Brexit," *The National Institute Economic Review* 238 (2016): R5.

funders promoting their own agenda. The media can also be culpable by denying a neutral public space to educate the public on the pros and cons/yes and no sides of a referendum vote.[124]

Scholars do note that there are *types* of referendums. For example, one defining criterion is who has the right to launch one. From a comparative perspective, referendums are either based on legislative initiation, or by initiatives stemming from the electorate, generally in the form of a collection of a stipulated number of signatures. The former tends to focus on plebiscites, while the latter mostly imports deliberative elements into referendums by providing multiple avenues for citizens to insert demands into a political system, including submitting concerns on behalf of citizens forcing the government to respond. This approach to referendums means that qualified voters can, if necessary, repudiate parliamentary decisions. This form of a referendum is notable in Swiss Cantons, but not in Britain. In this way, direct democracy functions in the decision-making process beyond the legitimizing of governmental policies or ambitions. Referendums educate the electorate, stimulate political actors and insert citizens into multiple points of contact between the electorate and the elected. The longitudinal research on referendums in Switzerland suggests that participation is influenced by the design of political institutions, including how preparation phases of referendum processes are used to involve many people.[125]

This chapter and dissertation both emphasize the structural tensions between economic efficiency and democratic renewal. Matthew Flinders suitably argues that "at the heart of modern capitalist democracy a double standard exists in that the system professes an egalitarian policy and

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[124] See for example Dennis Pilon, "The 2005 and 2009 Referenda on Voting System Change in British Columbia," *Canadian Political Science* Review 4, 2-3 (2010); Dennis Pilon, "Investigating Media as a Deliberative Space: Newspaper Opinions about Voting Systems in the 2007 Ontario Provincial Referendum," *Canadian Political Science Review* 3, 3 (2009).

[125] Adrian Vatter, "Consensus and Direct Democracy: Conceptual and Empirical Linkages," *European Journal of Political* Research 38 (2000): 174-175; Silvano Moeckli, "Direct Democracy and Political Participation from a Cross-National Perspective," in *Participatory Democracy and Political Participation: Can Participatory Engineering bring Citizens Back in?* Ed. Thomas Zittel and Dieter Fuchs (New York: Routledge, 2007), 107, 120-122.

social system while simultaneously promoting an economic system that creates gaping disparities in well-being and the sum of this is the trade-off between equality and efficiency."[126] The social democratic solution to this was expressed by David Miliband in 2006 as then Minister of Communities and Local Government: empowering communities through additional devolution measures. He coined the term "Double Devolution" arguing that at local levels there was a need for a stronger framework of opportunity and responsibility, and that the driving principle of reform should be subsidiarity.[127] As has been described, devolution is attractive because it promises to bring government closer to the people.

This chapter has shown that there is good reason to suggest that devolution did bring exciting enhancements to democracy, but not exactly the double devolution envisioned by David Miliband. To be sure, the approaches described above, i.e. post-democracy, deliberative and direct democratic assumptions attached to decentralized governance, rarely address factors associated with class, partisanship and power struggles. Where the simultaneous approach to devolution is meant to establish economic powerhouses regionally and across cities there are contradictions in what this means for democracy. When the Conservatives returned to power they asserted the imperative that a Big Society be built on the principles of voluntary work, self-help and mutual aid to support a diminished state. The design of institutions or processes that promote public engagement and participation, vary by political level, ideological imprint, and the types of interests allowed to participate. Ultimately, this coincides with a dualistic aspect of capitalist democracy, namely that citizen and consumer approaches to inclusion are simultaneous expressions of the

[126] Matthew Flinders, "Efficiency versus Accountability?: Modernizing Governance and Democratic Renewal in Britain, 1997-205," in *Economic Efficiency – Democratic Empowerment*, ed. Ingolfur Blühdorn and Uwe Jun (Plymouth: Lexington Books, 2007), 182-183.
[127] Grant Jordan, "Policy Without Learning: Double Devolution and Abuse of the Deliberative Idea," *Public Policy and Administration* 22, 1 (2007): 48-49.

dilemmas facing the self-development aspects of democracy and democracy that sustains governing between civil society and the economy.[128] The combination of agents, norms and institutions plays out across political-economic scales, and as we have observed throughout this chapter this is complex, ongoing and conflict-ridden, but not without positive opportunities arising from the creation of new spaces of political restructuring. Democracy is always being transformed by action, and this will always involve politics, power and economics.

[128] Peter Wilkin and Carole Boudeau, "Public Participation and Public Services in British Liberal Democracy: Colin Ward's Anarchist Critique," *Environment and Planning C: Government and Policy* 33 (2015): 1331; Lynn A. Staeheli, "Political Geography: Democracy and the Disorderly Public," *Progress in Human Geography* 34, 1 (2010): 69, 75.

Chapter 5: Conclusion

The Historical Lessons of the Political Economy of Scale in Britain

An old adage speaks to the notion that truths are discovered by building on previous discoveries, or rather, by standing on the shoulders of giants. This dissertation has suggested that one way to nuance prominent discourses that examine inter-related social, political and economic phenomena, is to do comparative historical research. The critical social science epistemology this dissertation builds on seeks to uncover the mechanisms of macro-structural change associated with governments, states, economies and democracies. It recognizes the role that class plays in informing the structuring of political and economic institutions, relations and processes at different scales. Yet, the connection between class, political partisanship, and sectoral contestation, for example, are not the primary lenses through which many scholars tend to understand the specific phenomena this dissertation focuses on to inform the mechanisms of macro-structural change in advanced industrial countries, namely decentralization and devolution. As Alex Law and Gerry Mooney argue, particularly in the current historical period, class appears to be the name we dare not speak, not with respect to the social location of people, in analyzing how governments distribute resources and design policies, nor in how political and economic structures are (re)designed.[1]

I have attempted to contribute to the discipline of political science by revisiting and challenging the historical lineages of research that have defined our thinking about the British government, state, economy and democracy. As discussed in the first chapter, this largely connects

[1] Law and Mooney, "'We've Never Had it So Good'," 542

to postwar modernization and democratic theory. What commonly stands out is how distanced these analytical approaches are from the social contexts with which processes develop *and* change. In addition to this is how we choose to study social context, which for this dissertation is the scaled relations and partisan struggles within the British capitalist and democratic system. One way to understand what a system consists of is to study when, how and why it has changed over time. This is relevant to challenging past theories in that it recognizes that systems are not static, and that previous research has too often attempted to fit case studies into universal categories to be used for comparing analytical taxonomies.

A methodological privileging of certain scales and institutions as the definitive features of the British system is exactly what this dissertation speaks against. Focusing on change additionally allows us to specify the criteria by which change is to be assessed, and this allows us to reflect on the continuity and discontinuity of political structures. Colin Hay argues that we can do this by appreciating the relationship between structure and agency, namely that human intervention, however mediated and unintended its consequences are, occurs within a structured environment.[2] I have argued in this dissertation that we cannot remove social contexts from systems and conduct parsimonious comparisons between the parts of a whole, not if the goal is to explain the connection between structure and agency.

Modernization and democratic theorists of the post-war era took for granted the progressive extension of democratic citizenship simultaneously with capitalist transformation, and considered democracy largely about electing representatives to build a national welfare state. Yet, by dissecting how the political engagement of diverse actors at different scales of the state were invested in challenging the national level, I have been able to nuance commentary about what

[2] Colin Hay, "Continuity and Discontinuity in British Political Development," in *Postwar British Politics in Perspective*, David Marsh et al. (Malden: Polity Press, 1999), 35.

democracy also consisted of in terms of decentralized institutions and their partisan relations. Not only was this so-called low politics extremely important because it spoke to why the national level was not able to fully mobilize subnational change unilaterally whenever it pleased and without resistance, but because it was also actively part of defining what politics, economics and democracy meant to the encompassing political system.

Hence, democracy consists of a more complicated web of relationships between political and economic scales, institutions and actors. The simultaneous examination of national and subnational levels together uncovered several problems with how decision-making processes factored into public involvement. There were issues with formal democracy i.e. the maintenance of voting qualifications into the post-war period at the local level, and the denial of regional democracy until the end of the twentieth century. At the national level, property and privilege were qualifications for the House of Lords, and Members of Parliament were not representative of the population. Beyond simply formal democracy, other avenues for engaging the public in urban planning for example, a very important part of building and reinvigorating cities, jobs and industry, were very limited. More broadly, social democracy was concerned with capital-labour relations at a corporatist level; it did not guarantee shop floor democracy within industry, nor the public's determination of how policy was made or implemented in the public sector or at the legislative level. Moreover, democracy at different levels of the state has been gendered and racialized through various exclusionary policies and practices, and much of this affected citizenship by reinforcing barriers to political participation. In response to perceived democratic deficits, mobilization has occurred among multiple publics and counter-publics against different scales of the state's decision-making institutions and even against the organizational leadership mechanisms embedded in capital-labour relations.

This dissertation challenged assumptions about the British political system and democracy by applying and adapting some of the core elements of critical democratization research. To be sure, analyses of conflicts of interest in the political arenas of Western nations as part of democratic class struggles are decades old. Critical democratization analyses have argued against the idea that the unceasing development of industrial technology was the most important driver of societal change; rather, the state is not seen as a neutral arbiter between different groups as the new technologically-advanced and democratic system does not provide all groups roughly equal opportunities to mobilize. Instead, politics is an expression of socio-economic cleavages in society, and the struggle over the distribution of power resources is central to politics.[3]

The extent to which governments provide social protection and redistribution thus hinges, in this interpretation, on the ability of unions and left parties to mobilize workers politically. Such a proposition is not self-evident, for several theoretical traditions (and perhaps even segments of the public) downplay the significance of who governs in making society more inclusive.[4] Nonetheless, cross-national qualitative and quantitative research documents the importance of working-class mobilization as a condition for early welfare state and democratic consolidation and for explaining national differences in subsequent expansion.[5] This suggests that in contrast to postwar paradigms, the focus should not be on the characteristics of various democratic institutions or social programs

[3] See Walter Korpi, *The Democratic Class Struggle* (Boston: Routledge and Kegan Paul, 1983) 4, 8, 21. If this appears all too familiar it is because we can relate to how in the modern context there are similar views about the world, as changes to society are caused by rapid technological advancement. We hear about the collapsing of class and the opening of opportunity to everyone in the new deliberative, digital, open government age. Yet, in the context of Britain there are still those who remind us that its society remains divided by class; the gap between the richest and poorest is wider than in any period in the twentieth century, and technology has not simply led to universal enrichment of the least well off. See Selina Todd, *The People: The Rise and Fall of the Working Class* (London: John Murray, 2015), 267.

[4] Kwon and Pontusson, "Globalization, Labour Power and Partisan Politics Revisited," 254.

[5] John Myles and Jill Quadagno, "Political Theories of the Welfare State," *Social Service* Review 76, 1 (2002): **38**

but the ways in which different nations arrive at their peculiar public-private sector mix.[6] Dennis Pilon notes that:

> with this in mind we can see that institutions themselves are neither democratic nor undemocratic but only ever just potentially a means to democratic ends. What is important is the democratic substance they produce. Think of democracy as a relationship amongst people for their own collective self-governance. But the effort to introduce and sustain that relationship has always been contested by those who would prefer things to be organized in a different way (e.g. by status or wealth), as well as by the broader social relations of inequality – e.g. class, race, gender, etc. – that exist in any given locale.[7]

Working our way through historical research paradigms by revisiting social, political and economic phenomena over time also connects to current research paradigms. To be sure, although studies within the critical democratic class struggle paradigm have focused on how class-based left parties appear to have played a significant role in the development of social rights, there have been calls for research to analyze the multidimensional aspects of the development of welfare states and democracies.[8] Comparative research has studied how social expenditures, the development of social citizenship and social democratic rights are correlated with leftist parties. That research focuses on the relative strength of left parties in the electorate, the left's share of seats in the legislature and participation in cabinets, as well as the density of unions. For Walter Korpi, drawing on this quantitative data is advantageous but not without its limits. He states that at best, regression analyses can give a relatively objective basis for interpretations of the presence

[6] Gøsta Esping-Andersen, *Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990), 2.
[7] Dennis Pilon, "The Struggle Over Actually Existing Democracy," *Socialist Register* 54 (2018): 5.
[8] Walter Korpi, "Power, Politics, and State Autonomy in the Development of Social Citizenship: Social Rights During Sickness in Eighteen OECD Countries Since 1930," *American Sociological Review* 54, 3 (1989): 325.

or absence of effects of potential causal variables, but it does not determine the relative roles played by different factors in historical processes.[9]

To build on the critical epistemology just described - which simultaneously incorporates perspectives on democracy, political institutions and the welfare state - an entry point for this dissertation was to examine how decentralization is the result of investments of power resources and involves selectivity in the opportunities and constraints for action by what they introduce. The pursuit of decentralization in nearly every European state in the latter decades of the twentieth century offers an opportunity to examine how decentralization is mobilized by considerations of class. I provided an historical examination from the postwar period to the present and found that, in the British case, decentralization is inextricably linked to class conflicts arising from the contradictions of capitalism. This finding diverges from the four groups outlined in Chapter 1, i.e. pluralism, functionalism, centre-periphery struggles, and the rational actor model, which make claims about why decentralization occurs. Thus, decentralization was at one and the same time a mechanism that allowed national political actors to reconfigure the social bases of class power in subnational spaces, while simultaneously serving as a mechanism by which regional and local coalitions sought to reconfigure scales to redistribute power and assist with class-based economic objectives. Sectoral relations across different scales of the state influenced the course of these decentralized structures, and ideology was important in distinguishing how actors influenced the way in which they were sought after, used, reformed or dismantled.

Though a major focus of this dissertation was to explain why decentralization happens, it was simultaneously about connecting the struggles over decentralization to big structures and processes. I approached this by examining devolution, a large scale programme of restructuring

[9] Korpi, "Power, Politics, and State Autonomy in the Development of Social Citizenship," 316.

the entire British political system. I relied heavily on the politics of scale literature as the main way to visualize how different actors at different scales of the state were part and parcel of the struggle for *and against* devolution. The politics of scale takes its starting point from the failure of the state concept and specifically how it has conditioned the ways in which the core problems of modern political science have been phrased.[10] Building upon class-based analysis, scholars in this approach presume that the activities of the state can play an important role in shaping class relations: the latter are not simply given by structures established at the level of production even though they are the starting point. There is an initial distinction between two ways in which state economic interventions impact class structure: the first is that interventions alter production itself, while the second is that they both give expression to and shape the political organization of the classes. Yet as Gough explains, it is misleading to regard these as separate, i.e. material/economic and political/ideological.[11]

This approach[12] uniquely argues that neither the state's spatial form nor historically specific forms of state spatiality are ever structurally given.[13] From this, the objective should be to explore the complex connections among the institutionalization of political activity, the changing role of the capitalist state, and the importance of territorially embedding continued capital accumulation within the context of economic competitiveness.[14] It also notes that the examination of scales must include how actors not only engage in action within a given institutional matrix but reflexively

[10] Jens Bartelson, *The Critique of the State* (Cambridge: Cambridge University Press, 2001), 4.
[11] Jamie Gough, "Class Relations and Local Economic Planning," in *Politics, Geography and Social Stratification,* ed. Keith Hoggart and Eleonore Kofman (London: Croom Helm, 1986), 168-169.
[12] This dissertation does not delve into the differences among scholars concerning the politics of scale but rather draws on the similarities some of them share with respect to studying scales in relation the spatial geographies of capitalism and how class conflict is embedded in such spaces.
[13] Neil Brenner, *New State Spaces: Urban Governance and the Rescaling of Statehood* (Oxford: Oxford University Press, 2004), 84.
[14] Mark Goodwin, Martin Jones and Rhys A. Jones, "The Theoretical Challenge of Devolution and Constitutional Change in the United Kingdom," in *Territory, Identity and Spatial Planning: Spatial Governance in a Fragmented Nation*, ed. Mark Tewdwr-Jones and Philip Allmendinger (Abingdon: Routledge, 2006), 37.

reconstitute institutions and their resulting matrix.[15] In other words, scale both expresses and helps to constitute the social, economic and political power of class actors. This dissertation brought together various processes and sites of struggle at the urban, regional and national levels. Building on Gough, it showed how British devolution was more broadly connected to the struggles over decentralization and democracy because of how they were simultaneous expressions and re-articulations of the spatial contradictions of capitalism and its associated class tensions.[16] Political parties (statewide and regional), local councilors, the working class, and spatially rooted social movements, were most certainly divided by place and ideology when it came to the scaling of the state, how economic development should be pursued, and how decision-making should be institutionalized.

The above raises the question: what do political actors intend to accomplish by implementing devolution? There are at least three clusters of perspectives concerning what devolution accomplishes. First, devolution is about empowering the marginalized; it grants those who have been excluded from participation in national power increased access to decision-making opportunities.[17] In this perspective, devolution changed the institutional architecture of Scottish politics, including the formal machinery and operation of democracy and government, which are different from the old Scottish Office model.[18] Second, devolution accelerates the evolution of the constitutional principles governing the state; it involves the transfer of legislative functions to a subordinate elected body on a geographical basis. In this way, devolution is concerned with reconciling two conflicting principles, the supremacy of Parliament as well as the grant of self-

[15] Jessop, "Institutional re(turns) and the Strategic-Relational Approach," 1226.
[16] Gough, "Changing Scale as Changing Class Relations, 186.
[17] Allan Cochrane, "Devolving the Heartland: Making Up a New Social Policy for the 'South East'," *Critical Social Policy* 26, 3 (2006): 685.
[18] McGarvey, "Devolution in Scotland: Change and Continuity." 25.

government in domestic affairs to Scotland, Wales and Northern Ireland.[19] Third, devolution augments legitimacy and democratic accountability; as a response to the public's increasing distrust of formal political institutions, the intention of devolution is to design more collaborative and transparent approaches to developing and administering public policy. Ultimately, a more nuanced perspective is needed to grasp the (political, fiscal and legal) complexities of enacting devolution. For example, it has been stated that the Welsh Assembly and Scottish Parliament represent a distinct break with Westminster because the devolved systems do not use the first-past-the-post electoral system.[20] At the same time, there is the claim that devolution did not create a new tier of government, but rather added a democratic element to an already existing administrative tier.[21] I have argued that devolution contains elements of both substantive change but also path dependency, and notably a mix of competing objectives attached to decentralization, economic modernization and democratization.

Overall, I found that the left was a strong advocate for decentralization, devolution and democratic expansion. The left consisted of coalitions nationally, regionally and locally. At the same time, the left was not - as many scholars who focus on national level comparisons argue – always enthusiastic or even willing to pursue very progressive forms of decentralization, devolution and democratic expansion. This varied according to scale, to time period, and to the pressures of other actors. By way of contrast, the right was almost always opposed to political devolution and democratic enhancement, but it was willing to reconfigure scales of the state and implement decentralization as a mechanism to facilitate the private sector's control of economic development.

[19] Bogdanor, *Devolution in the United Kingdom*, 1.
[20] Moran, *Politics and Governance in the UK*, 178-179.
[21] James Mitchell, "Evolution and Devolution: Citizenship, Institutions, and Public Policy," *Publius*, 36, 1 (2006): 165.

Why is this point about ideology, the right and the left of the political spectrum important? The reason is that if social class is relevant to scale transformation, then it requires attention to the class basis of entire democratic political systems, both past and present. This is particularly relevant to the current epoch, and particularly the research that is attempting to challenge the basis of mainstream thinking about democracy. For example, Ian O'Flynn and Nicole Curato state that there needs to be an understanding that free and fair elections are not enough on their own to determine the democratic quality of a system, but rather what is required are "free and fair deliberation among equals as the basis for legitimacy."[22] This relates to what was only briefly discussed in Chapter 4 regarding the third transformation of democracy: that it is both deliberative and post-democratic. This dissertation attempts to build a foundation for future research about the expanded bases of potentially deliberative democratization. But it cautions against an apparent turning away from critical pedagogy to a more familiar postwar modernization and democratic theory redux: viewing contemporary political systems in advanced industrial democracies as separated from class relations at multiple scales of the state.

If our goal is to avoid this, our starting point must be associated with critical thinking about the historic struggle for democracy. The struggle for democracy is an ongoing story about social class relations, and it is particularly a story about the continuous efforts by organized labour to utilize political institutions as mechanisms to make most people's lives more livable through the implementation of social policies and rights. Hence, if sites of deliberation are to be connected to the broader political and economic system of a nation-state, they must be framed in terms of creating inclusive horizontal spaces that are responsible for redistributing resources across society, not how new 'deliberative' institutional mechanisms can enhance representative democracy for

[22] Ian O'Flynn and Nicole Curato, "Deliberative Democratizatin: A Framework for Systemic Analysis," *Policy Studies* 36, 3 (2015): 299.

the sake of attenuating democratic deficits such as a lack of transparency, openness and accountability.

Nothing underscores the importance of this undertaking more than the fact that we currently see scholars providing competing narratives about democracy in the era of devolution. For example, there are claims on the one hand about the devolved administrations in Scotland, Wales and London being constitutive of new spaces of deliberative democracy, rendering public debate more open and more diverse.[23] On the other hand, there are simultaneous claims that by comparative standards the difference between majoritarian and consensual democracies is that the latter offer greater opportunities for participatory and deliberative democracy, leading to higher levels of public trust and fewer examples of extreme policy shifts.[24] Therefore, the latter position asserts that devolution is not actually all that deliberative when compared to, say, Sweden. Arguably, the only way that this can be resolved is by comparative historical analysis across scales of the state. This dissertation lays the groundwork for future research by offering a host of mixed perspectives, across time and scales, about what democracy looked like and what the struggles surrounding democracy consisted of from the postwar period to the present. Upcoming research can thus build on this dissertation by focusing on the connection between the political economy of scale and deliberative democratization. If scales are not immutable, then how they are amenable to contestation is an important basis for continuing research on the role that class plays with respect to phenomena like decentralization, geographical economic development, and deliberative public engagement. It is up to contemporary scholars to examine whether deliberative spaces challenge some of the most negative aspects of modern capitalism.

[23] Morgan, "The Polycentric State: New Spaces of Empowerment and Engagement?," 1248.
[24] Flinders, "Majoritarian Democracy in Britain: New Labour and the Constitution," 67.

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