

## 'Federal Britain: The case for decentralisation' summary

- The UK's current devolution settlement leads to unrepresentative government and has an inbuilt bias towards "big government".
- The UK has the most centralised government of the G7. Only 5 per cent of revenue is raised locally, compared with 50 per cent in Canada and 13 per cent in France.
- There are a number of benefits from decentralising government. Decentralisation promotes greater experimentation, better matching of services to local preferences and greater competition between providers of government-funded services.
- This theory is confirmed by the evidence. Fiscal decentralisation is associated with higher national income and higher levels of investment. In particular, increasing the local share of taxation from 5 per cent to 20 per cent (still low by G7 standards) could raise GDP per capita by 6 per cent. With low levels of revenue decentralisation, the UK is in a particularly good position to gain from transferring powers from central to local government.
- To correct our current asymmetric devolution settlement, a federal state should be created with the different nations forming a federal union, either between Scotland and RUK, or between every nation individually. The federal government should have limited number of powers including defence, foreign affairs and border control. No other proposed solution to the "English question" can provide the same stability or beneficial economic outcomes.
- Centralisation would be prevented by requiring unanimity amongst the parliaments of all the individual nations before any further powers were passed to the federal (UK) level.
- There should also be a radical decentralisation of powers to local government within nations. Control should be at the local level unless functions cannot be performed locally.
- Responsibility for the following should be transferred to local level: environmental policy; working age welfare delivery; education and health; natural resource exploitation; lifestyle regulation; policing; and housing and planning. Local authorities could join together to provide some functions, where local geography or other circumstances made that desirable. In addition, reforms to promote autonomy for individuals, families and civil society institutions, especially in relation to health and education, are desirable.
- Except for working age welfare, which would be largely financed by government grant but administered by local government, all local government functions would be financed entirely by local revenue streams. These would come from user charges and from some combination of the following taxes to be determined at local level: Council Tax; land value taxes; taxes on business property; natural resource levies; consumption taxes; variation in income taxes; and tourist taxes.
- Two crucial principles must be applied. Firstly, revenue must be raised by the layer of government that is undertaking spending. Secondly, one layer of government must not bail out the debts incurred by any other layer of government. To prevent the problems seen in the euro zone, the central bank would not accept Scottish, English, Welsh and Northern Irish bonds as collateral in monetary policy operations.

